HALBROOK JOHN A
Form 4
December 02, 2011

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
HALBROOK JOHN A

(Last) (First) (Middle)

1000 E. DRAKE ROAD

(Street)

FORT COLLINS, CO 80525

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Woodward, Inc. [WWD]

3. Date of Earliest Transaction (Month/Day/Year)
11/30/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Woodward, Inc. Common Stock	11/30/2011		S		6,000	D	$ 41.4	770,827	D	
Woodward, Inc. Common Stock	11/30/2011		S		5,000	D	$ 41.65	765,827 (1)	D	
Woodward, Inc. Common Stock								230,000	I	By self as trustee for The Benita K.

				Halbrook Grantor Retained Annuity Trust
Woodward, Inc. Common Stock		5,000	I	By self as co-trustee for The Benita K. Halbrook Living Trust
Woodward, Inc. Common Stock		260,000	I	By self as holder of note. See footnote (2)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount o Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amo Num Share
Nonqualified Stock Option (right to buy)	$ 7.7367							11/21/2004 (3)	11/21/2013	Woodward, Inc. Common Stock	168
Nonqualified Stock Option (right to buy)	$ 11.9084							11/24/2005 (3)	11/24/2014	Woodward, Inc. Common Stock	48,
Nonqualified Stock Option	$ 18.49							11/15/2007 (3)	11/15/2016	Woodward, Inc.	8,2

(right to buy)				Common Stock	
Nonqualified Stock Option (right to buy)	$ 32.73	11/16/2008 (3)	11/16/2017	Woodward, Inc. Common Stock	5,7
Nonqualified Stock Option (right to buy)	$ 18.67	11/24/2009 (3)	11/24/2018	Woodward, Inc. Common Stock	3,8
Nonqualified Stock Option (right to buy)	$ 23.18	10/01/2010 (3)	10/01/2019	Woodward, Inc. Common Stock	7,6
Nonqualified Stock Option (right to buy)	$ 32.04	10/01/2011 (3)	10/01/2020	Woodward, Inc. Common Stock	6,2
Nonqualified Stock Option (right to buy)	$ 25.57	10/03/2012 (3)	10/03/2021	Woodward, Inc. Common Stock	6,7

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HALBROOK JOHN A 1000 E. DRAKE ROAD FORT COLLINS, CO 80525	X			

Signatures

Jody L. Harrell, by Power of Attorney	12/02/2011
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Includes 352,962 shares of Woodward common stock that are pledged in a standard margin account; 3,250 shares held in a joint account with Mr. Halbrook's son; 3,759 shares held jointly with Mr. Halbrook's mother and over which Mr. Halbrook holds power of attorney; 189,855 shares held in the Halbrook Family Foundation; and 47,227 shares held in an individual retirement account.

(2) Mr. Halbrook beneficially owns 260,000 shares sold in 2011 to The Halbrook Family Irrevocable Trust (the "Halbrook Family Trust Shares"), of which Mr. Halbrook's children are the beneficiaries and trustees without dispositive power with respect to these shares. The Halbrook Family Trust Shares were sold by Mr. Halbrook in exchange for a promissory note in the principal amount of $8,936,200, accruing interest at the rate of 1.5% per year.

(3) Options become exercisable at a rate of 25% per year beginning on the exercisable date shown.

Remarks:

This Form 4 is filed to report the transactions shown herein, to reflect Mr. Halbrook's current holdings and correct previous mi

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. 2,532

Warranty reserve

447 250

Deferred revenue

1,094 594

Income tax payable

25 21

Deferred income taxes, net

10 7

Total current liabilities

13,790 9,141

Long-term liabilities

Preferred stock warrant liability

164 337

Long-term debt, net of current portion

5,057 7,097

Total liabilities

19,011 16,575

Commitments and contingencies (Note 6)

Redeemable convertible preferred stock

Preferred stock, $0.001 par value per share; 9,606,450 and 6,769,657 shares authorized; 9,455,730 and 6,590,986 shares issued and outstanding; liquidation preference of $134,779 and $94,362 at December 31, 2012 and 2011, respectively

109,345 83,122

Stockholders deficit

Preferred stock, $0.001 par value per share; 66,666 shares authorized; 66,666 shares issued and outstanding; liquidation preference of $250 at both December 31, 2012 and 2011

247 247

Common stock, $0.001 par value per share; 18,333,333 and 15,000,000 shares authorized; 272,096 and 250,440 shares issued and outstanding at December 31, 2012 and 2011, respectively

1 1

Accumulated deficit

(81,018) (75,814)

Total stockholders deficit

(80,770) (75,566)

Total liabilities, redeemable convertible preferred stock and stockholders deficit	$47,586	$24,131

See accompanying notes to financial statements.

Table of Contents

Inogen, Inc.

Statements of operations

(amounts in thousands, except share and per share amounts)

	Year ended December 31, 2012 (restated)	2011 (restated)
Revenue		
Sales revenue	$ 28,077	$ 19,076
Rental revenue	19,872	10,977
Sales of used rental equipment	95	46
Other revenue	532	535
Total revenue	48,576	30,634
Cost of revenue		
Cost of sales revenue	17,359	12,127
Cost of rental revenue, including depreciation of $4,056 and $2,418, respectively	7,243	3,783
Cost of used rental equipment sales	25	20
Total cost of revenue	24,627	15,930
Gross profit	23,949	14,704
Operating expenses		
Research and development	2,262	1,789
Sales and marketing	12,569	9,014
General and administrative	8,289	5,623
Total operating expenses	23,120	16,426
Income (loss) from operations	829	(1,722)
Other (expense) income		
Interest expense	(493)	(261)
Interest income	88	113
Decrease (increase) in fair value of preferred stock warrant liability	148	(119)
Other income	10	
Total other (expense) income	(247)	(267)
Income (loss) before provision for income taxes	582	(1,989)
Provision for income taxes	18	13
Net income (loss)	$ 564	$ (2,002)
Less deemed dividend on redeemable convertible preferred stock	(5,781)	(3,027)

Net loss attributable to common stockholders	$ (5,217)	$ (5,029)
Basic and diluted net loss per share attributable to common stockholders	$ (19.97)	$ (20.15)
Weighted average number of shares used in calculating loss per share attributable to common stockholders basic and diluted	261,268	249,519
	(unaudited)	
Pro forma net income per share attributable to common stockholders		
Basic	$ 0.04	
Diluted	$ 0.04	
Shares used in computing pro forma net income per share		
Basic	14,601,861	
Diluted	15,486,487	

See accompanying notes to financial statements.

F-6

Table of Contents

Inogen, Inc.

Statements of redeemable convertible preferred stock

(amounts in thousands, except share amounts)

	Series B redeemable convertible preferred stock		Series C redeemable convertible preferred stock		Series D redeemable convertible preferred stock		Series E redeemable convertible preferred stock		Series F redeemable convertible preferred stock		Series G redeemable convertible preferred stock		Total redeemable convertible preferred stock
	Shares	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	
Balance, December 31, 2010	423,082	$ 5,026	341,294	$ 6,000	1,487,225	$ 32,571	1,634,874	$ 25,573	2,701,957	$ 10,877		$	$ 80,047
Warrants exercised			2,554	48									48
Deemed dividend on redeemable convertible preferred stock								1,352		1,675			3,027
Balance, December 31, 2011	423,082	5,026	343,848	6,048	1,487,225	32,571	1,634,874	26,925	2,701,957	12,552			83,122
Series G financing											2,840,260	19,945	19,945
Accretion of Series G financing costs												55	55
Warrants exercised	2,429	30	22,055	412									442
Deemed dividend on redeemable convertible preferred stock								1,119		1,503		3,159	5,781
Balance, December 31, 2012	425,511	$ 5,056	365,903	$ 6,460	1,487,225	$ 32,571	1,634,874	$ 28,044	2,701,957	$ 14,055	2,840,260	$ 23,159	$ 109,345

See accompanying notes to financial statements.

F-7

Table of Contents

Inogen, Inc.

Statements of stockholders deficit

(amounts in thousands, except share amounts)

	Series A convertible preferred stock		Common stock		Additional paid-in capital	Accumulated deficit	Total stockholders deficit
	Shares	**Amount**	**Shares**	**Amount**	**(restated)**	**(restated)**	**(restated)**
Balance, December 31, 2010 (restated)	66,666	$ 247	248,597	$ 1	$	$ (70,930)	$ (70,682)
Stock-based compensation					144		144
Stock options exercised			1,843		1		1
Deemed dividend on redeemable convertible preferred stock					(145)	(2,882)	(3,027)
Net loss						(2,002)	(2,002)
Balance, December 31, 2011 (restated)	66,666	$ 247	250,440	$ 1		$ (75,814)	$ (75,566)
Stock-based compensation					60		60
Stock options exercised			4,270		3		3
Warrants exercised - common			17,386		5		5
Accretion of Series G financing costs						(55)	(55)
Deemed dividend on redeemable convertible preferred stock					(68)	(5,713)	(5,781)
Net income						564	564
Balance, December 31, 2012 (restated)	66,666	$ 247	272,096	$ 1	$	$ (81,018)	$ (80,770)

See accompanying notes to financial statements.

Table of Contents

Inogen, Inc.

Statements of cash flows

(amounts in thousands)

	Year ended December 31, 2012	2011
	(restated)	(restated)
Cash flows from operating activities		
Net income (loss)	$ 564	$ (2,002)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	4,984	3,198
Loss of rental units	263	83
Provision for sales returns	31	(10)
Provision for doubtful accounts and adjustments	1,071	1,016
Provision for inventory obsolescence	50	63
Stock-based compensation expense	60	144
(Decrease) Increase in fair value of preferred stock warrant liability	(148)	119
Changes in operating assets and liabilities:		
Accounts receivable	(3,764)	(1,565)
Inventories	(2,444)	65
Deferred costs of rental revenue expenses	(89)	(10)
Prepaid expenses and other current assets	124	(181)
Accounts payable and accrued expenses	2,598	673
Warranty reserve	197	
Deferred revenue	500	253
Income tax payable	4	11
Deferred income taxes	3	2
Net cash provided by operating activities	4,004	1,859
Cash flows from investing activities		
Investment in intangible assets	(63)	(161)
Production of rental equipment	(10,361)	(7,890)
Purchases of property and equipment	(2,024)	(909)
(Refund) reimbursement of deposit	(27)	42
Net cash used in investing activities	(12,475)	(8,918)

See accompanying notes to financial statements.

Table of Contents

Inogen, Inc.

Statements of cash flows (continued)

(amounts in thousands)

	2012	Year ended December 31, 2011
	(restated)	(restated)
Cash flows from financing activities		
Net proceeds from issuance of Series G redeemable convertible preferred stock	19,945	
Proceeds from redeemable convertible preferred stock warrants exercised	417	46
Proceeds from common stock warrants exercised	5	
Proceeds from stock options exercised	3	1
Repayment of debt from investment in intangible assets	(213)	(213)
Proceeds from borrowings	6,000	6,000
Repayment of borrowings	(6,480)	(658)
Net cash provided by financing activities	19,677	5,176
Net increase (decrease) in cash and cash equivalents	11,206	(1,883)
Cash and cash equivalents, beginning of year	3,906	5,789
Cash and cash equivalents, end of year	$ 15,112	$ 3,906
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	$ 462	$ 258
Cash paid during the year for income taxes	37	16
Non-cash transactions:		
Deemed dividend on redeemable convertible preferred stock	$ 5,781	$ 3,027
Acquisition of intangible asset with note payable		650

See accompanying notes to financial statements.

F-10

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

1. Nature of business

Inogen, Inc. (Company or Inogen) was incorporated in Delaware on November 27, 2001. The Company is a medical technology company that develops, manufactures and markets innovative portable oxygen concentrators used for supplemental long-term oxygen therapy by patients with chronic obstructive pulmonary disease, or COPD, and other chronic respiratory conditions. Our proprietary Inogen One systems are designed to address the quality-of-life and other shortcomings of the traditional oxygen therapy model, which we call the delivery model. Traditionally, oxygen therapy patients have relied upon stationary oxygen concentrator systems in the home in conjunction with regular deliveries of oxygen tanks or cylinders for ambulatory, or mobile, use, limiting their mobility and requiring them to plan activities outside of their homes around delivery schedules and a finite oxygen supply. Our Inogen One systems concentrate the air around them to offer a single source of supplemental oxygen anytime, anywhere in devices weighing approximately five to seven pounds. Our products eliminate the need for oxygen deliveries, as well as regular use of a stationary concentrator, thereby improving patient quality-of-life and fostering patient mobility.

2. Summary of significant accounting policies

Basis of presentation

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). As stated in Note 10, the Company has restated its previously issued financial statements as of and for the years ended December 31, 2012 and 2011.

Accounting estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates used in preparing these financial statements include accounts receivable reserves, inventory reserves, warranty reserves, warrant liability, stock-based compensation expense and income tax provision. Actual results could differ from those estimates and such differences could be material to the financial position and results of operations.

Revenue recognition

The Company generates revenue primarily from sales and rentals of its products. The Company s products consist of its proprietary line of oxygen concentrators and related accessories. Other revenue comes from service contracts, extended warranty contracts and freight revenue for product shipments.

Revenue from product sales is recognized when all of the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

rendered; (3) the price to the customer is fixed or determinable; and (4) collectability is reasonably assured. Revenue from product sales is recognized upon shipment of the product. Provisions for estimated returns and discounts are made at the time of shipment. Provisions for standard warranty obligations, which are included in cost of sales revenue, are also provided for at the time of shipment.

Accruals for estimated standard warranty expenses are made at the time that the associated revenue is recognized. The provisions for estimated returns, discounts and warranty obligations are made based on known claims and discount commitments and estimates of additional returns and warranty obligations based on historical data and future expectations. The Company has accrued $447 and $250 to provide for future warranty costs at December 31, 2012 and 2011, respectively.

The Company recognizes equipment rental revenue over the non-cancelable lease term, which is one month, less estimated adjustments, per ASC 840 Leases. The Company has separate contracts with each patient that are not subject to a master lease agreement with any payor. The Company evaluates the individual lease contracts at lease inception and the start of each monthly renewal period to determine if there is reasonable assurance that the bargain renewal option associated with the potential capped free rental period would be exercised. Historically, the exercise of such bargain renewal option is not reasonably assured at lease inception and most subsequent monthly lease renewal periods. If the Company determines that the reasonable assurance threshold for an individual patient is met at lease inception or at a monthly lease renewal period, such determination would impact the bargain renewal period for an individual lease. The Company would first consider the lease classification issue (sales-type lease or operating lease) and then appropriately recognize or defer rental revenue over the lease term, which may include a portion of the capped rental period. To date, the Company has not deferred any amounts associated with the capped rental period. Amounts related to the capped rental period have not been material in the periods presented.

The lease term begins on the date products are shipped to patients and are recorded at amounts estimated to be received under reimbursement arrangements with third-party payors, including Medicare, private payors, and Medicaid. Due to the nature of the industry and the reimbursement environment in which the Company operates, certain estimates are required to record net revenue and accounts receivable at their net realizable values. Inherent in these estimates is the risk that they will have to be revised or updated as additional information becomes available. Specifically, the complexity of many third-party billing arrangements and the uncertainty of reimbursement amounts for certain services from certain payors may result in adjustments to amounts originally recorded. Such adjustments are typically identified and recorded at the point of cash application, claim denial or account review. Accounts receivable are reduced by an allowance for doubtful accounts which provides for those accounts from which payment is not expected to be received, although product was delivered and revenue was earned. Upon determination that an account is uncollectible, it is written-off and charged to the

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

allowance. Amounts billed but not earned due to the timing of the billing cycle are deferred and recognized in income on a straight-line basis over the monthly billing period. For example, if the first day of the billing period does not fall on the first of the month, then a portion of the monthly billing period will fall in the subsequent month and the related revenue and cost would be deferred based on the service days in the following month.

Rental revenue is recognized as earned, less estimated adjustments. Revenue not billed at the end of the period are reviewed for the likelihood of collections and accrued. The rental revenue stream is not guaranteed and payment will cease if the patient no longer needs oxygen or returns the equipment. Revenue recognized is at full estimated allowable amounts; transfers to secondary insurances / patient responsibility have no net effect on revenue. Rental revenue is earned for that month if the patient is on service on the first day of the 30-day period commencing on the recurring date of service for a particular claim, regardless if there is a change in condition/death after that date.

Included in rental revenue are unbilled amounts for which the revenue recognition criteria had been met as of period-end but were not billed. The estimate of unbilled rental revenue accrual is based on historical trends and estimates of future collectability.

Revenue from the sales of used rental equipment is recognized upon delivery and when collectability is reasonably assured and other revenue recognition criteria are met. When a rental unit is sold, the related cost and accumulated depreciation are removed from their respective accounts, and any gains or losses are included in gross profit.

Revenue from the sales of the Company s services is recognized when no significant obligations remain undelivered and collection of the receivables is reasonably assured. The Company offers extended service contracts on its Inogen One concentrator line for periods ranging from 12 to 24 months after the end of the standard warranty period. Revenue from these extended service contracts is recognized in income on a straight-line basis over the contract period.

The Company also offers a lifetime warranty for direct-to-consumer sales. For a fixed price, the Company agrees to provide a fully functional oxygen concentrator for the remaining life of the patient. Lifetime warranties are only offered to patients upon the initial sale of oxygen equipment by the Company, and are non-transferable. Product sales with lifetime warranties are considered to be multiple element arrangements within the scope of ASC 605-25.

There are two deliverables when product that includes a lifetime warranty is sold. The first deliverable is the oxygen concentrator equipment which comes with a standard warranty of three years. The second deliverable is the life time warranty that provides for a functional oxygen concentrator for the remaining lifetime of the patient. These two deliverables qualify as separate units of accounting.

