

T2 Biosystems, Inc.  
Form DEF 14A  
April 26, 2019  
Table of Contents

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

**SCHEDULE 14A**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

**T2 Biosystems, Inc.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

Table of Contents



(4) Date Filed:

**Table of Contents**

**T2 Biosystems, Inc.**

**101 Hartwell Ave.**

**Lexington, MA 02421**

**NOTICE OF 2019 ANNUAL MEETING OF STOCKHOLDERS**

Notice is hereby given that the 2019 Annual Meeting of Stockholders of T2 Biosystems, Inc. will be held on Friday, June 7, 2019, at 9 a.m. Eastern Time, at 91 Hartwell Ave., Lexington, Massachusetts 02421. The purpose of the meeting is the following:

1. to elect one director, Michael Cima, to serve as a Class II director until the 2022 annual meeting of stockholders and until his successor is duly elected and qualified, subject to his earlier resignation or removal;
2. to ratify the appointment of BDO USA, LLP ( BDO ) as our independent registered public accounting firm for the fiscal year ending December 31, 2019; and
3. to transact such other business as may properly come before the meeting or at any and all adjournments or postponements thereof.

The proposal for the election of the director relates solely to the election of the Class II director nominated by the Board of Directors.

Only T2 Biosystems, Inc. stockholders of record at the close of business on April 12, 2019 will be entitled to vote at the meeting and any adjournment or postponement thereof.

We are pleased to take advantage of Securities and Exchange Commission rules that allow companies to furnish their proxy materials over the Internet. We are mailing to many of our stockholders a Notice of Internet Availability of Proxy Materials instead of a paper copy of our proxy materials and our 2018 Annual Report on Form 10-K. The Notice contains instructions on how to access those documents and to cast your vote via the Internet. The Notice also contains instructions on how to request a paper copy of our proxy materials and our 2018 Annual Report on Form 10-K. All stockholders who do not receive a Notice will receive a paper copy of the proxy materials and the Annual Report by mail. This process allows us to provide our stockholders with the information they need on a more timely basis, while reducing the environmental impact and lowering the costs of printing and distributing our proxy materials.

Your vote is important. Whether or not you are able to attend the meeting in person, it is important that your shares be represented. To ensure that your vote is recorded promptly, please vote as soon as possible, even if you plan to attend the meeting, by submitting your proxy via the Internet at the address listed on the proxy card or by signing, dating and returning the proxy card.

By Order of the Board of Directors,

John McDonough

*Chief Executive Officer, President, and  
Director*

Lexington, Massachusetts

April 26, 2019

Table of Contents

**TABLE OF CONTENTS**

<u>GENERAL INFORMATION</u>	1
<u>OVERVIEW OF PROPOSALS</u>	3
<u>PROPOSAL 1 ELECTION OF DIRECTORS</u>	3
<u>TRANSACTION OF OTHER BUSINESS</u>	8
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	8
<u>EXECUTIVE OFFICERS</u>	10
<u>RELATED PERSON TRANSACTIONS</u>	11
<u>COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION</u>	12
<u>SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	12
<u>CORPORATE GOVERNANCE</u>	13
<u>EXECUTIVE COMPENSATION</u>	17
<u>DIRECTOR COMPENSATION</u>	23
<u>HOUSEHOLDING OF PROXY MATERIALS</u>	26
<u>STOCKHOLDER MATTERS</u>	26

**Table of Contents**

**T2 BIOSYSTEMS, INC.**

**PROXY STATEMENT**

**FOR THE 2019 ANNUAL MEETING OF STOCKHOLDERS**

**GENERAL INFORMATION**

Our Board of Directors (the Board of Directors or Board ) has made this Proxy Statement and related materials available to you on the Internet, or at your request has delivered printed versions to you by mail, in connection with the Board of Directors solicitation of proxies for our 2019 Annual Meeting of Stockholders (the Annual Meeting ), and any adjournment of the Annual Meeting. If you requested printed versions of these materials by mail, they will also include a proxy card for the Annual Meeting.