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

The revenue is allocated to the two deliverables on a relative selling price method. The Company has vendor-specific objective evidence of selling price for the equipment. To determine the selling price of the lifetime warranty, the company uses its best estimate of the selling price for that deliverable as the lifetime warranty is neither separately priced nor selling price is available through third-party evidence. To calculate the selling price associated with the lifetime warranties, management considered the profit margins of the overall business, the average estimated cost of lifetime warranties and the price of extended warranties. A significant estimate used to calculate the price and expense of lifetime warranties is the life expectancy of patients. Based on clinical studies, the company estimates that 60% of patients will succumb to their disease within three years. Given the approximate mortality rate of 20% per year, the company estimates on average all patients will succumb to their disease within five years. The Company has taken into consideration that when patients decide to buy an Inogen portable oxygen concentrator with a lifetime warranty, they typically have already been on oxygen for a period of time, which can have a large impact on their life expectancy from the time our product is deployed.

After applying the relative selling price method, revenue from equipment sales is recognized when all other revenue recognition criteria for product sales are met. Lifetime warranty revenue is recognized using the straight-line method during the fourth and fifth year after the delivery of the equipment which is the estimated usage period of the contract based on the average patient life expectancy.

Shipping and handling

Shipping and handling costs for sold products and rental assets, shipped to the Company s customers are included on the statements of operations as part of cost of sales revenue and cost of rental revenue, respectively. The Company s shipping and handling costs relating to sales revenue and rental revenue were $639 and $1,922, respectively, for the year ended December 31, 2012. The Company s shipping and handling costs relating to sales revenue and rental revenue were $388 and $978, respectively, for the year ended December 31, 2011. Income from shipping and handling fees charged to its customers is included in other revenue on the statements of operations. The Company earned $214 and $164 from shipping and handling fees for the years ended December 31, 2012 and 2011, respectively.

Fair value of financial instruments

The Company s financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, debt and warrants. The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued expenses approximate fair values based on the short-term nature of these financial instruments.

The fair value of the Company s debt approximates carrying value based on the Company s current incremental borrowing rate for similar types of borrowing arrangements. Imputed interest associated with the Company s non-interest bearing debt is insignificant.

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

The fair value of the Company s preferred stock warrant liability is estimated using a Monte Carlo valuation model.

Fair value accounting

Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, creates a single definition of fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on assumptions that market participants would use in pricing the asset or liability. Assets and liabilities adjusted to fair value in the balance sheet are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

Level inputs, as defined by ASC 820, are as follows:

Level input	Input definition
Level 1	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level 2	Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability through corroboration with market data at the measurement date.
Level 3	Unobservable inputs that reflect management s best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The following table summarizes fair value measurements by level at December 31, 2012 for the liabilities measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Preferred stock warrant liability	$	$	$ 164	$ 164
Total liabilities	$	$	$ 164	$ 164

The following table summarizes fair value measurements by level at December 31, 2011 for the liabilities measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Preferred stock warrant liability	$	$	$ 337	$ 337
Total liabilities	$	$	$ 337	$ 337

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Fair value accounting (continued)

The following table summarizes the fair value measurements using significant Level 3 inputs, and changes therein, for the year ended December 31, 2012 and 2011:

	Warrant liability
Balance as of December 31, 2010	$ 220
Fair value of preferred stock warrants exercised	(2)
Change in fair value	119
Balance as of December 31, 2011	337
Fair value of preferred stock warrants exercised	(25)
Change in fair value	(148)
Balance as of December 31, 2012	$ 164

The preferred stock warrant liability is marked to market each reporting date until the warrants are settled. The fair value of the preferred stock warrant liability is estimated using a Monte Carlo valuation model, which takes into consideration the market values of comparable public companies, considering among other factors, the use of multiples of earnings, and adjusted to reflect the restrictions on the ability of the Company s shares to trade in an active market.

Cash and cash equivalents

Cash equivalents are recorded at cost, which approximates market value. The Company considers all highly liquid investments with original maturities of 90 days or less at the time of purchase to be cash equivalents.

Accounts receivable and allowance for bad debts, returns, and adjustments

Accounts receivable are customer obligations due under normal sales and rental terms. The Company performs continuing credit evaluations of the customers financial condition and generally does not require collateral. The allowance for doubtful accounts is maintained at a level that, in management s opinion, is adequate to absorb potential losses related to account receivables and is based upon the Company s continuous evaluation of the collectability of outstanding balances. Management s evaluation takes into consideration such factors as past bad debt experience, economic conditions and information about specific receivables. The Company s evaluation also considers the age and composition of the outstanding amounts in determining their net realizable value. The allowance is based on estimates, and ultimate losses may vary from current estimates. As adjustments to these estimates become necessary, they are reported in earnings in the periods that they become known. The allowance is increased by bad debt provisions charged to bad debt expense in operating expense and reduced by direct write-offs, net of recoveries.

F-16

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Accounts receivable and allowance for bad debts, returns, and adjustments (continued)

Provision for sales returns applies to direct to consumer sales only. The Company does not allow returns from providers. This reserve is calculated based on actual historical return rates under our 30-day return program and is applied to the current period s sales revenue for direct to consumer sales.

The Company also records an allowance for rental revenue adjustments and write-offs, which is recorded as a reduction of rental revenue and rental accounts receivable balances. These adjustments and write offs result from contractual adjustments, audit adjustments, untimely claims filings or billings not paid due to another provider performing same or similar functions for the patient in the same period, all of which prevent billed revenue to become realizable. The reserve is based on historical revenue adjustments as a percentage of rental revenue billed during the related period.

When recording the allowance for doubtful accounts, the bad debt expense account (general & administrative expense account) is charged, when recording allowance for sales returns, the sales returns account (contra sales revenue account) is charged, and when recording the allowance for adjustments, the rental revenue adjustments account (contra rental revenue account) is charged.

At December 31, 2011 and 2012, included in accounts receivable on the balance sheets are earned but unbilled receivables of $0.7 million and $1.0 million, respectively.

Concentration of credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents and accounts receivable. At times, cash account balances may be in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC). However, management believes the risk of loss to be minimal. The Company performs periodic evaluations of the relative credit standing of these institutions and has not experienced any losses on its cash and cash equivalents and short-term investments to date.

Concentration of customers and vendors

The Company sells its products to home medical equipment providers in the United States and in foreign countries on a credit basis, which resulted in a customer concentration of a major customer that accounted for 12% of net revenue in 2012. This major customer is an international distributor of the Company s products. The accounts receivable balance from the major customer was $265 or 3% of total accounts receivable at December 31, 2012.

The same customer accounted for 7% of total revenue in 2011, along with another international customer that also accounted for 7% of net revenue in 2011. Accounts receivable balances were $436 or 7% of total accounts receivable for one of these customers and immaterial for the other as of December 31, 2011.

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Concentration of customers and vendors (continued)

The Company also rents products directly to patients, which resulted in a customer concentration relating to Medicare s service reimbursement programs. Medicare s service reimbursement programs (net of patient co-insurance obligations) accounted for 66% and 72% of rental revenue in 2012 and 2011, respectively and based on total revenue were 27% and 26% for 2012 and 2011, respectively. Account receivable balances relating to Medicare s service reimbursement programs amounted to $3,043 or 33% of total accounts receivable at December 31, 2012, and $1,832 or 29% of total accounts receivable at December 31, 2011.

The Company currently purchases raw materials from a limited number of vendors, which resulted in a concentration of three major vendors that accounted for 19%, 14%, and 8%, respectively, of total raw material purchases in 2012. The three major vendors supply the Company with raw materials used to manufacture the Company s products. Accounts payable balances for the three major vendors were $598, $509, and $618, respectively, or 15%, 12%, and 15%, respectively, of total accounts payable at December 31, 2012.

For 2011, the Company s three major vendors accounted for 17%, 15%, and 12%, respectively, of total raw material purchases in 2011. Accounts payable balances for the three major vendors were $487, $84, and $550, respectively, or 15%, 3%, and 17%, respectively, of total accounts payable at December 31, 2011.

A portion of revenue is earned from sales outside the United States. Non-U.S. revenue is denominated in U.S. dollars. A breakdown of the Company s revenue from U.S. and non-U.S. sources for the years ended December 31, 2012 and 2011 is as follows (in thousands):

	2012	**2011**
U.S. revenue	$ 35,180	$ 22,843
Non-U.S. revenue	13,396	7,791
	$ 48,576	$ 30,634

F-18

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using a standard cost method, including material, labor and manufacturing overhead, whereby the standard costs are updated at least quarterly to reflect approximate actual costs using the first-in, first out (FIFO) method and market represents the lower of replacement cost or estimated net realizable value. The Company records adjustments at least quarterly to inventory for potentially excess, obsolete, slow-moving or impaired items. Inventories consist of the following:

	December 31, 2012	2011
Raw materials and work-in progress	$ 3,744	$ 1,436
Finished goods	413	337
Less: reserves	(98)	(108)
	$ 4,059	$ 1,665

Property and equipment

Property and equipment are stated at cost. Depreciation and amortization are calculated using the straight-line method over the assets estimated useful lives as follows:

Rental equipment	1.5-5 years
Manufacturing equipment and tooling	5 years
Computer equipment and software	3 years
Furniture and equipment	3-5 years
Leasehold improvements	Shorter of 3-7 years or life of underlying lease

Expenditures for repairs and maintenance are charged to operations as incurred. Expenditures for additions, improvements and replacements are capitalized.

Rental equipment is recorded at cost and depreciated over the estimated useful life of the equipment using the straight-line method. The range of estimated useful lives for rental equipment is eighteen months to five years. Rental equipment is depreciated to a salvage value of zero. Repair and maintenance costs are included in cost of revenue in the statements of operations. Repair and maintenance expense, including both labor and parts, for the rental equipment was $392 and $239 for the years ended December 31, 2012 and 2011, respectively.

F-19

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Property and equipment (continued)

Depreciation and amortization expense related to property and equipment and rental equipment is summarized below for the years ended December 31, 2012 and 2011, respectively (in thousands).

		December 31,
	2012	**2011**
Rental equipment	$ 4,056	$ 2,418
Other property and equipment	630	500
	$ 4,686	$ 2,918

Accumulated depreciation related to property and equipment and rental equipment is summarized below for the years ended December 31, 2012 and 2011, respectively (in thousands).

		December 31,
	2012	**2011**
Rental equipment	$ 7,549	$ 3,672
Other property and equipment	3,090	2,468
	$ 10,639	$ 6,140

Long-lived assets

The Company accounts for the impairment and disposition of long-lived assets in accordance with ASC 360, Property, Plant, and Equipment. In accordance with ASC 360, long-lived assets to be held are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. The Company periodically reviews the carrying value of long-lived assets to determine whether or not impairment to such value has occurred. No impairments were recorded during the years ended December 31, 2012 and 2011.

Deferred rent

The Company s operating leases for its office facilities in California and Texas include a rent abatement period and scheduled rent increases. The Company has accounted for the leases to provide straight-line charges to operations over the life of the leases.

Research and development

Research and development costs are expensed as incurred.

Advertising costs

Advertising costs, which approximated $2,503 and $1,800 during the years ended December 31, 2012 and 2011, respectively, are expensed as incurred, excluding the production costs of direct

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Advertising costs (continued)

response commercials. Advertising costs are included in sales and marketing expense in the accompanying statements of operations.

Income taxes

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes*. Under ASC 740, income taxes are recognized for the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets are recognized for the future tax consequences of transactions that have been recognized in the Company s financial statements or tax returns. A valuation allowance is provided when it is more likely than not that some portion, or all, of the deferred tax asset will not be realized.

The Company accounts for uncertainties in income tax in accordance with ASC 740-10, *Accounting for Uncertainty in Income Taxes*. ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This accounting standard also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company recognizes interest and penalties on taxes, if any, within operations as income tax expense. No significant interest or penalties were recognized during the periods presented.

The Company operates in multiple states. The statute of limitations has expired for all tax years prior to 2009 for federal and 2008 to 2009 for various state tax purposes. However, the net operating loss generated on the federal and state tax returns in prior years may be subject to adjustments by the federal and state tax authorities.

Accounting for stock-based compensation

The Company accounts for its stock-based compensation in accordance with ASC 718, *Compensation Stock Compensation*, which establishes accounting for share-based awards exchanged for employee services and requires companies to expense the estimated fair value of these awards over the requisite employee service period. Share based compensation cost is determined at the grant date using the Black-Scholes option pricing model. The value of the award that is ultimately expected to vest is recognized as expense on a straight line basis over the employee s requisite service period.

As part of the provisions of ASC 718, the Company is required to estimate potential forfeitures of stock grants and adjust compensation cost recorded accordingly. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of stock compensation expense to be recognized in future periods.

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Business segments

The Company operates in only one business segment-manufacturing and marketing of oxygen concentrators.

Earnings per share

Earnings per share, or EPS, is computed in accordance with ASC 260, *Earnings per Share*, and is calculated using the weighted average number of common shares outstanding during each period. Diluted EPS assumes the conversion, exercise or issuance of all potential common stock equivalents unless the effect is to reduce a loss or increase the income per share. For purposes of this calculation, common stock subject to repurchase by the Company, options and warrants are considered to be common stock equivalents and are only included in the calculation of diluted earnings per share when their effect is dilutive.

The shares used to compute basic and diluted net income per share represent the weighted-average common shares outstanding, reduced by the weighted-average unvested common shares subject to repurchase. Further, as the Company s preferred stockholders have the right to participate in any dividend declared on the Company s common stock, basic and diluted EPS are potentially subject to computation using the two-class method, under which the Company s undistributed earnings are allocated amongst the common and preferred shareholders. However, as the company recorded a net loss attributable to common stockholders for the years ended December 31, 2012 and 2011, presentation of EPS using the two class method was not necessary.

The computation of EPS is as follows (amounts in thousands, except share and per share data):

Years ended December 31,	**2012**	**2011**
Numerator basic and diluted:		
Net income (loss)	$ 564	$ (2,002)
Less deemed dividend on redeemable preferred stock	(5,781)	(3,027)
Net loss attributable to common stockholders	$ (5,217)	$ (5,029)
Denominator:		
Weighted-average common shares	261,268	249,519
Net loss per share basic	$ (19.97)	$ (20.15)
Net loss per share diluted	$ (19.97)	$ (20.15)
	(unaudited)	
Pro forma net income per share basic	$ 0.04	
Pro forma net income per share diluted	$ 0.04	
Weighted-average common shares basic	14,601,861	
Weighted-average common shares diluted	15,486,487	

The pro forma EPS calculations gives effect to: (1) the automatic conversion of the outstanding convertible preferred stock into a weighted average of 14,216,838 shares of common stock,

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Earnings per share (continued)

(2) the cash exercise of warrants to purchase an aggregate of 142,495 shares of common stock, which we expect will occur prior to closing of this offering as the warrants will otherwise expire at that time and (3) the reclassification of our preferred stock warrant liability to additional paid-in-capital upon the closing of this offering.

The computations of diluted net income applicable to common shareholders exclude redeemable convertible preferred stock, warrants and common stock options which were anti-dilutive. Shares excluded from the computations of diluted net loss applicable to common shareholders amounted to 14,720,678 and 11,546,760 on December 31, 2012 and December 31, 2011 respectively.

Recently issued accounting guidance

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*, which generally represents clarifications of Topic 820, *Fair Value Measurements*, but also includes certain instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This ASU results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS). The ASU was effective prospectively for interim and annual periods beginning after December 15, 2011 with earlier application not permitted. The adoption of this guidance did not have a material effect on the results of operations, financial position or cash flows of the Company.

3. Intangible assets

During the year ended December 31, 2008, the Company acquired Comfort Life Medical, LLC (Comfort Life). The acquisition resulted in recording an intangible asset in the amount of $92 related to the Medicare license held by the acquired company. The Company amortizes this intangible asset over its estimated useful life of ten years. As of December 31, 2012 and 2011, there were no impairments recorded related to this intangible asset.

On April 1, 2009, Comfort Life Medical, LLC merged with Inogen, Inc., and was simultaneously dissolved.

During the year ended December 31, 2009, the Company was assigned four patents previously held as an exclusive license from Air Products & Chemicals (APC) in exchange for an increase in a long term liability due to APC of $250. The acquisition of these patents resulted in an intangible asset of $250. During the year ended December 31, 2011, the Company purchased additional patents from APC for a total value of $650. The Company amortizes these intangible assets over an estimated useful life of five years. As of December 31, 2012 and 2011, there were no impairments recorded related to these intangible assets.

During the year ended December 31, 2011, the Company acquired Breathe Oxygen Services, LLC. The acquisition resulted in recording an intangible asset in the amount of $66 related to the

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

3. Intangible assets (continued)

Medicare license held by the acquired company that allowed them to operate in the state of Tennessee as well as assets of the company. The Company amortizes this intangible asset over its estimated useful life of ten years. As of December 31, 2012 and 2011, there were no impairments recorded related to this intangible asset.

On August 29, 2011, Breathe Oxygen Services, LLC merged with Inogen, Inc., and was simultaneously dissolved.

The Company also capitalizes costs incurred for the production of direct response advertising commercials and amortizes these intangible assets over a useful life of two years. During the year ended December 31, 2011, the Company paid $95 for its G2 commercial and during the year ended December 31, 2012, the Company paid $63 for its G3 commercial.

Amortization expense for intangible assets for the years ended December 31, 2012 and 2011 was $298 and $280, respectively.

December 31, 2012	Average estimated useful lives (in years)	Gross carrying amount	Accumulated amortization	Net amount
Licenses	10.0	$ 158	$ 46	$ 112
Patents	5.0	900	509	391
Commercial	2.0	63	8	55
Total		$ 1,121	$ 563	$ 558

December 31, 2011	Average estimated useful lives (in years)	Gross carrying amount	Accumulated amortization	Net amount
Licenses	10.0	$ 158	$ 30	$ 128
Patents	5.0	900	286	614
Commercial	2.0	95	44	51

Total	$ 1,153	$ 360	$ 793

Annual estimated amortization expense for each of the succeeding fiscal years is as follows:

Years ending December 31,	**Intangible amortization**
2013	$ 270
2014	207
2015	16
2016	16
2017	16
Thereafter	33
	$ 558

F-24

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

4. Long-term debt

Revolving credit and term loan agreement

On May 19, 2011 the Company entered into an revolving credit and term loan agreement with its current lender and one additional lender whereby the existing balance of the revolving credit and term loan agreement with the predecessor lender outstanding at the time was split evenly in balance between the current lender and the new lender and the payback terms were not changed. This transaction did not result in any debt extinguishment losses or gains. The Company did not incur or defer any financing cost directly related to the amended loan and security agreement.

On October 12, 2012, the Company entered into an amended and restated revolving credit and term loan agreement with its current lenders whereby the existing balances and the payback terms were not changed. This transaction did not result in any debt extinguishment losses or gains. The Company did not incur or defer any financing cost directly related to the credit and term loan agreement. In the event that the Company enters into an acquisition or initial public offering (IPO) during the term of this Facility, Lenders shall receive a fee equal to 1.00% of the Facility Amount, or approximately $120.

The amended and restated revolving credit and term loan agreement with the Company s current lenders provides for new borrowings of up to $12,000, secured by substantially all of the Company s assets. The amended and restated revolving credit and term loan agreement provides for the existing term loan facility for rental assets amounting to up to $3,000 (Term Loan A), a term loan facility for rental assets amounting to up to $8,000 (Term Loan B), a new term loan facility for rental assets amounting to up to $12,000 (Term Loan C), and an accounts receivable revolving line of credit amounting to up to $1,000 based on 80% of eligible accounts receivable, as defined (AR Revolver).

Payments of interest for all the Term Loans are generally payable monthly. Payment of principal is payable monthly. Each term loan bears interest at the Base Rate, which is a rate equal to the applicable margin plus the greater of (i) the prime rate, (ii) the federal funds effective rate, as defined in the agreement, plus 1% and (iii) the daily adjusting LIBOR rate, plus 1%. The applicable margins for Term Loans A, B, and C are 1.25%, 2.5% and 2.25%, respectively.

The Term Loan A facility of $3,000 is presented net of principal payments that began in May 2011. The net balances of this term loan facility were $1,417 and $2,319 as of December 31, 2012 and 2011, respectively. The Term Loan B facility for $8,000 is presented net of principal payments that began in May 2012. The net balances of this term loan facility were $6,444 and $6,022 as of December 31, 2012 and 2011, respectively.

There were no borrowings under the Term Loan C facility in 2012. Payment of principal is payable monthly over a period of 36 months starting October 2013 for Term Loan C.

There were no borrowings under the AR Revolver during 2012; future draws will bear variable interest at the Base Rate, as defined, plus 1.00%. Payments of interest for the AR revolver are generally payable monthly. The AR Revolver expired on October 13, 2013.

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

4. Long-term debt (continued)

Revolving credit and term loan agreement (continued)

The total balances owed were $7,861 and $8,341 as of December 31, 2012 and 2011, respectively. The interest rates were 4.5% for Term Loan A and 5.75% for Term Loan B at December 31, 2012 and 2011.

As of December 31, 2012 and 2011, the Company was in compliance with all covenants of the amended and restated credit and term loan agreement.

Contractual obligation

During 2007, the Company entered into a licensing agreement to acquire a portfolio of patents relating to a continuous flow portable oxygen concentrator by issuing 3.4 million shares of Series D redeemable convertible preferred stock. Also as part of the licensing agreement the Company has accrued a one-time non-exclusive licensing fee of $850, which was originally payable January 1, 2011.

On March 22, 2011, the Company entered into an amendment of the licensing agreement whereby the Company was assigned the entire right, title and interest in the portfolio of patents in exchange for a non-interest bearing note for $650, in addition to the $850 existing obligation, for a total of $1,500, due to the original licensor in installments starting May 22, 2011, and ending October 31, 2016. As of December 31, 2012, the Company included $212 as current portion of long-term debt and $863 in long-term debt in the accompanying balance sheets. As of December 31, 2011, the Company included $213 as current portion of long-term debt and $1,075 in long-term debt in the accompanying balance sheets.

Long-term debt consists of the following:

		As of December 31,
	2012	**2011**
Term loan, bearing interest at Base Rate, monthly payments of $83 beginning May 2011 through April 2014	$ 1,417	$ 2,319
Term loan, bearing interest at Base Rate, monthly payments of $222 beginning May 2012 through April 2015	6,444	6,022
Contractual obligation, non-interest, quarterly payments of $53 beginning May 2011 through October 2014 and quarterly payments of $81 beginning January 2015 through October 2016	1,075	1,288
Subtotal	8,936	9,629
Less: current maturities	(3,879)	(2,532)
Long-term debt, net of current portion	$ 5,057	$ 7,097

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

4. Long-term debt (continued)

Contractual obligation (continued)

As of December 31, 2012, the minimum aggregate payments due under non-cancelable debt are summarized as follows:

Years ending December 31,	
2013	$ 3,879
2014	3,296
2015	1,436
2016	325
Total	$ 8,936

5. Income taxes

The provision for income taxes consists of the following:

	As of December 31, 2012	2011
Current tax expense		
Federal	$	$
State	(15)	(11)
Total current tax expense	(15)	(11)
Deferred tax benefit		
Federal	523	676
State	88	132
Total deferred tax benefit	611	808
Less: valuation allowance	(614)	(810)
Total deferred tax expense, net	(3)	(2)

Income tax expense	$ (18)	$ (13)

The components of deferred tax assets and liabilities consist of the following:

		As of December 31,
	2012	2011
Deferred tax assets (liabilities)		
Net operating losses	$ 27,100	$ 26,345
Other	(79)	579
Total deferred tax assets	27,021	26,924
Valuation allowance	(27,031)	(26,931)
Net deferred tax liabilities	$ (10)	$ (7)

F-27

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

5. Income taxes (continued)

As of December 31, 2012 and 2011, the Company has recorded a full valuation allowance against its net deferred tax assets. The allowance reduces the Company s deferred tax assets to that amount which management believes to be more likely than not that the Company will ultimately realize.

The Company is a C-Corporation for both Federal and State income tax purposes.

As of December 31, 2012, the Company had $62,020 and $92,523 of federal and state net operating loss carryforwards, respectively, that begin to expire in 2022 and 2013 for federal and state purposes, respectively, if not utilized.

As of December 31, 2011, the Company had $59,568 and $120,423 of federal and state net operating loss carryforwards, respectively, that begin to expire in 2022 and 2012 for federal and state purposes, respectively, if not utilized.

6. Commitments and contingencies

Leases

The Company leases its offices and certain equipment under operating leases that expire through December 2019. At December 31, 2012, the minimum aggregate payments due under non-cancelable leases are summarized as follows:

	Year ending December 31,
2013	$ 788
2014	815
2015	718
2016	331
2017	329
Thereafter	624
Total	$ 3,605

Rent expense of $806 and $628 was included in the accompanying statements of operations for the years ended December 31, 2012 and 2011, respectively.

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

6. Commitments and contingencies (continued)

Warranty obligation

The following table identifies the changes in the Company s aggregate product warranty liabilities for the year ended December 31, 2012 and 2011 (in thousands):

	Year ended December 31, 2012	2011
Product warranty liability at beginning of year	$ 250	$ 250
Accruals for warranties issued	383	253
Adjustments related to pre-existing warranties (including changes in estimates)	134	211
Settlements made (in cash or in kind)	(320)	(464)
Product warranty liability at end of year	$ 447	$ 250

Legislation and HIPAA

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

The Company believes that it is in compliance with fraud and abuse regulations as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The Health Insurance Portability and Accountability Act (HIPAA) assures health insurance portability, reduces healthcare fraud and abuse, guarantees security and privacy of health information, and enforces standards for health information. The Health Information Technology for Economic and Clinical Health Act (HITECH Act) imposes notification requirements of certain security breaches relating to protected health information. The Company may be subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations.

Employment agreements

On January 2, 2008, the Company entered into an Employment Agreement with the Chief Executive Officer (CEO) including considerations for salary, bonus awards, stock options, and severance. The CEO is also entitled to a Liquidation Fee, as defined in the agreement, upon the occurrence of a deemed liquidation event, also as defined in the agreement.

F-29

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

6. Commitments and contingencies (continued)

Employment agreements (continued)

The Company has entered into employment agreements with certain key employees providing for the payment of cash compensation and/or continuation of salary for a range of three to six months upon termination without cause. There are no guaranteed amounts due under those agreements as of December 31, 2012 and 2011, respectively.

The Company also has a bonus plan for all employees based on the Company s overall performance, the employees performance, and level of responsibility. In addition, the Company has a management carve-out plan for a potential liquidation event based on the sales price per share.

Legal proceedings

On November 4, 2011, we filed a lawsuit in the United States District Court for the Central District of California against Inova Labs Inc., or Defendant, for infringement of two of our patents. The case, Inogen Inc. v. Inova Labs Inc., Case No. 8:11-cv-01692-JST-AN, or the Lawsuit, involves U.S. Patent Nos. 7,841,343, entitled Systems and Methods For Delivering Therapeutic Gas to Patients , or the 343 patent, and 6,605,136 entitled Pressure Swing Adsorption Process Operation And Optimization , or the 136 patent. We alleged in the Lawsuit that certain of Defendant s oxygen concentrators infringe various claims of the 343 and 136 patents. The Lawsuit seeks damages, injunctive relief, costs and attorney fees.

The Defendant has answered the complaint, denying infringement and asserting various sets of defenses including non-infringement, invalidity and unenforceability, patent misuse, unclean hands, laches and estoppel. The Defendant also filed counterclaims against us alleging patent invalidity, non-infringement and inequitable conduct. We denied the allegations in the Defendant s counterclaims. We have filed a motion to dismiss Defendant s inequitable conduct counterclaim.

The Defendant filed a request with the U.S. Patent and Trademark Office seeking an inter partes reexamination of the 343 and 136 patents. The Defendant also filed a motion to stay the Lawsuit pending outcome of the reexamination. On March 20, 2012, the Court granted the Defendant s motion to stay the Lawsuit pending outcome of the reexamination and also granted our motion to dismiss the Defendant s inequitable conduct counterclaim.

The Company is party to various other legal proceedings arising in the normal course of business. The Company carries insurance, subject to deductibles under the specified policies, to protect against losses from certain types of legal claims. The Company does not anticipate that any of these proceedings will have a material impact on the Company.

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

7. Convertible preferred stock

A summary of the terms of the various types of redeemable convertible preferred stock at December 31, 2012 is as follows:

Series	B	C	D	E	F	G	Total
Shares authorized	425,527	380,142	1,619,441	1,639,117	2,701,959	2,840,264	9,606,450
Shares issued	425,511	365,903	1,487,225	1,634,874	2,701,957	2,840,260	9,455,730
Par value	$ 0.001	$ 0.001	$ 0.001	$ 0.001	$ 0.001	$ 0.001	
Conversion rate	1.45108	1.73014	1.87951	2.69244	1.0000	1.0000	
Liquidation preference per share	11.880	17.580	21.900	19.224	7.140	14.083	
Dividend rate	5%	8%	8%	8%	8%	8%	
Issue date	July 2003	June 2004	July 2005 to July 2007	October 2007 to February 2009	February 2010 to June 2010	March 2012	
Redemption date	January 1, 2016	January 1, 2016	January 1, 2016	January 1, 2016	January 1, 2016	January 1, 2016	

A summary of the terms of non-redeemable convertible preferred stock at December 31, 2012 is as follows:

Series	A
Shares authorized	66,666
Shares issued	66,666
Par value	$ 0.001
Conversion rate	1.01709
Liquidation preference per share	3.750
Dividend rate	5%
Issue date	May 2002

Dividends

Series G preferred stockholders are entitled to receive dividends prior and in preference to any declaration or payment of any dividend on all existing series of preferred stock and common stock at the rate of 8% of its original issue price. Subject to the prior rights of the holders of Series G preferred stock, Series F preferred stockholders are entitled to receive dividends prior and in preference to any declaration or payment of any dividend on all existing series of preferred stock and common stock at the rate of 8% of its original issue price.

Subject to the prior rights of the holders of Series G and F preferred stock, the Series E preferred stockholders are entitled to receive dividends prior and in preference to any declaration or payment of any dividend on Series A, B, C, and D preferred stock and common stock at the rate of 8% of its original issue price.

Subject to the prior rights of the holders of Series G, F, and E preferred stock, the Series D preferred stockholders are entitled to receive dividends prior and in preference to any

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

7. Convertible preferred stock (continued)

Dividends (continued)

declaration or payment of any dividend on Series A, B and C preferred stock and common stock at the rate of 8% of its original issue price.

Subject to the prior rights of the holders of Series G, F, E and D preferred stocks, the Series C preferred stockholders are entitled to receive dividends prior and in preference to any declaration or payment of any dividend on Series A and B preferred stock and common stock at the rate of 8% of its original issue price. Subject to the prior rights of the holders of Series G, F, E, D and C preferred stocks, the Series A and B preferred stockholders are entitled to receive dividends prior and in preference to any declaration or payment of any dividend on common stock at the rate of 5% of its original issue price. Dividends are only payable when, as and if declared and are not cumulative for all series. There were no dividends declared during the years ended December 31, 2012 and 2011.

Liquidation preferences

In the event of any liquidation, including deemed liquidation (as defined in the Company s Certificate of Incorporation), dissolution or winding up of the Company, the holders of Series G, F and E preferred stock are entitled to be paid out an amount per share of Series G, F and E preferred stock equal to two times the original Series G, F and E issue price, respectively, plus any declared but unpaid dividends before any amounts are paid to both holders of common stock and any other series of preferred stock. All other series of preferred stock are redeemed at their original issue price plus any declared, but unpaid dividends.

After preferential liquidation proceeds are paid or set aside for payment to all Series of preferred stock, the remaining assets and funds of the Company available for distribution to stockholders are distributable ratably among the holders of common and preferred stock on an as-converted to common stock basis.

Conversion

All series of preferred stock may be converted at any time after issuance, at the option of the holder, into shares of common stock as is determined by dividing the applicable issue price by the applicable conversion price of each as defined in the Company s Certificate of Incorporation. The conversion rate for all series will initially be one for one, subject to anti-dilution and other customary adjustments (see Anti-dilution below).

Each share of preferred stock will automatically convert into common stock, at the then applicable conversion rate, upon (i) the election of both the holders of a majority of the then-outstanding Series F preferred stock and Series G preferred stock, voting together as a single class provided, or (ii) the closing of an underwritten initial public offering of the Company s common stock pursuant to a registration statement under the Securities Act of 1933, as amended with aggregate proceeds of at least $40 million at an offering price of at least $17.85 per share (as adjusted for stock splits, stock dividends, recapitalizations, etc.). If the Series G preferred shares

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

7. Convertible preferred stock (continued)

Conversion (continued)

are converted to common stock in connection with an initial public offering in which shares are sold to the public at a price that is less than $14.0832 per share (as adjusted for stock splits, stock dividends, recapitalizations, etc.), then immediately prior to such conversion, the applicable conversion rate of the Series G preferred stock shall be increased to the extent necessary to make the Series G preferred holders whole as if the initial public offering price to the public had been equal to $14.0832 (as adjusted for stock splits, stock dividends, recapitalizations, etc.).

The Company expects that regardless of whether the offering has aggregate proceeds in excess of $40 million and an offering price in excess of $17.85 per share, that the requisite stockholders would voluntarily agree to the conversion of their preferred stock in connection with the offering because it is a condition to closing the offering that all preferred stock convert to common stock.

Anti-dilution

Upon each issuance by the Company of any Additional Shares, as defined in the Company s Certificate of Incorporation, without consideration or for consideration less than the Series A to G conversion price in effect immediately prior to the issuance of such additional stock, then the Series A to G conversion price is reduced based on a defined formula.

The Series A to D and Series E to G preferred stock will be subject to adjustment on a partial ratchet basis and on a full ratchet basis, respectively, if the Company issues additional stock at a price per share less than the then Applicable Conversion Price, except for customary exceptions already set forth in the Company s Certificate of Incorporation.

On March 12, 2012, the Company issued and sold an aggregate of 2,840,260 shares of Series G Preferred Stock for $20,000, at a price of $7.0416 per share (March Issuance).

Immediately prior to such Issuance, the Series A Conversion Price was $3.687, the Series B Conversion Price was $8.436, the Series C Conversion Price was $10.836, the Series D Conversion Price was $12.651, the Series E Conversion Price was $3.570, and the Series F Conversion Price was $3.570.

According to the formula defined in the Certificate of Incorporation and simultaneous with the March Issuance, the Series A Conversion Price was not adjusted and remained at $3.687 per share, the Series B Conversion Price was adjusted to $8.187 per share, the Series C Conversion Price was adjusted to $10.161 per share, the Series D Conversion Price was adjusted to $11.652 per share, the Series E Conversion Price was not adjusted and remained at $3.570 per share, and the Series F Conversion Price was not adjusted and remained at $3.570 per share.

Voting rights

The holder of any share of preferred stock will have the right to a number of votes equal to the number of shares of common stock issuable upon conversion of each such share of preferred

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

7. Convertible preferred stock (continued)

Voting rights (continued)

stock and has full voting rights and powers of the holders of common stock. The preferred stockholders will be entitled to vote with the holders of common stock on all matters except as specifically provided in the Certificate of Incorporation or as otherwise prohibited by law.

Protective provisions

The holders of at least 66 $^{2}/_{3}$% of preferred stock on an as converted to common stock basis are required to approve certain specified actions as outlined in the Company s Certificate of Incorporation. In addition, the holders of at least 60% of the Series D preferred stock are required to approve certain specified actions as outlined in the Company s Certificate of Incorporation. In addition, the Company cannot amend its Certificate of Incorporation without the approval of at least 66 $^{2}/_{3}$% of any series of preferred stock if such amendment would change any of the rights, preferences or privileges of such series.