Pursuant to rules adopted by the Securities and Exchange Commission ( SEC ), we are providing access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the Notice ) to our stockholders of record and beneficial owners as of the record date identified below. The mailing of the Notice to our stockholders is scheduled to begin by April 26, 2019.

**IMPORTANT NOTICE REGARDING THE INTERNET AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL STOCKHOLDERS MEETING TO BE HELD ON JUNE 7, 2019: *This proxy statement, the accompanying proxy card or voting instruction card and our 2018 Annual Report on Form 10-K are available at <http://www.proxyvote.com>.***

In this Proxy Statement, the terms the Company, T2 Biosystems, we, us, and our refer to T2 Biosystems, Inc. and its wholly owned subsidiary. The mailing address of our principal executive offices is T2 Biosystems, Inc., 101 Hartwell Ave., Lexington, MA 02421.

**EXPLANATORY NOTE**

We are an emerging growth company under applicable federal securities laws and therefore permitted to take advantage of certain reduced public company reporting requirements. As an emerging growth company, we provide in this proxy statement the scaled disclosure permitted under the Jumpstart Our Business Startups Act of 2012 (the JOBS Act ), including the compensation disclosures required of a smaller reporting company, as that term is defined in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act ). In addition, as an emerging growth company, we are not required to conduct votes seeking approval, on an advisory basis, of the compensation of our named executive officers or the frequency with which such votes must be conducted. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of \$1 billion or more; (ii) December 31, 2019; (iii) the date on which we have issued more than \$1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

**Stockholders Entitled to Vote; Record Date**

As of the close of business on April 12, 2019, the record date for determination of stockholders entitled to vote at the Annual Meeting, there were outstanding 44,339,243 shares of our common stock, par value \$0.001 per share, all of which are entitled to vote with respect to all matters to be acted upon at the Annual Meeting. Each stockholder of record is entitled to one vote for each share of our common stock held by such stockholder. No shares of T2

Biosystems preferred stock were outstanding as of April 12, 2019.

**Quorum; Abstentions; Broker Non-Votes**

Our By-laws provide that a majority of the shares entitled to vote, present in person or represented by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. Under the General Corporation Law of the State of Delaware (the DGCL ), shares that are voted abstain or withheld and broker non-votes are counted as present for purposes of determining whether a quorum is present at the Annual Meeting.

## **Table of Contents**

Under our By-laws, any proposal other than an election of directors is decided by a majority of the votes properly cast for and against such proposal, except where a larger vote is required by law or by our Certificate of Incorporation or By-laws. Abstentions and broker non-votes are not included in the tabulation of the voting results on any such proposal and, therefore, do not have the effect of votes in opposition to such proposals. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner.

If your shares are held in street name by a brokerage firm, your brokerage firm is required to vote your shares according to your instructions. If you do not give instructions to your brokerage firm, the brokerage firm will only be able to vote your shares with respect to certain discretionary items, but will not be allowed to vote your shares with respect to non-discretionary items. Proposal 1 is a non-discretionary item. If you do not instruct your broker how to vote with respect to this proposal, your broker may not vote, and those votes will be counted as broker non-votes. Proposal 2 is considered to be a discretionary item, and your brokerage firm will be able to vote on this proposal even if it does not receive instructions from you.

## **Voting**

### ***In Person***

If you are a stockholder of record, you may vote in person at the meeting. We will give you a ballot when you arrive. If you hold your shares through a bank or broker and wish to vote in person at the meeting, you must obtain a valid proxy from the firm that holds your shares. No appraisal rights are available under Delaware Law or under the Current Certificate or the Company's bylaws to any stockholder who dissents from this proposal.

### ***By Proxy***

If you do not wish to vote in person or will not be attending the meeting, you may vote by proxy. You can vote by proxy over the Internet by following the instructions provided in the Notice, or, if you requested printed copies of the proxy materials by mail, you can vote by mailing your proxy as described in the proxy materials. You may also authorize another person or persons to act for you as proxy in a writing, signed by you or your authorized representative, specifying the details of those proxies' authority. The original writing must be given to each of the named proxies, although it may be sent to them by electronic transmission if, from that transmission, it can be determined that the transmission was authorized by you. If you complete and submit your proxy before the meeting, the persons named as proxies will vote the shares represented by your proxy in accordance with your instructions. If you submit a proxy without giving voting instructions, your shares will be voted in the manner recommended by the Board of Directors on all matters presented in this Proxy Statement, and as the persons named as proxies may determine in their discretion with respect to any other matters properly presented at the meeting.