Redemption

From and after January 1, 2016, each holder of the Series B, C, D, E, F, and G preferred stock, upon written approval of the holders of at least a majority of the related series shares then outstanding, may, at its option, at any time (and from time to time), require the Company to redeem all or part of the series held by such holder by delivery of a written notice requesting such redemption and the number of shares to be redeemed. The redemption price is equivalent to the liquidation preference for each series of preferred stock.

The redemption provisions of the Series B, C, D, E, F, and G preferred stock are not solely within the control of the Company. Therefore, the Company has presented these series of preferred stock as a component of redeemable convertible preferred stock and not stockholders deficit. The Company initially recorded these series of preferred stock at their fair value. As the Series E and F preferred stock have redemption amounts greater than their initial fair value, the Company accretes the carrying value to the redemption value using the interest method. The accretion is treated in the same manner as dividends on nonredeemable stock and are recorded by charges against additional paid-in capital or accumulated deficit.

8. Stock incentive plan

The Company has a 2012 Stock Incentive Plan (2012 Plan) under which the Company has reserved 1,216,772 shares of common stock, to be issued in connection with stock options and other equity awards issued under the 2012 Plan. The 2012 Plan provides for option grants at exercise prices not less than 100% of the fair value of common stock on the date of grant.

Previously, the Company had a 2002 Stock Incentive Plan (2002 Plan), as amended. As of March 12, 2012, the 2002 Plan was terminated and the 2012 Plan was created in its place. On termination, the 2002 Plan had 1,424,540 shares of common stock outstanding. Any shares

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

8. Stock incentive plan (continued)

returned to the 2002 Plan as a result of expiration or termination of equity awards (up to 1,424,646 shares) are added to the 2012 Plan Share reserve.

Options typically expire ten years from the date of grant and vest over on to four year terms. Options have been granted to employees and consultants of the Company at the deemed fair market value, as determined by the Board of Directors, of the shares underlying the options at the date of grant.

The activity for stock options under the Plan is as follows:

	Options	Price per share	Weighted average exercise price	Weighted average contractual terms (in years)	Average intrinsic value
Outstanding at December 31, 2010	1,304,602	$ 0.90 - $8.70	$ 1.1715		
Granted	158,175	$ 0.75 - $0.75	0.7500		
Exercised	(1,845)	$ 0.60 - $2.10	0.8709		
Forfeited	(7,358)	$ 0.60 - $0.75	0.6138		
Expired	(28,045)	$ 0.60 - $8.70	2.4108		
Outstanding at December 31, 2011	1,425,529	$ 0.60 - $8.70	$ 1.1028		
Granted	248,596	$ 0.81 - $0.81	0.8100		
Exercised	(4,270)	$ 0.75 - $0.75	0.7500		
Forfeited	(19,779)	$ 0.60 - $0.75	0.7377		
Expired	(3,956)	$ 0.60 - $2.40	0.7668		
Outstanding at December 31, 2012	1,646,120	$ 0.60 - $2.40	$ 1.0647	21.1848	$ 174
Exercisable at December 31, 2012	1,318,522	$ 0.60 - $8.70	$ 1.1358	19.7358	$ 45

The number of equity awards available for grant under the Plan as of December 31, 2012 and 2011 was 1,216,772 and 354,890, respectively.

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

8. Stock incentive plan (continued)

The following table summarizes information about stock options outstanding at December 31, 2012:

	Outstanding			Exercisable	
Exercise price per share	Shares	Weighted life (years)	Average exercise price	Shares	Weighted average exercise price
$0.60	928,032	6.9637	$ 0.60	902,883	$ 0.60
$0.75	133,753	8.7582	$ 0.75	46,055	$ 0.75
$0.81	248,596	9.3212	$ 0.81	33,845	$ 0.81
$2.10	66	1.0904	$ 2.10	66	$ 2.10
$2.40	316,089	5.1366	$ 2.40	316,089	$ 2.40
$3.60	4,864	1.2986	$ 3.60	4,864	$ 3.60
$4.50	965	1.7561	$ 4.50	965	$ 4.50
$6.00	2,298	2.0797	$ 6.00	2,298	$ 6.00
$8.70	11,457	3.1808	$ 8.70	11,457	$ 8.70
	1,646,120			1,318,522	

The following table summarizes information about stock options outstanding at December 31, 2011:

	Outstanding			Exercisable	
Exercise price per share	Shares	Weighted life (years)	Average exercise price	Shares	Weighted average exercise price
$0.60	931,511	7.9679	$ 0.60	802,607	$ 0.60
$0.75	158,069	9.7586	$ 0.75	9,365	$ 0.75
$2.10	66	2.0931	$ 2.10	66	$ 2.10
$2.40	316,299	6.1397	$ 2.40	309662	$ 2.40
$3.60	4864	2.3013	$ 3.60	4,864	$ 3.60
$4.50	965	2.7589	$ 4.50	965	$ 4.50
$6.00	2,298	3.0824	$ 6.00	2,298	$ 6.00
$8.70	11,457	4.1835	$ 8.70	11,457	$ 8.70

	1,425,529	1,141,284

Employee stock-based compensation expense recognized in 2012 and 2011 was calculated based on awards ultimately expected to vest and has been reduced for estimated forfeitures at a rate of 5.7%, based on the Company s historical option cancellations. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

For the years ended December 31, 2012 and 2011, stock-based compensation expense recognized under ASC 718, included in cost of sales, sales and marketing expense, general and administrative expense, and research and development expense, totaled $60 and $144, respectively.

F-36

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

8. Stock incentive plan (continued)

Valuation assumptions

The employee stock-based compensation expense recognized under ASC 718 was determined using the Black-Scholes method for the year ended December 31, 2012.

Option valuation models require the input of subjective assumptions and these assumptions can vary over time. The risk-free interest rate is the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term equal to the expected term. The expected term of the options was based on the simplified method outlined in ASC 718. The volatility factors were based on five peer companies selected from Dow Jones Industry Classification Benchmark (ICB) codes 4535 and 4537. These codes include companies which are the same market categories as the Company, which is the medical equipment and supplies line of business. The peer companies were selected based on similarity of market capitalization, size and certain operating characteristics. The calculated volatility value was established by taking the historical daily closing values prior to grant date, over a period equal to the expected term, for each of the peer companies.

When the period of data available was less than the expected term, closing values for the longest period of time available were used. The calculated historical volatility of each of these companies was then averaged to determine the calculated value used by the Company.

The value of employee options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used:

	2012	2011
Expected term (years)	5.51 - 6.07	5.91 - 6.08
Risk free interest rate	0.73 - 1.33%	1.18 - 2.71%
Expected dividend yield	None	None
Volatility	48.95 - 50.52%	47.76 - 48.55%

Under these assumptions, the total fair value of the stock option grants during the years ended December 31, 2012 and 2011 was $85 and $38, respectively.

As of December 31, 2012 and 2011, there was $99 and $64, respectively, of total unrecognized compensation expense related to non-vested share-based compensation granted under the Plan.

Non-employee option grants

In accordance with ASC 505 and ASC 718, compensation expense related to non-employee option grants is recognized over the related vesting period as this method approximates the recognition of compensation expense over the service period. The Company had no compensation expense related to non-employee option grants for the years ended December 31, 2012 and 2011, as no non-employee options were granted and all previous grants were fully vested prior to 2011.

F-37

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

9. Warrants

In connection with certain of its redeemable convertible preferred stock issuances, convertible debt financings, and other financing arrangements the Company has issued warrants for shares of its common stock and various issues of its redeemable convertible preferred stock. Such warrants related to its redeemable convertible preferred stock have been recorded as liabilities as a result of non-standard anti-dilution rights and are carried at their estimated fair value using the Monte Carlo valuation model.

A summary of outstanding warrants at December 31, 2012 is as follows:

Security	Number of warrants	Exercise price/share	Expiration date
Series C preferred	14,215	$ 17.580	2015
Series D preferred	132,169	21.900	2013-2014
Series E preferred	3,120	9.612	2015
Series E preferred	1,102	9.612	2016
Common stock	233,611	0.300	2017-2019
	384,217		

A summary of outstanding warrants at December 31, 2011 is as follows:

Security	Number of warrants	Exercise price/share	Expiration date
Series B preferred	2,429	$ 11.880	2012
Series C preferred	22,055	17.580	2012
Series C preferred	14,215	17.580	2015
Series D preferred	132,169	21.900	2013-2014
Series E preferred	3,120	9.612	2015
Series E preferred	1,102	9.612	2016
Common stock	211,817	0.300	2017
Common stock	39,180	0.300	2019
	426,087		

F-38

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

9. Warrants (continued)

A rollforward of warrant activity from January 1, 2011 to December 31, 2012 is as follows:

	Issued and outstanding warrants as of January 1, 2011	Warrants exercised	Warrants expired	Issued and outstanding warrants as of December 31, 2011
Series B preferred	2,429			2,429
Series C preferred	42,298	2,554	3,474	36,270
Series D preferred	132,169			132,169
Series E preferred	4,222			4,222
Common stock	250,997			250,997
	432,115	2,554	3,474	426,087

	Issued and outstanding warrants as of January 1, 2012	Warrants exercised	Warrants expired	Issued and outstanding warrants as of December 31, 2012
Series B preferred	2,429	2,429		
Series C preferred	36,270	22,055		14,215
Series D preferred	132,169			132,169
Series E preferred	4,222			4,222
Common stock	250,997	17,386		233,611
	426,087	41,870		384,217

The fair value of the preferred warrant liability was $164 and $337 at December 31, 2012 and 2011, respectively. During the years ended December 31, 2012 and 2011, the Company recorded a gain/(loss) of $148 and $(119), respectively, on the change in fair value of the preferred warrants.

10. Restatement of financial statements

The Company restated certain balances as of January 1, 2011 and for the years ended December 31, 2011 and 2012 to give effect to the following: (1) to record deferred revenue and related expense on a portion of our rental revenue billings that were previously recognized at the beginning of the month of the dates of service, (2) to recognize a portion of our earned but unbilled rental revenue that was previously not fully reported, (3) to record an allowance for various billing errors as a reduction to earned revenue.

The Company also restated the preferred stock warrant liability as of January 1, 2011 and December 31, 2011 and 2012 using the Monte Carlo valuation model whereas previously, the liability was valued using the Black Scholes method.

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

10. Restatement of financial statements (continued)

The effect of the adjustments described above is presented in the following table.

December 31, 2012	As previously reported	Adjustments	Restated
Balance sheet data:			
Accounts receivable	$ 7,103	$ (72)	$ 7,031
Deferred cost of rental revenue		159	159
Accumulated depreciation and amortization	10,851	(212)	10,639
Deferred revenue	4	1,090	1,094
Preferred stock warrant liability	190	(26)	164
Accumulated deficit	(80,253)	(765)	(81,018)
Income statement data:			
Revenue	48,968	(392)	48,576
Cost of rental revenue	24,798	(171)	24,627
Change in fair value of warrant liability	46	(194)	(148)
Net income	$ 591	$ (27)	$ 564

December 31, 2011	As previously reported	Adjustments	Restated
Balance sheet data:			
Accounts receivable	$ 4,552	$ (183)	$ 4,369
Deferred cost of rental revenue		70	70
Accumulated depreciation and amortization	6,270	(130)	6,140
Deferred revenue	8	586	594
Preferred stock warrant liability	168	169	337
Accumulated deficit	(75,076)	(738)	(75,814)
Income statement data:			
Revenue	31,171	(537)	30,634
Cost of rental revenue	16,022	(92)	15,930
Change in fair value of warrant liability	11	108	119
Net loss	$ (1,449)	$ (553)	$ (2,002)

11. Subsequent events (after December 31, 2012)

In January 2013, the Company received notification from the Center for Medicare & Medicaid Services about pricing for the Competitive Bidding program that was expanded to 100 additional Metropolitan Statistical Areas. Pricing decreased on average approximately 45% from current Medicare allowable rates for oxygen products. The new payment rates went into effect July 1, 2013. The Company received notification that the Centers for Medicare & Medicaid Services was offering Inogen 89 non-exclusive contracts to continue to operate in these markets.

Table of Contents

Inogen, Inc.

Notes to financial statements

(amounts in thousands, except share and per share amounts)

11. Subsequent events (after December 31, 2012) (continued)

From February 2013 through June 2013, the Company issued 56,161 shares of Series D preferred stock for warrants that were exercised by existing shareholders at a purchase price of $21.90 per share, raising $1,230 in capital.

In February 2013, the Company granted a total of 376,600 common stock options at an exercise price of $1.17 per share, all of which vest over four years.

In May 2013, the Company granted a total of 63,333 common stock options at an exercise price of $1.17 per share, all of which vest over four years.

From July 2013 through September 2013, the Company issued 29,368 shares of Series D preferred stock for warrants that were exercised by existing shareholders at a purchase price of $21.90 per share, raising $644 in capital.

In October 2013, the Company granted a total of 276,333 common stock options at an exercise price of $8.37 per share, of which 3,749 vest over twelve months and the remainder vest over four years.

In October 2013, the Board approved revised employment agreements for the executive team including the CEO, CFO, EVP, Sales & Marketing, VP, Engineering, and the VP, Operations which included revised compensation arrangements including severance.

In October 2013, the Company received notification from the Centers for Medicare and Medicaid Services about pricing for the Competitive Bidding program that was re-bid in 9 Metropolitan Statistical Areas as contracts would expire December 31, 2013. The Centers for Medicare & Medicaid Services announced average savings of approximately 37% off the current payments rates in effect from the product categories included in competitive bidding. Inogen currently has contracts in 6 of these Metropolitan Statistical Areas. The new contracts and payment rates would go into effect January 1, 2014. The Company was offered 3 contracts to provide respiratory equipment in 3 of the 9 competitive bidding areas, and we accepted and signed those contracts. We are required to be able to supply additional respiratory products such as sleep and aerosol therapy, which have lower margins than our existing products.

On November 11, 2013, the Company s Board of Directors and stockholders approved a 3:1 reverse stock split. This became effective as of November 12, 2013 and the effect of this event has been reflected in all of the share quantities and per share amounts throughout the financials. The shares of common stock retained a par value of $0.001.

Table of Contents

Index to financial statements

Inogen, Inc.

Contents

Financial statements

As of and for the nine months ended

September 30, 2013 and 2012

(unaudited)

Financial statements

Table of Contents

Inogen, Inc.

Balance sheets

(unaudited)

(amounts in thousands)

	As of September 30, 2013	2012
Assets		
Current assets		
Cash and cash equivalents	$ 17,059	$ 17,098
Accounts receivable, net of allowances of $3,890 and $2,449 at September 30, 2013 and 2012, respectively	9,707	7,242
Inventories	4,097	3,174
Deferred costs of rental revenue	283	124
Prepaid expenses and other current assets	450	468
Total current assets	31,596	28,106
Property and equipment		
Rental equipment	36,282	22,117
Manufacturing equipment and tooling	2,568	2,550
Computer equipment and software	2,638	1,629
Furniture and equipment	616	449
Leasehold improvements	878	499
Construction in process	990	401
Total property and equipment	43,972	27,645
Less accumulated depreciation and amortization	(15,410)	(9,222)
Property and equipment, net	28,562	18,423
Intangible assets, net	362	638
Other assets	342	79
Total assets	$ 60,862	$ 47,246

See accompanying notes to financial statements.

Table of Contents

Inogen, Inc.

Balance sheets (continued)

(unaudited)

(amounts in thousands, except share and per share amounts)

	As of September 30, 2013	2012
Liabilities, redeemable convertible preferred stock and stockholders deficit		
Current liabilities		
Accounts payable and accrued expenses	$ 11,500	$ 7,954
Current portion of long-term debt	5,379	3,561
Warranty reserve	843	395
Deferred revenue	1,387	851
Income tax payable	125	41
Deferred income taxes, net	10	7
Total current liabilities	19,244	12,809
Long-term liabilities		
Preferred stock warrant liability	201	176
Deferred revenue non-current	574	
Long-term debt, net of current portion	6,648	6,058
Total liabilities	26,667	19,043
Commitments and contingencies (Note 5)		
Redeemable convertible preferred stock		
Preferred stock, $0.001 par value per share; 9,606,450 shares authorized; 9,541,259 and 9,442,083 shares issued and outstanding; liquidation preference of $136,652 and $134,539 at September 30, 2013 and 2012, respectively	116,744	107,431
Stockholders deficit		
Preferred stock, $0.001 par value per share; 66,666 shares authorized; 66,666 issued and outstanding; liquidation preference of $250 at both September 30, 2013 and 2012	247	247
Common stock, $0.001 par value per share; 18,333,333 shares authorized; 276,618 and 271,992 shares issued and outstanding at September 30, 2013 and 2012, respectively	1	1
Accumulated deficit	(82,797)	(79,476)
Total stockholders deficit	(82,549)	(79,228)
Total liabilities, redeemable convertible preferred stock and stockholders deficit	$ 60,862	$ 47,246

See accompanying notes to financial statements.

F-44

Table of Contents

Inogen, Inc.

Statements of operations

(unaudited)

(amounts in thousands, except share and per share amounts)

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Revenue		
Sales revenue	$ 33,043	$ 20,375
Rental revenue	21,901	13,898
Sales of used rental equipment	200	53
Other revenue	537	409
Total revenue	55,681	34,735
Cost of revenue		
Cost of sales revenue	18,309	12,679
Cost of rental revenue, including depreciation of $4,921 and $2,823, respectively	8,459	5,122
Cost of used rental equipment sales	97	20
Total cost of revenue	26,865	17,821
Gross profit	28,816	16,914
Operating expenses		
Research and development	1,817	1,731
Sales and marketing	13,292	8,753
General and administrative	9,796	5,805
Total operating expenses	24,905	16,289
Income from operations	3,911	625
Other (expense) income		
Interest expense	(312)	(381)
Interest income	9	84
(Increase) decrease in fair value of preferred stock warrant liability	(202)	148
Other income	209	
Total other (expense) income	(296)	(149)
Income before provision for income taxes	3,615	476
Provision for income taxes	151	20
Net income	$ 3,464	$ 456

Less deemed dividend on redeemable convertible preferred stock	(5,359)	(4,119)
Net loss attributable to common stockholders	$ (1,895)	$ (3,663)
Basic and diluted net loss per share attributable to common stockholders	$ (6.91)	(14.02)
Weighted average number of shares used in calculating loss per share attributable to common stockholders basic and diluted	274,357	261,216
Pro forma net income per share attributable to common stockholders		
Basic	$ 0.24	
Diluted	$ 0.21	
Shares used in computing pro forma net income per share		
Basic	14,516,523	
Diluted	16,350,527	

See accompanying notes to financial statements.