If any other matters are properly presented for consideration at the Annual Meeting, including, among other things, consideration of a motion to adjourn the Annual Meeting to another time or place (including, without limitation, for the purpose of soliciting additional proxies), the persons named in the enclosed proxy card and acting thereunder will have discretion to vote on those matters in accordance with their best judgment. We do not currently anticipate that any other matters will be raised at the Annual Meeting.

## **Revocability of Proxy**

You may revoke your proxy by (1) following the instructions on the Notice and entering a new vote by mail or over the Internet before the Annual Meeting or (2) attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not in and of itself revoke a proxy). Any written notice of revocation or subsequent proxy card must be received by our Secretary prior to the taking of the vote at the

## **Table of Contents**

Annual Meeting. Such written notice of revocation or subsequent proxy card should be hand delivered to our Secretary or sent to our principal executive offices at T2 Biosystems, Inc., 101 Hartwell Ave., Lexington, MA 02421, Attention: Corporate Secretary.

If a broker, bank, or other nominee holds your shares, you must contact them in order to find out how to change your vote.

## **Expenses of Solicitation**

T2 Biosystems is making this solicitation and will pay the entire cost of preparing and distributing the Notice and these proxy materials and soliciting votes. If you choose to access the proxy materials or vote over the Internet, you are responsible for any Internet access charges that you may incur. Our officers and employees may, without compensation other than their regular compensation, solicit proxies through further mailings, personal conversations, facsimile transmissions, e-mails, or otherwise. We have hired Broadridge Financial Solutions, Inc. to assist us in the distribution of proxy materials and the solicitation of votes described above. Proxy solicitation expenses that we will pay include those for preparation, mailing, returning, and tabulating the proxies.

## **OVERVIEW OF PROPOSALS**

This Proxy Statement contains two proposals requiring stockholder action. Proposal 1 requests the election of one director to the Board of Directors. Proposal 2 requests the ratification of the appointment of BDO as our independent registered public accounting firm for the fiscal year ending December 31, 2019. The proposals are discussed in more detail in the pages that follow.

### **PROPOSAL 1**

#### **ELECTION OF DIRECTORS**

The Board of Directors is divided into three classes. One class is elected each year at the annual meeting of stockholders for a term of three years. Vacancies on the Board of Directors are filled exclusively by the affirmative vote of a majority of the remaining directors, even if less than a quorum is present, and not by stockholders. A director elected by the Board of Directors to fill a vacancy in a class shall hold office for the remainder of the full term of that class, and until the director's successor is duly elected and qualified or until his or her earlier resignation, death, or removal.

The terms of the Class II directors are scheduled to expire on the date of the upcoming Annual Meeting. Based on the recommendation of the nominating and corporate governance committee of the Board of Directors, the Board of Directors' nominees for election by the stockholders is the only current Class II member: Michael Cima. If elected, the nominee will serve as a director until the annual meeting of stockholders in 2022 and until his successor is duly elected and qualified, or until his earlier death, resignation, or removal.

The names of and certain information about the directors in each of the three classes are set forth below. There are no family relationships among any of our directors or executive officers.

It is intended that the proxy in the form presented will be voted, unless otherwise indicated, for the election of the Class II director nominee to the Board of Directors. If the nominee should for any reason be unable or unwilling to serve at any time prior to the Annual Meeting, the proxies will be voted for the election of such substitute nominee as the Board of Directors may designate.



**Table of Contents****Nominee for Class II Director**

The name of the nominee for Class II director and certain information about him as of April 12, 2019 is set forth below.