Table of Contents

Inogen, Inc.

Statements of redeemable convertible preferred stock

(unaudited)

(amounts in thousands, except share amounts)

	Redeemable series B convertible preferred stock		Redeemable series C convertible preferred stock		Redeemable series D convertible preferred stock		Redeemable series E convertible preferred stock		Redeemable series F convertible preferred stock		Redeemable series G convertible preferred stock		Total redeemable convertible preferred stock
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	stock
Balance, December 31, 2011	423,082	$ 5,026	343,848	$ 6,048	1,487,225	$ 32,571	1,634,874	$ 26,925	2,701,957	$ 12,552		$	$ 83,122
Warrants exercised	2,429	30	8,408	160									190
Series G financing, net of issuance costs											2,840,260	19,945	19,945
Accretion of Series G financing costs												55	55
Deemed dividend on redeemable convertible preferred stock								854		1,137		2,128	4,119
Balance, September 30, 2012	425,511	5,056	352,256	6,208	1,487,225	32,571	1,634,874	27,779	2,701,957	13,689	2,840,260	22,128	107,431
Warrants exercised			13,647	252									252
Deemed dividend on redeemable convertible preferred stock								265		366		1,031	1,662
Balance, December 31, 2012	425,511	5,056	365,903	6,460	1,487,225	32,571	1,634,874	28,044	2,701,957	14,055	2,840,260	23,159	109,345
Warrants exercised					85,529	2,040							2,040

Deemed dividend on redeemable convertible preferred stock								810		1,159		3,390	5,359
Balance, September 30, 2013	425,511	$ 5,056	365,903	$ 6,460	1,572,754	$ 34,611	1,634,874	$ 28,854	2,701,957	$ 15,214	2,840,260	$ 26,549	$ 116,744

See accompanying notes to financial statements

Table of Contents

Inogen, Inc.

Statements of stockholders deficit

(unaudited)

(amounts in thousands, except share amounts)

	Series A convertible preferred stock		Common stock		Additional paid-in capital	Accumulated deficit	Total stockholders deficit
	Shares	Amount	Shares	Amount			
Balance, December 31, 2011	66,666	$ 247	250,440	$ 1	$	$ (75,814)	$ (75,566)
Stock-based compensation					48		48
Stock options exercised			4,166		3		3
Warrants exercised common			17,386		5		5
Accretion of series G financing costs						(55)	(55)
Deemed dividend on redeemable convertible preferred stock					(56)	(4,063)	(4,119)
Net income						456	456
Balance, September 30, 2012	66,666	247	271,992	1		(79,476)	(79,228)
Stock-based compensation					12		12
Stock options exercised			104				
Deemed dividend on redeemable convertible preferred stock					(12)	(1,650)	(1,662)
Net income						108	108
Balance, December 31, 2012	66,666	247	272,096	1		(81,018)	(80,770)
Stock-based compensation					116		116
Stock options exercised			4,522				
Deemed dividend on redeemable convertible preferred stock					(116)	(5,243)	(5,359)
Net income						3,464	3,464
Balance, September 30, 2013	66,666	$ 247	276,618	$ 1	$	$ (82,797)	$ (82,549)

See accompanying notes to financial statements.

F-47

Table of Contents

Inogen, Inc.

Statements of cash flows

(unaudited)

(amounts in thousands)

	Nine months ended September 30, 2013	2012
Cash flows from operating activities		
Net income	$ 3,464	$ 456
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,995	3,451
Loss of rental units	402	199
Loss on disposal of other fixed assets	13	
Provision for sales returns	1,090	365
Provision for doubtful accounts and adjustments	1,353	748
Provision for inventory obsolescence	63	5
Stock-based compensation expense	116	48
Increase (decrease) in fair value of preferred stock warrant liability	202	(148)
Changes in operating assets and liabilities:		
Accounts receivable	(5,119)	(3,986)
Inventories	(101)	(1,514)
Deferred cost of rental revenue expenses	(124)	(54)
Prepaid expenses and other current assets	(141)	(35)
Other assets	(263)	
Accounts payable and accrued expenses	3,165	2,217
Warranty reserve	396	145
Deferred revenue	867	256
Income tax payable	100	20
Net cash provided by operating activities	11,478	2,173
Cash flows from investing activities		
Investment in intangible assets	(7)	(63)
Production of rental equipment	(11,918)	(7,401)
Purchases of property and equipment	(2,572)	(1,611)
Payment of deposit		(26)
Net cash used in investing activities	(14,497)	(9,101)
Cash flows from financing activities		
Net proceeds from issuance of Series G redeemable convertible preferred stock		19,945
Proceeds from redeemable convertible preferred stock warrants exercised	1,875	177
Proceeds from common stock warrants exercised		5
Proceeds from stock options exercised		3
Repayment of debt from investment in intangible assets	(159)	(160)
Proceeds from borrowings	6,000	2,000

Repayment of borrowings	(2,750)	(1,850)
Net cash provided by financing activities	4,966	20,120
Net increase in cash and cash equivalents	1,947	13,192
Cash and cash equivalents, beginning of period	15,112	3,906
Cash and cash equivalents, end of period	$ 17,059	$ 17,098
Supplemental disclosures of cash flow information		
Cash paid during the period for interest	$ 307	$ 365
Cash paid during the period for income taxes	124	18
Non-cash transactions:		
Deemed dividend on redeemable convertible preferred stock	5,359	4,119

See accompanying notes to financial statements.

F-48

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

1. Nature of business

Inogen, Inc. (Company or Inogen) was incorporated in Delaware on November 27, 2001. The Company is a medical technology company that develops, manufactures and markets innovative portable oxygen concentrators used for supplemental long-term oxygen therapy by patients with chronic obstructive pulmonary disease, or COPD, and other chronic respiratory conditions. Our proprietary Inogen One systems are designed to address the quality-of-life and other shortcomings of the traditional oxygen therapy model, which we call the delivery model. Traditionally, oxygen therapy patients have relied upon stationary oxygen concentrator systems in the home in conjunction with regular deliveries of oxygen tanks or cylinders for ambulatory, or mobile, use, limiting their mobility and requiring them to plan activities outside of their homes around delivery schedules and a finite oxygen supply. Our Inogen One systems concentrate the air around them to offer a single source of supplemental oxygen anytime, anywhere in devices weighing approximately five to seven pounds. Our products eliminate the need for oxygen deliveries, as well as regular use of a stationary concentrator, thereby improving patient quality-of-life and fostering patient mobility.

2. Summary of significant accounting policies

Basis of presentation

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The accompanying balance sheets as of September 30, 2013 and 2012, and the statements of operations and cash flows for the nine months ended September 30, 2013 and 2012 and statements of redeemable preferred stock and stockholders deficit are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments which include only normal reoccurring adjustments, necessary to present fairly our financial position as of September 30, 2013 and 2012, and the statements of operations and cash flows for the nine months ended September 30, 2012 and 2013 and statements of redeemable preferred stock and stockholders deficit. The financial data and other information disclosed in these notes to the financial statements related to the nine-month periods are unaudited. The results for the nine months ended September 30, 2013 are not necessarily indicative of the results to be expected for the year ended December 31, 2013 or for any other interim period or for any other future year. These financial statements should be read in conjunction with our audited financial statements included elsewhere in this registration statement.

Accounting estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates used in preparing these financial statements include accounts receivable reserves, inventory

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Accounting estimates (continued)

reserves, warranty reserves, warrant liability, stock-based compensation expense and income tax provision. Actual results could differ from those estimates and such differences could be material to the financial position and results of operations.

Revenue recognition

The Company generates revenue primarily from sales and rentals of its products. The Company s products consist of its proprietary line of oxygen concentrators and related accessories. Other revenue comes from service contracts, extended warranty contracts, and freight revenue for product shipments.

Revenue from product sales is recognized when all of the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the price to the customer is fixed or determinable; and (4) collectability is reasonably assured.

Revenue from product sales is recognized upon shipment of the product. Provisions for estimated returns and discounts are made at the time of shipment. Provisions for standard warranty obligations, which are included in cost of sales revenue, are also provided for at the time of shipment.

Accruals for estimated standard warranty expenses are made at the time that the associated revenue is recognized. The provisions for estimated returns, discounts and warranty obligations are made based on known claims and discount commitments and estimates of additional returns and warranty obligations based on historical data and future expectations. The Company has accrued $843 and $395 to provide for future warranty costs at September 30, 2013 and 2012, respectively.

The Company recognizes equipment rental revenue over the non-cancelable lease term, which is one month, less estimated adjustments, per ASC 840 Leases. The Company has separate contracts with each patient that are not subject to a master lease agreement with any payor. The Company evaluates the individual lease contracts at lease inception and the start of each monthly renewal period to determine if there is reasonable assurance that the bargain renewal option associated with the potential capped free rental period would be exercised. Historically, the exercise of such bargain renewal option is not reasonably assured at lease inception and most subsequent monthly lease renewal periods. If the Company determines that the reasonable assurance threshold for an individual patient is met at lease inception or at a monthly lease renewal period, such determination would impact the bargain renewal period for an individual lease. The Company would first consider the lease classification issue (sales-type lease or operating lease) and then appropriately recognize or defer rental revenue over the lease term, which may include a portion of the capped rental period. To date, the Company has not deferred

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

any amounts associated with the capped rental period. Amounts related to the capped rental period have not been material in the periods presented.

The lease term begins on the date products are shipped to patients and are recorded at amounts estimated to be received under reimbursement arrangements with third-party payors, including Medicare, private payors, and Medicaid. Due to the nature of the industry and the reimbursement environment in which the Company operates, certain estimates are required to record net revenue and accounts receivable at their net realizable values. Inherent in these estimates is the risk that they will have to be revised or updated as additional information becomes available. Specifically, the complexity of many third-party billing arrangements and the uncertainty of reimbursement amounts for certain services from certain payors may result in adjustments to amounts originally recorded. Such adjustments are typically identified and recorded at the point of cash application, claim denial or account review. Accounts receivable are reduced by an allowance for doubtful accounts which provides for those accounts from which payment is not expected to be received, although product was delivered and revenue was earned. Upon determination that an account is uncollectible, it is written-off and charged to the allowance. Amounts billed but not earned due to the timing of the billing cycle are deferred and recognized in income on a straight-line basis over the monthly billing period. For example, if the first day of the billing period does not fall on the first of the month, then a portion of the monthly billing period will fall in the subsequent month and the related revenue and cost would be deferred based on the service days in the following month.

Rental revenue is recognized as earned, less estimated adjustments. Revenue not billed at the end of the period is reviewed for the likelihood of collections and accrued. The rental revenue stream is not guaranteed and payment will cease if the patient no longer needs oxygen or returns the equipment. Revenue recognized is at full estimated allowable amounts; transfers to secondary insurances / patient responsibility have no net effect on revenue. Rental revenue is earned for that month if the patient is on service on the first day of the 30-day period commencing on the recurring date of service for a particular claim, regardless if there is a change in condition/death after that date.

Included in rental revenue are unbilled amounts for which the revenue recognition criteria had been met as of period-end but were not billed. The estimate of unbilled rental revenue accrual is based on historical trends and estimates of future collectability.

Revenue from the sales of used rental equipment is recognized upon delivery and when collectability is reasonably assured and other revenue recognition criteria are met. When a rental unit is sold, the related cost and accumulated depreciation are removed from their respective accounts, and any gains or losses are included in gross profit.

Revenue from the sales of the Company s services is recognized when no significant obligations remain undelivered and collection of the receivables is reasonably assured. The Company offers

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

extended service contracts on its Inogen One concentrator line for periods ranging from 12 to 24 months after the end of the standard warranty period. Revenue from these extended service contracts is recognized in income on a straight-line basis over the contract period.

The Company also offers a lifetime warranty for direct-to-consumer sales. For a fixed price, the Company agrees to provide a fully functional oxygen concentrator for the remaining life of the patient. Lifetime warranties are only offered to patients upon the initial sale of oxygen equipment by the Company, and are non-transferable. Product sales with lifetime warranties are considered to be multiple element arrangements within the scope of ASC 605-25.

There are two deliverables when product that includes a lifetime warranty is sold. The first deliverable is the oxygen concentrator equipment which comes with a standard warranty of three years. The second deliverable is the life time warranty that provides for a functional oxygen concentrator for the remaining lifetime of the patient. These two deliverables qualify as separate units of accounting.

The revenue is allocated to the two deliverables on a relative selling price method. The Company has vendor-specific objective evidence of selling price for the equipment. To determine the selling price of the lifetime warranty, the company uses its best estimate of the selling price for that deliverable as the lifetime warranty is neither separately priced nor selling price is available through third-party evidence. To calculate the selling price associated with the lifetime warranties, management considered the profit margins of the overall business, the average estimated cost of lifetime warranties and the price of extended warranties. A significant estimate used to calculate the price and expense of lifetime warranties is the life expectancy of patients. Based on clinical studies, the company estimates that 60% of patients will succumb to their disease within three years. Given the approximate mortality rate of 20% per year, the company estimates on average all patients will succumb to their disease within five years. The Company has taken into consideration that when patients decide to buy an Inogen portable oxygen concentrator with a lifetime warranty, they typically have already been on oxygen for a period of time, which can have a large impact on their life expectancy from the time our product is deployed.

After applying the relative selling price method, revenue from equipment sales is recognized when all other revenue recognition criteria for product sales are met. Lifetime warranty revenue is recognized using the straight-line method during the fourth and fifth year after the delivery of the equipment which is the estimated usage period of the contract based on the average patient life expectancy.

Shipping and handling

Shipping and handling costs for sold products and rental assets, shipped to the Company s customers are included on the statements of operations as part of cost of sales revenue and cost of rental revenue, respectively. The Company s shipping and handling costs relating to sales

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Shipping and handling (continued)

revenue and rental revenue were $562 and $2,214, respectively, for the nine months ended September 30, 2013. The Company s shipping and handling costs relating to sales revenue and rental revenue were $480 and $1,415, respectively, for the nine months ended September 30, 2012. Income from shipping and handling fees charged to its customers is included in other revenue on the statements of operations. The Company earned $299 and $155 from shipping and handling fees for the nine months ended September 30, 2013 and 2012, respectively.

Fair value of financial instruments

The Company s financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, debt and warrants. The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued expenses approximate fair values based on the short-term nature of these financial instruments.

The fair value of the Company s debt approximates carrying value based on the Company s current incremental borrowing rate for similar types of borrowing arrangements.

The fair value of the Company s preferred stock warrant liability is estimated using a Monte Carlo valuation model, as described below.

Fair value accounting

Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, creates a single definition of fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on assumptions that market participants would use in pricing the asset or liability. Assets and liabilities adjusted to fair value in the balance sheet are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

Level inputs, as defined by ASC 820, are as follows:

Level input	**Input definition**
Level 1	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level 2	Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability through corroboration with market data at the measurement date.
Level 3	Unobservable inputs that reflect management s best estimate of what market participants would use in pricing the asset or liability at the measurement date.

F-53

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Fair value accounting (continued)

The following table summarizes fair value measurements by level at September 30, 2013 for the liabilities measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Preferred stock warrant liability	$	$	$ 201	$ 201
Total liabilities	$	$	$ 201	$ 201

The following table summarizes fair value measurements by level at September 30, 2012 for the liabilities measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Preferred stock warrant liability	$	$	$ 176	$ 176
Total liabilities	$	$	$ 176	$ 176

The following table summarizes the fair value measurements using significant Level 3 inputs, and changes therein, for the nine months ended September 30, 2013 and 2012:

	Warrant liability
Balance as of January 1, 2013	$ 164
Fair value of preferred stock warrants exercised	(165)
Change in fair value	202
Balance as of September 30, 2013	$ 201

Balance as of January 1, 2012	$	337
Fair value of preferred stock warrants exercised		(13)
Change in fair value		(148)
Balance as of September 30, 2012	$	176

The preferred stock warrant liability is marked to market each reporting date until the warrants are settled. The fair value of the preferred stock warrant liability is estimated using a Monte Carlo option pricing model, which takes into consideration the market values of comparable public companies, considering among other factors, the use of multiples of earnings, and adjusted to reflect the restrictions on the ability of the Company s shares to trade in an active market.

Cash and cash equivalents

Cash equivalents are recorded at cost, which approximates market value. The Company considers all highly liquid investments with original maturities of 90 days or less at the time of purchase to be cash equivalents.

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Accounts receivable and allowance for bad debts, returns, and adjustments

Accounts receivable are customer obligations due under normal sales and rental terms. The Company performs continuing credit evaluations of the customers financial condition and generally does not require collateral. The allowance for doubtful accounts is maintained at a level that, in management s opinion, is adequate to absorb potential losses related to account receivables and is based upon the Company s continuous evaluation of the collectability of outstanding balances. Management s evaluation takes into consideration such factors as past bad debt experience, economic conditions and information about specific receivables. The Company s evaluation also considers the age and composition of the outstanding amounts in determining their net realizable value. The allowance is based on estimates, and ultimate losses may vary from current estimates. As adjustments to these estimates become necessary, they are reported in earnings in the periods that they become known. The allowance is increased by bad debt provisions charged to operating expense and reduced by direct write-offs, net of recoveries.

Provision for sales returns applies to direct to consumer sales only. The Company does not allow returns from providers. This reserve is calculated based on actual historical return rates under our 30-day return program and is applied to the current period s sales revenue for direct to consumer sales.

The Company also records an allowance for rental revenue adjustments and write-offs, which is recorded as a reduction of rental revenue and rental accounts receivable balances. These adjustments and write offs result from contractual adjustments, audit adjustments, untimely claims filings or billings not paid due to another provider performing same or similar functions for the patient in the same period, all of which prevent billed revenue to become realizable. The reserve is based on historical revenue adjustments as a percentage of rental revenue billed during the related period.

When recording the allowance for doubtful accounts, the bad debt expense account (general & administrative expense account) is charged, when recording allowance for sales returns, the sales returns account (contra sales revenue account) is charged, and when recording the allowance for adjustments, the rental revenue adjustments account (contra rental revenue account) is charged.

At September 30, 2012 and 2013, included in accounts receivable on the balance sheets are earned but unbilled receivables of $0.7 million and $1.2 million, respectively.

Concentration of credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents and accounts receivable. At times, cash account balances may be in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC). However, management believes the risk of loss to be minimal. The Company performs periodic evaluations of the relative credit standing of these institutions and has not experienced any losses on its cash and cash equivalents and short-term investments to date.

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Concentration of customers and vendors

The Company sells its products to home medical equipment providers in the United States and in foreign countries on a credit basis, which resulted in a customer concentration of a major customer that accounted for 8% of net revenue in the nine months ended September 30, 2013. This major customer is an international distributor of the Company s products. The accounts receivable balance from the major customer was $411 or 3% of total accounts receivable at September 30, 2013.

The same customer accounted for 13% of total revenue for the nine months ended September 30, 2012. The accounts receivable balance from the major customer was $1,026 or 11% of total accounts receivable at September 30, 2012.

The Company also rents products directly to patients, which resulted in a customer concentration relating to Medicare s service reimbursement programs. Medicare s service reimbursement programs (net of patient coinsurance obligations) accounted for 73% and 77% of rental revenue in the nine months ended September 30, 2013 and 2012, respectively and based on total revenue were 29% and 31% in the nine months ended September 30, 2013 and 2012, respectively. Account receivable balances relating to Medicare s service reimbursement programs amounted to $3,441 or 25% of total accounts receivable at September 30, 2013, and $2,865 or 30% of total accounts receivable at September 30, 2012.

The Company currently purchases raw materials from a limited number of vendors, which resulted in a concentration of three major vendors that accounted for 16%, 15%, and 9%, respectively, of total raw material purchases in the nine months ended September 30, 2013. The three major vendors supply the Company with raw materials used to manufacture the Company s products. Accounts payable balances for the three major vendors were $1,065, $532, and $10, respectively, or 18%, 9%, and 0%, respectively, of total accounts payable at September 30, 2013.

For the nine months ended September 30, 2012, the Company s three major vendors accounted for 20%, 16%, and 9%, respectively, of total raw material purchases. Accounts payable balances for the three major vendors were $1,047, $516, and $407, respectively, or 24%, 12%, and 9%, respectively, of total accounts payable at September 30, 2012.

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using a standard cost method, including material, labor and manufacturing overhead, whereby the standard costs are updated at least quarterly to reflect approximate actual costs using the first-in, first-out (FIFO) method and market represents the lower of replacement cost or estimated net realizable value. The Company records adjustments at least quarterly to inventory for potentially excess, obsolete, slow-moving or impaired items. Inventories consist of the following:

	September 30, 2013	September 30, 2012
Raw materials and work-in-progress	$ 3,479	$ 2,872
Finished goods	773	415
Less: reserves	(155)	(113)
	$ 4,097	3,174

Property and equipment

Property and equipment are stated at cost. Depreciation and amortization are calculated using the straight-line method over the assets estimated useful lives as follows:

Rental equipment	1.5-5 years
Manufacturing equipment and tooling	5 years
Computer equipment and software	3 years
Furniture and equipment	3-5 years
Leasehold improvements	Shorter of 3-7 years or life of underlying lease

Expenditures for repairs and maintenance are charged to operations as incurred. Expenditures for additions, improvements and replacements are capitalized.

Rental equipment is recorded at cost and depreciated over the estimated useful life of the equipment using the straight-line method. The range of estimated useful lives for rental equipment is eighteen months to five years. Rental equipment is depreciated to a salvage value of zero. Repair and maintenance costs are included in cost of revenue in the statements of operations. Repair and maintenance expense, including both labor and parts, for the rental equipment was $707 and $345 for the nine months ended September 30, 2013 and 2012, respectively.

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Property and equipment (continued)

Depreciation and amortization expense related to property and equipment and rental equipment is summarized below. for the nine months ended September 30, 2013 and 2012, respectively.

	September 30, 2013	2012
Rental equipment	$ 4,921	$ 2,823
Other property and equipment	871	410
	$ 5,792	$ 3,233

Accumulated depreciation related to property and equipment and rental equipment is summarized below for the nine months ended September 30, 2013 and 2012, respectively (in thousands).

	September 30, 2013	2012
Rental equipment	$ 12,225	$ 6,344
Other property and equipment	3,185	2,878
	$ 15,410	$ 9,222

Long-lived assets

The Company accounts for the impairment and disposition of long-lived assets in accordance with ASC 360, *Property, Plant, and Equipment*. In accordance with ASC 360, long-lived assets to be held are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. The Company periodically reviews the carrying value of long-lived assets to determine whether or not impairment to such value has occurred. No impairments were recorded during the nine months ended September 30, 2013 and 2012.

Deferred rent

The Company s operating leases for its office facilities in California and Texas include a rent abatement period and scheduled rent increases. The Company has accounted for the leases to provide straight-line charges to operations over the life of the leases. In addition, the landlord for the

Texas facility has reimbursed the Company for $358 for tenant improvements which were capitalized during the nine months ended September 30, 2013. Deferred rent of $546 was included in accounts payable and accrued expenses on the balance sheets.

Research and development

Research and development costs are expensed as incurred.

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Advertising costs

Advertising costs, which approximated $1,916 and $1,852 during the nine months ended September 30, 2013 and 2012, respectively, are expensed as incurred, excluding the production costs of direct response commercials. Advertising costs are included in sales and marketing expense in the accompanying statements of operations.

Income taxes

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes*. Under ASC 740, income taxes are recognized for the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets are recognized for the future tax consequences of transactions that have been recognized in the Company s financial statements or tax returns. A valuation allowance is provided when it is more likely than not that some portion, or all, of the deferred tax asset will not be realized.

The Company accounts for uncertainties in income tax in accordance with ASC 740-10, *Accounting for Uncertainty in Income Taxes*. ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Accounting Standard also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company recognizes interest and penalties on taxes, if any, within operations as income tax expense. No significant interest or penalties were recognized during the periods presented.

The Company operates in multiple states. The statute of limitations has expired for all tax years prior to 2009 for federal and 2008 to 2009 for various state tax purposes. However, the net operating loss generated on the federal and state tax returns in prior years may be subject to adjustments by the federal and state tax authorities.

Accounting for stock-based compensation

The Company accounts for its stock-based compensation in accordance with ASC 718, *Compensation Stock Compensation*, which establishes accounting for share-based awards exchanged for employee services and requires companies to expense the estimated fair value of these awards over the requisite employee service period. Share based compensation cost is determined at the grant date using the Black-Scholes option pricing model. The value of the award that is ultimately expected to vest is recognized as expense on a straight line basis over the employee s requisite service period.

As part of the provisions of ASC 718, the Company is required to estimate potential forfeitures of stock grants and adjust compensation cost recorded accordingly. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Accounting for stock-based compensation (continued)

expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of stock compensation expense to be recognized in future periods.

Business segments

The Company operates in only one business segment manufacturing and marketing of oxygen concentrators.

Earnings per share

Earnings per share, or EPS, is computed in accordance with ASC 260, *Earnings per Share*, and is calculated using the weighted average number of common shares outstanding during each period. Diluted EPS assumes the conversion, exercise or issuance of all potential common stock equivalents unless the effect is to reduce a loss or increase the income per share. For purposes of this calculation, common stock subject to repurchase by the Company, options and warrants are considered to be common stock equivalents and are only included in the calculation of diluted earnings per share when their effect is dilutive.

The shares used to compute basic and diluted net income per share represent the weighted-average common shares outstanding, reduced by the weighted-average unvested common shares subject to repurchase. Further, as the Company s preferred stockholders have the right to participate in any dividend declared on the Company s common stock, basic and diluted EPS are potentially subject to computation using the two-class method, under which the Company s undistributed earnings are allocated amongst the common and preferred shareholders. However, as the Company recorded a net loss attributable to common stockholders for the periods ended September 30, 2013 and 2012, presentation of EPS using the two class method was not necessary.

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Earnings per share (continued)

The computation of EPS is as follows (amounts in thousands, except share and per share data):

Nine months ended September 30,	2013	2012
Numerator basic and diluted:		
Net income	$ 3,464	$ 456
Less deemed dividend on redeemable preferred stock	(5,359)	(4,119)
Net loss attributable to common stockholders	$ (1,895)	$ (3,663)
Denominator:		
Weighted-average common shares basic and diluted	274,357	261,216
Net loss per share basic and diluted	$ (6.91)	$ (14.02)
Pro forma net income per share		
Basic	$ 0.24	
Diluted	0.21	
Weighted-average common shares-basic	14,516,523	
Weighted-average common shares-diluted	16,350,527	

The pro forma EPS calculations gives effect to: (1) the automatic conversion of the outstanding convertible preferred stock into an aggregate of 14,218,319 shares of common stock immediately prior to the completion of this offering, (2) the cash exercise of warrants to purchase an aggregate of 24,588 shares of common stock, which we expect will occur prior to closing of this offering as the warrants will otherwise expire at that time and (3) the reclassification of our preferred stock warrant liability to additional paid-in-capital upon the closing of this offering.

The computations of diluted net loss applicable to common stockholders exclude convertible preferred stock, warrants and common stock options which were anti-dilutive. Shares excluded from the computations of diluted net loss applicable to common stockholders amounted to 15,892,508 and 14,573,442 for the nine months ended September 30, 2013 and 2012, respectively.

Recently issued accounting guidance

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*, which generally represents clarifications of Topic 820, *Fair Value Measurements*, but also includes certain instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This ASU results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS). The ASU was effective prospectively for interim and annual periods beginning after December 15, 2011 with earlier application not permitted. The adoption of this guidance did not have a material effect on the results of operations, financial position or cash flow of the Company.

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

3. Intangible assets

Amortization expense for intangible assets for the nine months ended September 30, 2013 and 2012 was $203 and $218, respectively.

The Company s intangible assets are summarized as follows:

September 30, 2013	Average estimated useful lives (in years)	Gross carrying amount	Accumulated amortization	Net amount
Licenses	10.0	$ 158	$ 58	$ 100
Patents	5.0	900	676	224
Commercial / website	2.0	70	32	38
Total		$ 1,128	$ 766	$ 362

September 30, 2012	Average estimated useful lives (in years)	Gross carrying amount	Accumulated amortization	Net amount
Licenses	10.0	$ 158	$ 43	$ 115
Patents	5.0	900	453	447
Commercial	2.0	158	82	76
Total		$ 1,216	$ 578	$ 638

Annual estimated amortization expense for each of the succeeding fiscal years is as follows:

Years ending December 31,		Intangible amortization
Remainder of 2013	$	69
2014		211
2015		17
2016		16
2017		16
Thereafter		33
	$	362

4. Long-term debt

Amended and restated credit and term loan agreement

As of September 30, 2012, the Company had a credit and term loan facility that provided borrowings of up to $12,000, secured by substantially all of the Company s assets. This is comprised of a term loan facility for rental assets amounting up to $3,000 (Term Loan), an additional term loan facility for rental assets amounting up to $8,000 (New Term Loan) and an

F-62

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

4. Long-term debt (continued)

Amended and restated credit and term loan agreement (continued)

accounts receivable revolving line of credit amounting up to $1,000 based on 80% of eligible accounts receivable, as defined (AR Revolver).

On October 12, 2012, the Company entered into an amended and restated credit and term loan agreement with its current lenders whereby the existing balances and the payback terms were not changed. This transaction did not result in any debt extinguishment losses or gains. The Company did not incur or defer any financing cost directly related to the credit and term loan agreement. In the event that the Company enters into an acquisition or initial public offering (IPO) during the term of this facility, lenders shall receive a fee equal to 1% of the facility amount, or approximately $120.

The amended and restated credit and term loan agreement with the Company s current lenders provides for new borrowings of up to $12,000, secured by substantially all of the Company s assets. The amended and restated credit and term loan agreement provides for the existing term loan facility for rental assets amounting to up to $3,000 (Term Loan A), a term loan facility for rental assets amounting to up to $8,000 (Term Loan B), a new term loan facility for rental assets amounting to up to $12,000 (Term Loan C), and an accounts receivable revolving line of credit amounting to up to $1,000 based on 80% of eligible accounts receivable, as defined (AR Revolver).

Payments of interest for all the Term Loans are generally payable monthly. Payment of principal is payable monthly. Each term loan bears interest at the Base Rate, which is a rate equal to the applicable margin plus the greater of (i) the prime rate, (ii) the federal funds effective rate, as defined in the agreement, plus 1% and (iii) the daily adjusting LIBOR rate, plus 1% . The applicable margins for Term Loans A, B, and C are 1.25%, 2.5% and 2.25%, respectively.

The Term Loan A facility of $3,000 is presented net of principal payments that began in May 2011. The net balances of this term loan facility were $667 and $1,602 as of September 30, 2013 and 2012, respectively. The Term Loan B facility for $8,000 is presented net of principal payments that began in May 2012. The net balances of this term loan facility were $4,444 and $6,889 as of September 30, 2013 and 2012, respectively.

The Term Loan C facility for $12,000 is presented net of principal payments that begin October 2013. The net balance was $6,000 as of September 30, 2013 and $0 as of September 30, 2012. Payment of principal is payable monthly over a period of 36 months starting November 2013 for Term Loan C.

There were no borrowings under the AR Revolver as of and during the nine months ended September 30, 2013. The AR Revolver expired on October 13, 2013, and was not renewed by the Company.

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

4. Long-term debt (continued)

Amended and restated credit and term loan agreement (continued)

The total balances owed were $11,111 and $8,491 as of September 30, 2013 and 2012, respectively. The interest rates were 4.5% for Term Loan A, 5.75% for Term Loan B, and 5.5% for Term Loan C at September 30, 2013 and 2012.

As of September 30, 2013, the Company was in compliance with all covenants of the amended and restated credit and term loan agreement.

Contractual obligation

During 2007, the Company entered into a licensing agreement to acquire a portfolio of patents relating to a continuous flow portable oxygen concentrator by issuing 3.4 million shares of Series D redeemable convertible preferred stock. Also as part of the licensing agreement the Company has accrued a one-time non-exclusive licensing fee of $850, which was originally payable January 1, 2011.

On March 22, 2011, the Company entered into an amendment of the licensing agreement whereby the Company was assigned the entire right, title and interest in the portfolio of patents in exchange for a non-interest bearing note for $650, in addition to the $850 existing obligation, for a total of $1,500, due to the original licensor in installments starting May 22, 2012, and ending October 31, 2016. As of September 30, 2013, the Company included $213 as current portion of long-term debt and $703 in long-term debt in the accompanying balance sheets. As of September 30, 2012, the Company included $212 as current portion of long-term debt and $916 in long-term debt in the accompanying balance sheets.

Long-term debt consists of the following:

	Periods ending September 30, 2013	2012
Term loan, bearing interest at Base Rate, monthly payments of $83 beginning May 2011 through April 2014	$ 667	$ 1,602
Term loan, bearing interest at Base Rate, monthly payments of $222 beginning May 2012 through April 2015	4,444	6,889
Term loan, bearing interest at Base Rate, monthly payments of $167 beginning November 2013 through June 2015	6,000	
Contractual obligation, non-interest, quarterly payments of $53 beginning May 2011 through October 2014 and quarterly payments of $81 beginning January 2015 through October 2016	916	1,128
Subtotal	12,027	9,619
Less: current maturities	(5,379)	(3,561)
Long-term debt, net of current portion	$ 6,648	$ 6,058

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

4. Long-term debt (continued)

Contractual obligation (continued)

As of September 30, 2013, the minimum aggregate payments due under non-cancelable debt are summarized as follows:

	Years ending September 30,
2013 (Remainder)	$ 1,303
2014	5,296
2015	3,436
2016	1,992
Total	$ 12,027

5. Commitments and contingencies

Leases

The Company leases its offices and certain equipment under operating leases that expire through December 2019. At September 30, 2013, the minimum aggregate payments due under non-cancelable leases are summarized as follows:

Years ending December 31,	
Remainder of 2013	$ 200
2014	816
2015	718
2016	331
2017	329
Thereafter	624
Total	$ 3,018

Rent expense of $690 and $579 was included in the accompanying statements of operations for the nine months ended September 30, 2013 and 2012, respectively.

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

5. Commitments and contingencies (continued)

Warranty obligation

The following table identifies the changes in the Company s aggregate product warranty liabilities for the nine months ended September 30, 2013 and 2012 (in thousands):

	Nine months ended September 30	
	2013	**2012**
Product warranty liability at beginning of year	$ 447	$ 250
Accruals for warranties issued	415	283
Adjustments related to pre-existing warranties (including changes in estimates)	268	96
Settlements made (in cash or in kind)	(287)	(234)
Product warranty liability at end of period	$ 843	$ 395

Legislation and HIPAA

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

The Company believes that it is in compliance with fraud and abuse regulations as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The Health Insurance Portability and Accountability Act (HIPAA) assures health insurance portability, reduces healthcare fraud and abuse, guarantees security and privacy of health information, and enforces standards for health information. The Health Information Technology for Economic and Clinical Health Act (HITECH Act) imposes notification requirements of certain security breaches relating to protected health information. The Company may be subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations.

Employment agreements

On January 2, 2008, the Company entered into an Employment Agreement with the Chief Executive Officer (CEO) including considerations for salary, bonus awards, stock options, and

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

5. Commitments and contingencies (continued)

Employment agreements (continued)

severance. The CEO is also entitled to a Liquidation Fee, as defined in the agreement, upon the occurrence of a deemed liquidation event, also as defined in the agreement.