<b>Name</b>	<b>Positions and Offices Held with T2 Biosystems</b>	<b>Director Since</b>	<b>Age</b>
Michael Cima	Director	2006	59

**Directors Not Standing for Election or Re-Election**

The names of and certain information as of April 12, 2019 about the members of the Board of Directors who are not standing for election or re-election at this year's Annual Meeting are set forth below.

<b>Name</b>	<b>Positions and Offices Held with T2 Biosystems</b>	<b>Director Since</b>	<b>Class and Year in Which Term Will Expire</b>	<b>Age</b>
Stanley Lapidus	Director	2008	Class III-2020	69
John W. Cumming	Director	2014	Class III-2020	73
David Elsbree	Director	2014	Class III-2020	71
John McDonough	Chief Executive Officer, President and Director	2007	Class I-2021	59
Adrian Jones	Director	2016	Class I-2021	54
Seymour Liebman	Director	2016	Class I-2021	69

Set forth below are the biographies of each director, as well as a discussion of the particular experience, qualifications, attributes, and skills that led our Board of Directors to conclude that each person nominated to serve or currently serving on our Board of Directors should serve as a director. In addition to the information presented below, we believe that each director meets the minimum qualifications established by the nominating and corporate governance committee of our Board of Directors.

*John McDonough* has served as our President and Chief Executive Officer and a member of our Board of Directors since November 2007. From 2003 to 2007, Mr. McDonough held various positions at Cytoc Corporation, a company engaged in the design, development, manufacturing and marketing of clinical products that focus on women's health, where he ultimately served as President of Cytoc Development Corporation. Mr. McDonough received his B.S.B.A. from Stonehill College. Mr. McDonough's extensive management experience as a senior executive and his diagnostic company experience contributed to our Board of Directors' conclusion that he should serve as a director of our company.

*Michael J. Cima, Ph.D.* is one of our founders and has served as a member of our Board of Directors since 2006. Since 1986, Dr. Cima has been a Professor of Materials Science and Engineering at Massachusetts Institute of Technology, or MIT, and he is currently an Associate Dean of Engineering, holds the David H. Koch Engineering Chair and an appointment at the Koch Institute for Integrative Cancer Research. Dr. Cima received his B.S. in chemistry and his Ph.D. in chemical engineering, both from the University of California at Berkeley. Dr. Cima's extensive life science experience and knowledge of the diagnostics industry contributed to our Board of Directors' conclusion that he should serve as a director of our company.

*John W. Cumming* has served as a member of our Board of Directors since July 2014 and also serves as a member of the Board of Directors of TransMed7, LLC. Mr. Cumming currently serves as Chief Executive Officer and Managing Director of Cumming & Associates LLC, a strategic advisory firm serving the healthcare industry. From August 2000 until December 2013, Mr. Cumming served in a number of leadership roles at Hologic Inc., a diagnostics company, including as Chief Executive Officer from 2001 through 2009 and again from July 2013 through December 2013, as President from 2001 until 2003, as Chairman of the Board from 2002 until 2007 and again from 2008 through 2011, and as Global Strategic Advisor from 2011 through July 2013.

---

**Table of Contents**

Mr. Cumming attended the University of South Carolina. Mr. Cumming's extensive knowledge of and experience with diagnostic product companies and expertise as a strategic advisor focused on the healthcare industry contributed to our Board of Directors' conclusion that he should serve as a director of our company.

*David Elsbree* has served as a member of our Board of Directors since July 2014. From 1970 until 2004, Mr. Elsbree was employed by Deloitte & Touche, most recently as a senior partner. Mr. Elsbree served in a number of leadership roles in the firm's high technology practice, including partner-in-charge of the New England High Technology Practice. Mr. Elsbree served on the board of directors of Art Technology Group, Inc. from June 2004 until January 2011 and on the board of directors of Acme Packet, Inc. from November 2006 until March 2013. Mr. Elsbree received his B.A. from Northeastern University. Mr. Elsbree's extensive knowledge of and experience with technology companies and financial expertise contributed to our Board of Directors' conclusion that he should serve as a director of our company.