The Company has entered into employment agreements with certain key employees providing for the payment of cash compensation and/or continuation of salary for a range of three to six months upon termination without cause. There are no guaranteed amounts due under those agreements as of September 30, 2013 and 2012, respectively.

The Company also has a bonus plan for all employees based on the Company s overall performance, the employees performance, and level of responsibility. In addition, the Company has a management carve-out plan for a potential liquidation event based on the sales price per share.

Legal proceedings

On November 4, 2011, we filed a lawsuit in the United States District Court for the Central District of California against Inova Labs Inc., or Defendant, for infringement of two of our patents. The case, Inogen Inc. v. Inova Labs Inc., Case No. 8:11-cv-01692-JST-AN, or the Lawsuit, involves U.S. Patent Nos. 7,841,343, entitled Systems and Methods For Delivering Therapeutic Gas to Patients , or the 343 patent, and 6,605,136 entitled Pressure Swing Adsorption Process Operation And Optimization , or the 136 patent. We alleged in the Lawsuit that certain of Defendant s oxygen concentrators infringe various claims of the 343 and 136 patents. The Lawsuit seeks damages, injunctive relief, costs and attorney fees.

The Defendant has answered the complaint, denying infringement and asserting various sets of defenses including non-infringement, invalidity and unenforceability, patent misuse, unclean hands, laches and estoppel. The Defendant also filed counterclaims against us alleging patent invalidity, non-infringement and inequitable conduct. We denied the allegations in the Defendant s counterclaims. We have filed a motion to dismiss Defendant s inequitable conduct counterclaim.

The Defendant filed a request with the U.S. Patent and Trademark Office seeking an inter partes reexamination of the 343 and 136 patents. The Defendant also filed a motion to stay the Lawsuit pending outcome of the reexamination. On March 20, 2012, the Court granted the Defendant s motion to stay the Lawsuit pending outcome of the reexamination and also granted our motion to dismiss the Defendant s inequitable conduct counterclaim.

The Company is party to various other legal proceedings arising in the normal course of business. The Company carries insurance, subject to deductibles under the specified policies, to protect against losses from certain types of legal claims. The Company does not anticipate that any of these proceedings will have a material impact on the Company.

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

6. Convertible preferred stock

A summary of the terms of the various types of redeemable convertible preferred stock at September 30, 2013 is as follows:

Series	**B**	**C**	**D**	**E**	**F**	**G**	**Total**
Shares authorized	425,527	380,142	1,619,441	1,639,117	2,701,959	2,840,264	9,606,450
Shares issued	425,511	365,903	1,572,754	1,634,874	2,701,957	2,840,260	9,541,259
Par value	$0.001	$0.001	$0.001	$0.001	$0.001	$0.001	
Conversion rate	1.45108	1.73014	1.87951	2.69244	1.0000	1.0000	
Liquidation preference per share	11.880	17.580	21.900	19.224	7.140	14.083	
Dividend rate	5%	8%	8%	8%	8%	8%	
Redemption date	January 1, 2016	January 1, 2016	January 1, 2016	January 1, 2016	January 1, 2016	January 1, 2016	
Issue date	July 2003	June 2004	July 2005 to July 2007	October 2007 to February 2009	February 2010 to June 2010	March 2012	

A summary of the terms of the non-redeemable convertible preferred stock at September 30, 2013 is as follows:

Series	**A**
Shares authorized	66,666
Shares issued	66,666
Par value	$0.001
Conversion rate	1.01709
Liquidation preference per share	3.750
Dividend rate	5%
Issue date	May 2002

7. Stock incentive plan

The Company has a 2012 Stock Incentive Plan (the 2012 Plan) under which the Company has reserved 1,219,027 shares of common stock, as amended, to be issued in connection with stock options and other equity awards issued under the 2012 Plan. The 2012 Plan provides for option grants at exercise prices not less than 100% of the fair value of common stock on the date of grant.

Previously, the Company had a 2002 Stock Incentive Plan (the 2002 Plan), as amended. As of March 12, 2012, the 2002 Plan was terminated and a new 2012 Plan was created in its place. On termination, the 2002 Plan had 1,424,540 shares of common stock outstanding. Any shares returned to the 2002 Plan as a result of expiration or termination of equity awards (up to 1,424,646 shares) are added to the 2012 Plan share reserve.

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

7. Stock incentive plan (continued)

Options typically expire ten years from the date of grant and vest over one to four year terms. Options have been granted to employees and consultants of the Company at the deemed fair market value, as determined by the Board of Directors, of the shares underlying the options at the date of grant.

The activity for stock options under the Plan is as follows:

	Options	Weighted average exercise price	Weighted average remaining contractual term (in years)
Outstanding at December 31, 2012	1,646,120	$ 1.0647	
Granted	439,993	$ 1.1700	
Exercised	(4,522)	$ 0.5705	
Forfeited	(786)	$ 0.6595	
Expired	(1,467)	$ 1.7867	
Outstanding at September 30, 2013	2,079,338	$ 1.0876	6.968
Exercisable at September 30, 2013	1,466,789	$ 1.1140	6.113

The number of equity awards available for grant under the Plan as of September 30, 2013 and 2012 was 530,427 and 981,411, respectively. As of March 12, 2012, the 2002 Stock Plan was terminated and the 2012 Stock Plan was created reserving 1,194,078 shares for issuance.

Employee stock-based compensation expense recognized in 2013 and 2012 was calculated based on awards ultimately expected to vest and has been reduced for estimated forfeitures at a rate of 5.7%, based on the Company s historical option cancellations. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

For the nine months ended September 30, 2013 and 2012, stock-based compensation expense recognized under ASC 718, included in cost of sales, sales and marketing expense, general and administrative expense, and research and development expense, totaled $116 and $48, respectively.

Valuation assumptions

The employee stock-based compensation expense recognized under ASC 718 was determined using the Black-Scholes method for the year ended September 30, 2013.

Option valuation models require the input of subjective assumptions and these assumptions can vary over time. The risk-free interest rate is the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term equal to the expected term. The expected term of the

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

7. Stock incentive plan (continued)

Valuation assumptions (continued)

options was based on the simplified method outlined in ASC 718. The volatility factors were based on five peer companies selected from Dow Jones Industry Classification Benchmark (ICB) codes 4535 and 4537. These codes include companies which are the same market categories as the Company, which is the Medical Equipment and Supplies line of business. The peer companies were selected based on similarity of market capitalization, size and certain operating characteristics. The calculated volatility value was established by taking the historical daily closing values prior to grant date, over a period equal to the expected term, for each of the peer companies.

When the period of data available was less than the expected term, closing values for the longest period of time available were used. The calculated historical volatility of each of these companies was then averaged to determine the calculated value used by the Company.

The value of employee options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used:

Expected term (years)	5.5071 - 6.0823
Risk free interest rate	0.7325 - 2.8876%
Expected dividend yield	None
Volatility	46.5786 - 50.5238%

Under these assumptions, the total fair value of the stock option grants during the nine months ended September 30, 2013 and 2012 was $481 and $78, respectively.

As of September 30, 2013 and 2012, there was $468 and $105, respectively, of total unrecognized compensation expense related to non-vested share-based compensation granted under the Plan.

Non-employee option grants

In accordance with ASC 505 and ASC 718, compensation expense related to non-employee option grants is recognized over the related vesting period as this method approximates the recognition of compensation expense over the service period. The Company had no compensation expense related to non-employee option grants for the nine months ended September 30, 2013 and 2012, as no non-employee options were granted and all previous grants were fully vested prior to 2012.

8. Warrants

From time to time, the Company issues warrants to purchase its common and preferred stock. These warrants have been issued in connection with the issuance of the Company s convertible debt financing as well as the expansion of its credit agreement.

The warrants issued by the Company are subject to the same anti-dilution rights as the underlying preferred stock.

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

8. Warrants (continued)

Warrant activity is summarized as follows:

A summary of outstanding warrants at September 30, 2013 is as follows:

Security	Number of warrants	Exercise price/share	Expiration date
Series C preferred	14,215	$ 17.580	2015
Series D preferred	942	21.900	2013
Series D preferred	11,415	21.900	2014
Series E preferred	3,120	9.612	2015
Series E preferred	1,102	9.612	2016
Common stock	233,611	0.300	2017 - 2019
	264,405		

	Shares	Weighted average exercise price	Range of exercise prices
Outstanding at December 31, 2012	384,217	$ 8.46	$0.30 - $21.90
Warrants issued			
Warrants exercised	(85,529)	$ 21.90	$21.90
Warrants expired/forfeited	(34,283)	$ 21.90	$21.90
Outstanding at September 30, 2013	264,405	$ 7.17	$ 0.30 - $21.90
Exercisable at September 30, 2013	264,405	$ 7.17	$ 0.30 - $21.90

A rollforward of warrant activity from January 1, 2013 to September 30, 2013 is as follows:

	Issued and outstanding warrants as of January 1, 2013	Warrants exercised	Warrants expired	Issued and outstanding warrants as of September 30, 2013
Series C preferred	14,215			14,215
Series D preferred	132,169	85,529	34,283	12,357
Series E preferred	4,222			4,222
Common stock	233,611			233,611
	384,217	85,529	34,283	264,405

As of September 30, 2013, we had the following warrants outstanding:

warrants exercisable for an aggregate of 233,611 shares of our common stock at an exercise price of $0.30 per share issued in connection with our 2007 convertible note financing and 2009 series E convertible preferred stock financing. These warrants have various expiration dates through February 26, 2019, but expire earlier upon a change in control of our company;

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

8. Warrants (continued)

warrants exercisable for an aggregate of 14,215 shares of our series C convertible preferred stock at an exercise price of $17.58 per share issued in connection with a 2005 financing. These warrants will expire upon the earliest of (1) May 31, 2015, (2) a change in control of our company, and (3) the offering contemplated by this prospectus. Upon completion of the offering contemplated by this prospectus, and assuming the exercise of these warrants, these warrants will convert into an aggregate of 24,588 shares of common stock;

warrants exercisable for an aggregate of 942 shares of our series D convertible preferred stock at an exercise price of $21.90 per share issued to various purchasers in connection with our 2006 note and warrant financings. These warrants expire on various dates through November 8, 2013 unless a change in control of our company occurs prior to such expiration dates. To the extent that these warrants are not exercised prior to the offering contemplated by this prospectus, they will be exercisable for a maximum of 1,770 shares of common stock at the series D conversion rate of 1.8795056643:1;

a warrant exercisable for 11,415 shares of our series D convertible preferred stock at an exercise price of $21.90 per share issued to Venture Lending and Leasing IV, LLC in 2006. This warrant will expire in February, 2014. To the extent that these warrants are not exercised prior to the offering contemplated by this prospectus, they will be exercisable for a maximum of 21,454 shares of common stock at the series D conversion rate of 1.8795056643:1;

warrants exercisable for an aggregate of 4,222 shares of our series E convertible preferred stock at an exercise price of $9.6120 per share issued to Square One Bank. These warrants will expire on various dates between July 10, 2015 and July 23, 2016; provided, however, that if the offering contemplated by this prospectus occurs within the three-year period immediately prior to the expiration date of any one of these warrants, the expiration date shall automatically be extended to third anniversary of our initial public offering. To the extent that these warrants are not exercised prior to the offering contemplated by this prospectus, they will be exercisable for a maximum of 11,365 shares of common stock at the series E conversion rate of 2.6924369748:1.

These warrants have a net exercise provision under which their holders may, in lieu of payment of the exercise price in cash, surrender the warrant and receive a net amount of shares based on the fair market value of our stock at the time of exercise of the warrants after deduction of the aggregate exercise price. These warrants contain provisions for adjustment of the exercise price and number of shares issuable upon the exercise of warrants in the event of certain stock dividends, stock splits, reorganizations, reclassifications and consolidations.

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

8. Warrants (continued)

A rollforward of warrant activity from January 1, 2012 to September 30, 2012 is as follows:

	Issued and outstanding warrants as of January 1, 2012	Warrants exercised	Warrants expired	Issued and outstanding warrants as of September 30, 2012
Series B preferred	2,429	2,429		
Series C preferred	36,270	8,408		27,862
Series D preferred	132,169			132,169
Series E preferred	4,222			4,222
Common stock	250,997	17,386		233,611
	426,087	28,223		397,864

9. Subsequent events (after September 30, 2013)

In January 2013, the Company received notification from the Center for Medicare & Medicaid Services about pricing for the Competitive Bidding program that was expanded to 100 additional Metropolitan Statistical Areas. Pricing decreased on average approximately 45% from current Medicare allowable rates for oxygen products. The new payment rates went into effect July 1, 2013. The Company received notification that the Centers for Medicare & Medicaid Services was offering Inogen 89 non-exclusive contracts to continue to operate in these markets.

In October 2013, the Company granted a total of 276,333 common stock options at an exercise price of $8.37 per share, of which 3,749 vest over twelve months and the remainder vest over four years.

In October 2013, the Board approved revised employment agreements for the executive team including the CEO, CFO, EVP, Sales & Marketing, VP, Engineering, and the VP, Operations which included revised compensation arrangements including severance.

In October 2013, the Company received notification from the Centers for Medicare and Medicaid Services about pricing for the Competitive Bidding program that was re-bid in 9 Metropolitan Statistical Areas as contracts would expire December 31, 2013. The Centers for Medicare & Medicaid Services announced average savings of approximately 37% off the current payments rates in effect from the product categories included in competitive bidding. Inogen currently has contracts in 6 of these Metropolitan Statistical Areas. The new contracts and payment rates would go into effect January 1, 2014. The Company was offered 3 contracts to provide respiratory equipment in 3 of the 9 competitive bidding areas, and we accepted and signed those contracts. We are required to be able to supply additional respiratory products such as sleep and aerosol therapy, which have lower margins than our existing products.

On November 11, 2013, the Company s Board of Directors and stockholder approved a 3:1 reverse stock split. This became effective as of November 12, 2013 and, the effect of this event has been

F-73

Table of Contents

Inogen, Inc.

Notes to financial statements

(unaudited)

(amounts in thousands, except share and per share amounts)

9. Subsequent events (after September 30, 2013) (continued)

reflected in all of the share quantities and per share amounts throughout the financials. The shares of Common Stock retained a par value of $0.001.

On November 25, 2013, the Company entered into an amendment to its Amended and Restated Revolving Credit and Term Loan Agreement dated as of October 12, 2012 which will now permit the Company to engage in an Initial Public Offering without triggering an event of default.

Table of Contents

Table of Contents

Table of Contents

Part II

Information not required in the prospectus

Item 13. Other expenses of issuance and distribution.

Estimated expenses, other than underwriting discounts and commissions, payable by the registrant in connection with the sale of the common stock being registered under this registration statement are as follows:

	Amount to be paid
SEC registration fee	$ 11,763
FINRA filing fee	14,199
Exchange listing fee	25,000
Printing and engraving expenses	535,000
Legal fees and expenses	900,000
Accounting fees and expenses	720,000
Transfer agent and registrar fees and expenses	12,700
Miscellaneous	151,338
Total	$ 2,370,000

Item 14. Indemnification of directors and officers.

Section 145 of the Delaware General Corporation Law, or DGCL, empowers a corporation to indemnify its directors and officers and to purchase insurance with respect to liability arising out of their capacity or status as directors and officers, provided that the person acted in good faith and in a manner the person reasonably believed to be in its best interests, and, with respect to any criminal action, had no reasonable cause to believe the person s actions were unlawful. The DGCL further provides that the indemnification permitted thereunder shall not be deemed exclusive of any other rights to which the directors and officers may be entitled under the corporation s bylaws, any agreement, a vote of stockholders or otherwise. The certificate of incorporation of the registrant to be in effect upon the completion of this offering provides for the indemnification of the registrant s directors and officers to the fullest extent permitted under the DGCL. In addition, the bylaws of the registrant to be in effect upon the completion of this offering require the registrant to fully indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that such person is or was a director, or officer of the registrant, or is or was a director or officer of the registrant serving at the registrant s request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney s fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, to the fullest extent permitted by applicable law.

Section 102(b)(7) of the DGCL permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except (1) for any breach of the director s duty of loyalty to the corporation or its stockholders, (2) for acts or

Table of Contents

omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) for payments of unlawful dividends or unlawful stock repurchases or redemptions or (4) for any transaction from which the director derived an improper personal benefit. The registrant s certificate of incorporation to be in effect upon the completion of this offering provides that the registrant s directors shall not be personally liable to it or its stockholders for monetary damages for breach of fiduciary duty as a director and that if the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of the registrant s directors shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Section 174 of the DGCL provides, among other things, that a director who willfully or negligently approves of an unlawful payment of dividends or an unlawful stock purchase or redemption may be held liable for such actions. A director who was either absent when the unlawful actions were approved, or dissented at the time, may avoid liability by causing his or her dissent to such actions to be entered in the books containing minutes of the meetings of our board of directors at the time such action occurred or immediately after such absent director receives notice of the unlawful acts

As permitted by the DGCL, the registrant has entered into separate indemnification agreements with each of the registrant s directors and certain of the registrant s officers which require the registrant, among other things, to indemnify them against certain liabilities which may arise by reason of their status as directors, officers or certain other employees.

The registrant expects to obtain and maintain insurance policies under which its directors and officers are insured, within the limits and subject to the limitations of those policies, against certain expenses in connection with the defense of, and certain liabilities which might be imposed as a result of, actions, suits or proceedings to which they are parties by reason of being or having been directors or officers. The coverage provided by these policies may apply whether or not the registrant would have the power to indemnify such person against such liability under the provisions of the DGCL.

These indemnification provisions and the indemnification agreements entered into between the registrant and the registrant s officers and directors may be sufficiently broad to permit indemnification of the registrant s officers and directors for liabilities (including reimbursement of expenses incurred) arising under the Securities Act of 1933, as amended, or Securities Act.

The underwriting agreement between the registrant and the underwriters filed as Exhibit 1.1 to this registration statement provides for the indemnification by the underwriters of the registrant s directors and officers and certain controlling persons against specified liabilities, including liabilities under the Securities Act with respect to information provided by the underwriters specifically for inclusion in the registration statement.

Item 15. Recent sales of unregistered securities.

The following list sets forth information regarding all unregistered securities sold by us since January 1, 2010. No underwriters were involved in the sales and the certificates representing the securities sold and issued contain legends restricting transfer of the securities without registration under the Securities Act or an applicable exemption from registration.

(a) In February and June of 2010, the registrant issued and sold an aggregate of 2,701,957 shares of its series F convertible preferred stock at $3.57 per share, for aggregate proceeds of approximately $9,646,000, to a total of eight accredited investors. With respect to the February

Table of Contents

2010 sale of series F convertible preferred stock, the registrant filed a Form D on March 2, 2010. With respect to the June 2010 sale of series F convertible preferred stock, the registrant filed a Form D/A on July 13, 2010.

(b) In March 2012, the registrant sold an aggregate of 2,840,260 shares of its series G convertible preferred stock at $7.0416 per share for aggregate proceeds of approximately $20,000,000 to a total of eight accredited investors.

(c) From February 24, 2010 through December 7, 2011, the registrant granted to certain of its employees, consultants, directors and other service providers under the registrant s 2002 Stock Incentive Plan options to purchase an aggregate of 923,609 shares of its common stock at exercise prices ranging from $0.60 to $0.75 per share.

(d) From March 28, 2012 through October 10, 2013, the registrant granted to certain of its employees, consultants, directors and other service providers under the registrant s 2012 Equity Incentive Plan options to purchase an aggregate of 964,922 shares of its common stock at exercise prices ranging from $0.81 to $8.37 per share.

(e) From May 10, 2010 through February 3, 2014, the registrant issued and sold an aggregate of 15,835 shares of its common stock upon the exercise of options issued to certain employees, directors and consultants under the registrant s 2002 Stock Incentive Plan at exercise prices ranging from $0.60 to $8.70, for aggregate consideration of approximately $21,000.

(f) On March 4, 2011, the registrant issued 2,554 shares of its series C convertible preferred stock upon exercise of warrants at an exercise price of $17.58 per share for aggregate proceeds of approximately $45,000.

(g) On February 28, 2012, the registrant issued 17,386 shares of its common stock upon exercise of warrants at an exercise price of $0.30 per share for aggregate proceeds of approximately $5,000.

(h) On April 18, 2012, the registrant issued 8,408 shares of its series C convertible preferred stock upon exercise of warrants at an exercise price of $17.58 per share for aggregate proceeds of approximately $148,000.

(i) On April 18, 2012, the registrant issued 2,429 shares of its series B convertible preferred stock upon exercise of a warrant at an exercise price of $11.88 per share for aggregate proceeds of approximately $29,000.

(j) On December 27, 2012, the registrant issued 13,647 shares of its series C convertible preferred stock upon exercise of warrants at an exercise price of $17.58 per share for aggregate proceeds of approximately $240,000.

(k) On February 14, 2013, the registrant issued 19,976 shares of its series D convertible preferred stock upon exercise of warrants at an exercise price of $21.90 per share for aggregate proceeds of approximately $437,000.

(l) On February 28, 2013, the registrant issued 19,539 shares of its series D convertible preferred upon exercise of warrants at an exercise price of $21.90 per share for aggregate proceeds of approximately $428,000.

(m) On May 20, 2013, the registrant issued 7,989 shares of its series D convertible preferred stock upon exercise of warrants at an exercise price of $21.90 per share for aggregate proceeds of approximately $175,000.

Table of Contents

(n) On May 23, 2013, the registrant issued 2,951 shares of its series D convertible preferred stock upon exercise of a warrant at an exercise price of $21.90 per share for aggregate proceeds of approximately $65,000.

(o) On June 21, 2013, the registrant issued 5,706 shares of its series D convertible preferred stock upon exercise of warrants at an exercise price of $21.90 per share for aggregate proceeds of approximately $125,000.

(p) On July 3, 2013, the registrant issued 3,685 shares of its series D convertible preferred stock upon exercise of a warrant at an exercise price of $21.90 per share for aggregate proceeds of approximately $81,000.

(q) On August 28, 2013, the registrant issued 22,830 shares of its series D convertible preferred stock upon exercise of warrants at an exercise price of $21.90 per share for aggregate proceeds of approximately $500,000.

(r) On September 5, 2013, the registrant issued 2,853 shares of its series D convertible preferred stock upon exercise of a warrant at an exercise price of $21.90 per share for aggregate proceeds of approximately $62,000.

(s) On October 28, 2013, the registrant issued 372 shares of its series D convertible preferred stock upon exercise of a warrant at an exercise price of $21.90 per share for aggregate proceeds of approximately $8,000.

(t) On January 6, 2014, the registrant issued 2,045 shares of its series C convertible preferred stock upon exercise of warrants at an exercise price of $17.58 per share for aggregate proceeds of approximately $36,000.

(u) On January 6, 2014, the registrant issued 7,649 shares of its common stock upon exercise of warrants at an exercise price of $0.30 per share for aggregate proceeds of approximately $2,000.

(v) On January 15, 2014, the registrant issued 8,951 shares of its series C convertible preferred stock upon exercise of warrants at an exercise price of $17.58 per share for aggregate proceeds of approximately $157,000.

(w) On January 15, 2014, the registrant issued 49,436 shares of its common stock upon exercise of warrants at an exercise price of $0.30 per share for aggregate proceeds of approximately $15,000.

(x) On January 17, 2014, the registrant issued 11,415 shares of its series D convertible preferred stock upon exercise of warrants at an exercise price of $21.90 per share for aggregate proceeds of approximately $250,000.

(y) On January 21, 2014, the registrant issued 98 shares of its series C convertible preferred stock upon exercise of warrants at an exercise price of $17.58 per share for aggregate proceeds of approximately $2,000.

(z) On January 27, 2014, the registrant issued 15,231 shares of its common stock upon exercise of warrants at an exercise price of $0.30 per share for aggregate proceeds of approximately $4,500.

Unless otherwise indicated, the offers, sales and issuances of the securities described in Items 15(a) and (b) and 15(f) through (z) were exempt from registration under the Securities Act under Section 4(2) of the Securities Act as transactions by an issuer not involving a public offering. The

Table of Contents

recipients of securities in each of these transactions acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions. Each of the recipients of securities in these transactions was an accredited person and had adequate access, through employment, business or other relationships, to information about the registrant. No underwriters were involved in the offers, sales and issuances of the securities described in items 15(a) and (b) and 15(f) through (z).

The offers, sales and issuances of the securities described in Items 15(c), 15(d) and 15(e) were exempt from registration under the Section 4(2) of the Securities Act and/or Rule 701 of the Securities Act.

Table of Contents

Item 16. Exhibits and financial statement schedules.

(a) Exhibits.

Exhibit number	Description
1.1	Form of Underwriting Agreement.
3.1^	Twelfth Amended and Restated Certificate of Incorporation of the Registrant, as amended.
3.2^	Form of Thirteenth Amended and Restated Certificate of Incorporation, to be effective upon completion of the offering.
3.3^	Form of Amended and Restated Bylaws, to be effective immediately prior to the completion of the offering.
4.1^	Specimen Common Stock Certificate of the Registrant.
4.2^	Ninth Amended and Restated Investors Rights Agreement, dated March 12, 2012, by and among the Registrant and the investors named therein, as amended.
4.3^	Form of Warrant to Purchase Common Stock issued in connection with the Registrant s 2007 convertible note financing.
4.4^	Form of Warrant to Purchase Common Stock issued in connection with the Registrant s Series E Preferred Stock Financing.
4.5^	Form of Warrant to Purchase Series C Convertible Preferred Stock.
4.6^	Form of Warrant to Purchase Series D Convertible Preferred Stock issued pursuant to the Registrant s Note and Warrant Purchase Agreement dated July 7, 2006.
4.7^	Form of Warrant to Purchase Series D Convertible Preferred Stock issued in connection with the Registrant s Note and Warrant Purchase Agreement dated September 1, 2006.
4.8^	Warrant to purchase Series D Convertible Preferred Stock, dated September 18, 2006, issued to Venture Lending and Leasing IV, LLC.
4.9^	Form of Warrant to Purchase Series E Convertible Preferred Stock.
4.10^	Form of Second Warrant to Purchase Series E Convertible Preferred Stock.
5.1	Opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation.
10.1+^	Form of Director and Executive Officer Indemnification Agreement.
10.2+^	2002 Stock Plan, as amended.
10.3+^	Form of Notice of Stock Option Grant and Stock Option Agreement under the 2002 Stock Plan, as amended.
10.4+^	2012 Equity Incentive Plan, as amended.
10.5+^	Form of Stock Option Agreement under the 2012 Equity Incentive Plan.
10.6+^	2014 Equity Incentive Plan, to be in effect upon completion of this offering.
10.7+^	Form Agreements under the 2014 Equity Incentive Plan.
10.8+^	2014 Employee Stock Purchase Plan.
10.9+^	Executive Incentive Compensation Plan.

Table of Contents

Exhibit number	Description
10.10+^	Employment Agreement, dated October 1, 2013, between the Registrant and Raymond Huggenberger.
10.11+^	Employment Agreement, dated October 1, 2013, between the Registrant and Scott Wilkinson.
10.12+^	Employment Agreement, dated October 1, 2013, between the Registrant and Alison Bauerlein.
10.13+^	Employment Agreement, dated October 1, 2013, between the Registrant and Matt Scribner.
10.14+^	Employment Agreement, dated October 1, 2013, between the Registrant and Brenton Taylor.
10.15^	Amended and Restated Revolving Credit and Term Loan Agreement, dated October 12, 2012, between the Registrant and Comerica Bank, as amended.
10.16^	Security Agreement, dated October 12, 2012, between the Registrant and Comerica Bank.
10.17^	Multi-Purpose Commercial Building Lease, dated February 1, 2010, between the Registrant and Rockbridge Investments, L.P., as amended.
10.18^	Lease Agreement, dated May 3, 2012, between the Registrant and Bayview (TX) Holding LLC.
10.19^	License Agreement, dated July 23, 2007, between the Registrant and Air Products and Chemicals, Inc.
10.20^	Amendment to License Agreement, dated October 23, 2009, between the Registrant and Air Products and Chemicals, Inc.
10.21^	Amendment No. 2 to License Agreement, dated October 4, 2010, between the Registrant and Air Products and Chemicals, Inc.
10.22^	Amendment No. 3 to License Agreement, dated March 22, 2011, between the Registrant and Air Products and Chemicals, Inc.
10.23+^	Management Carve-Out Bonus Award, dated July 1, 2012, between the Registrant and Alison Bauerlein.
10.24+^	Management Carve-Out Bonus Award, dated July 1, 2012, between the Registrant and Brenton Taylor.
10.25+^	Management Carve-Out Bonus Award, dated July 1, 2012, between the Registrant and Scott Wilkinson.
10.26+^	Management Carve-Out Bonus Award, dated July 1, 2012, between the Registrant and Byron Myers.
10.27+^	Management Carve-Out Bonus Award, dated July 1, 2012, between the Registrant and Matthew Scribner.
16.1^	Letter from Macias Gini & O Connell LLP addressed to the Securities and Exchange Commission.
23.1	Consent of BDO USA, LLP, Independent Registered Public Accounting Firm.
23.2	Consent of Macias Gini & O Connell LLP, Independent Registered Public Accounting Firm.

Table of Contents

Exhibit number	Description
23.3	Consent of Wilson Sonsini Goodrich & Rosati, Professional Corporation (included in Exhibit 5.1).
23.4^	Consent of Timan, LLC.
24.1^	Powers of Attorney (included in page II-7-8 to the original filing of this registration statement).

^ Previously filed.

+ Indicates a management contract or compensatory plan.

(b) Financial statement schedules.

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Table of Contents

Signatures

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Goleta, State of California, on February 4, 2014.

INOGEN, INC.

By: /s/ Raymond Huggenberger
Raymond Huggenberger
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Raymond Huggenberger	President, Chief Executive Officer and	February 4, 2014
Raymond Huggenberger	Director (Principal Executive Officer)	
/s/ Alison Bauerlein	Chief Financial Officer	February 4, 2014
Alison Bauerlein	(Principal Accounting and Financial Officer)	
*	Chairman of the Board	February 4, 2014
Heath Lukatch, Ph.D		
*	Director	February 4, 2014
Benjamin Anderson-Ray		
*	Director	February 4, 2014
Stephen E. Cooper		
*	Director	February 4, 2014
William J. Link, Ph.D.		
*	Director	February 4, 2014
Charles E. Larsen		
*	Director	February 4, 2014
Loren McFarland		
*	Director	February 4, 2014

Timothy Petersen

* By: /s/ Raymond Huggenberger
Raymond Huggenberger
Attorney-in-fact

II-9

Table of Contents

Exhibit index

Exhibit number	Description
1.1	Form of Underwriting Agreement.
3.1^	Twelfth Amended and Restated Certificate of Incorporation of the Registrant, as amended.
3.2^	Form of Thirteenth Amended and Restated Certificate of Incorporation, to be effective upon completion of the offering.
3.3^	Form of Amended and Restated Bylaws, to be effective immediately prior to the completion of the offering.
4.1^	Specimen Common Stock Certificate of the Registrant.
4.2^	Ninth Amended and Restated Investors Rights Agreement, dated March 12, 2012, by and among the Registrant and the investors named therein, as amended.
4.3^	Form of Warrant to Purchase Common Stock issued in connection with the Registrant s 2007 convertible note financing.
4.4^	Form of Warrant to Purchase Common Stock issued in connection with the Registrant s Series E Preferred Stock Financing.
4.5^	Form of Warrant to Purchase Series C Convertible Preferred Stock.
4.6^	Form of Warrant to Purchase Series D Convertible Preferred Stock issued pursuant to the Registrant s Note and Warrant Purchase Agreement dated July 7, 2006.
4.7^	Form of Warrant to Purchase Series D Convertible Preferred Stock issued in connection with the Registrant s Note and Warrant Purchase Agreement dated September 1, 2006.
4.8^	Warrant to purchase Series D Convertible Preferred Stock, dated September 18, 2006, issued to Venture Lending and Leasing IV, LLC.
4.9^	Form of Warrant to Purchase Series E Convertible Preferred Stock.
4.10^	Form of Second Warrant to Purchase Series E Convertible Preferred Stock.
5.1	Opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation.
10.1+^	Form of Director and Executive Officer Indemnification Agreement.
10.2+^	2002 Stock Plan, as amended.
10.3+^	Form of Notice of Stock Option Grant and Stock Option Agreement under the 2002 Stock Plan, as amended.
10.4+^	2012 Equity Incentive Plan, as amended.
10.5+^	Form of Stock Option Agreement under the 2012 Equity Incentive Plan.
10.6+^	2014 Equity Incentive Plan, to be in effect upon completion of this offering.
10.7+^	Form Agreements under the 2014 Equity Incentive Plan.
10.8+^	2014 Employee Stock Purchase Plan.
10.9+^	Executive Incentive Compensation Plan.
10.10+^	Employment Agreement, dated October 1, 2013, between the Registrant and Raymond Huggenberger.
10.11+^	Employment Agreement, dated October 1, 2013, between the Registrant and Scott Wilkinson.
10.12+^	Employment Agreement, dated October 1, 2013, between the Registrant and Alison Bauerlein.

Table of Contents

Exhibit number	**Description**
10.13+^	Employment Agreement, dated October 1, 2013, between the Registrant and Matt Scribner.
10.14+^	Employment Agreement, dated October 1, 2013, between the Registrant and Brenton Taylor.
10.15^	Amended and Restated Revolving Credit and Term Loan Agreement, dated October 12, 2012, between the Registrant and Comerica Bank, as amended.
10.16^	Security Agreement, dated October 12, 2012, between the Registrant and Comerica Bank.
10.17^	Multi-Purpose Commercial Building Lease, dated February 1, 2010, between the Registrant and Rockbridge Investments, L.P., as amended.
10.18^	Lease Agreement, dated May 3, 2012, between the Registrant and Bayview (TX) Holding LLC.
10.19^	License Agreement, dated July 23, 2007, between the Registrant and Air Products and Chemicals, Inc.
10.20^	Amendment to License Agreement, dated October 23, 2009, between the Registrant and Air Products and Chemicals, Inc.
10.21^	Amendment No. 2 to License Agreement, dated October 4, 2010, between the Registrant and Air Products and Chemicals, Inc.
10.22^	Amendment No. 3 to License Agreement, dated March 22, 2011, between the Registrant and Air Products and Chemicals, Inc.
10.23+^	Management Carve-Out Bonus Award, dated July 1, 2012, between the Registrant and Alison Bauerlein.
10.24+^	Management Carve-Out Bonus Award, dated July 1, 2012, between the Registrant and Brenton Taylor.
10.25+^	Management Carve-Out Bonus Award, dated July 1, 2012, between the Registrant and Scott Wilkinson.
10.26+^	Management Carve-Out Bonus Award, dated July 1, 2012, between the Registrant and Byron Myers.
10.27+^	Management Carve-Out Bonus Award, dated July 1, 2012, between the Registrant and Matthew Scribner.
16.1^	Letter from Macias Gini & O Connell LLP addressed to the Securities and Exchange Commission.
23.1	Consent of BDO USA, LLP, Independent Registered Public Accounting Firm.
23.2	Consent of Macias Gini & O Connell LLP, Independent Registered Public Accounting Firm.
23.3	Consent of Wilson Sonsini Goodrich & Rosati, Professional Corporation (included in Exhibit 5.1).
23.4^	Consent of Timan, LLC.
24.1^	Powers of Attorney (included in page II-7-8 to the original filing of this registration statement).

^ Previously filed.

+ Indicates a management contract or compensatory plan.