*Stanley N. Lapidus* has served as a member of our Board of Directors since August 2008 and also serves as a member of the Board of Directors of private companies Glympse Bio, AknaDx, Fractyl Laboratories, Binx Health (formerly known as Atlas Genetics) and PathAI. Since 2008 Mr. Lapidus has served as Managing Director of LapidX Research Associates, a firm focused on medical devices and diagnostics. From 2009 to 2016, Mr. Lapidus was President and Chief Executive Officer of SynapDx, an autism early detection company he founded. From 2003 to 2008, Mr. Lapidus was Chief Executive Officer of Helicos Biosciences, a life science company he co-founded in 2003. From 1995 to 2001, he was Chief Executive Officer of EXACT Sciences, a colorectal cancer diagnostics company he founded in 1995. From 1987 to 1994, he was Chief Executive Officer of Cytoc Corp., a cervical cancer diagnostics company he founded in 1987. Mr. Lapidus held an academic appointment at MIT from 2002 to 2017. He received his B.S. in engineering from Cooper Union. Mr. Lapidus' experience as a senior executive and his knowledge of life science companies contributed to our Board of Directors' conclusion that he should serve as a director of our company.

*Adrian Jones* has served as a member of our Board of Directors since March 2015. Since 1994, Mr. Jones has been employed by Goldman, Sachs & Co., currently serving as a managing director, vice chairman of the Corporate Private Equity Business in the Merchant Banking Division and a member of the MBD Corporate Investment Committee. From 1983 to 1989, Mr. Jones served as a lieutenant in the Irish Army, including two years in the United Nations Peacekeeping Force in Southern Lebanon. In the last five years, Mr. Jones has represented GS Capital Partners on the board of directors of Education Management Corp. from 2006 to 2015. In addition, Mr. Jones serves on the boards of Autism Speaks, The American Ireland Fund and the Galway University Foundation. Mr. Jones received his M.B.A. from Harvard Business School, his M.A. in Economics from University College, Dublin and his B.A. in Economics and Politics from University College, Galway. Mr. Jones' management experience, including his extensive experience in business strategy for healthcare companies, contributed to our Board of Directors' conclusion that he should serve as a director of our company.

*Seymour Liebman* has served as a member of our Board of Directors since September 2016. Mr. Liebman has been employed by Canon USA, Inc., a leading provider of consumer, business-to-business, and industrial imaging solutions to the United States and Canada and to the Latin American and the Caribbean markets, since 1974 and currently serves as its Executive Vice President, Chief Administrative Officer and General Counsel and Senior Managing Executive Officer of Canon Inc., Japan, and Chairman of the Board of BriefCam, a Canon, Inc. company. Mr. Liebman received his J.D. from Touro Law School, his M.S. in mathematics from Rutgers University, his M.S. in accounting from Long Island University and his B.A. in mathematics from Hofstra University. Mr. Liebman's management and board experience contributed to our Board of Directors' conclusion that he should serve as a director of our company.

**Vote Required and Board of Directors' Recommendation**

The director will be elected by a plurality of the votes cast by the stockholders entitled to vote on this proposal at the Annual Meeting. Broker non-votes and proxies marked to withhold authority with respect to the Class II director will not be treated as votes cast for this purpose and, therefore, will not affect the outcome of the election.

**Table of Contents**

The proposal for the election of the director relates solely to the election of the Class II director nominated by the Board of Directors.

*The Board of Directors recommends that stockholders vote FOR the election of the Class II director nominee listed above.*

**PROPOSAL 2****RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

The audit committee has appointed BDO as our independent registered public accounting firm for the fiscal year ending December 31, 2019. The Board of Directors recommends that stockholders vote for ratification of this appointment. If this proposal is not approved at the Annual Meeting, the audit committee will reconsider its appointment. Even if the appointment is ratified, the audit committee may, in its discretion, direct the appointment of a different independent registered accounting firm at any time during the year if the audit committee determines that such a change would be in our stockholders' best interests.

BDO has audited our financial statements for the fiscal year ended December 31, 2018. We expect representatives of BDO to be present at the Annual Meeting and available to respond to appropriate questions. They will have the opportunity to make a statement if they desire to do so.

**BDO Fees**

The following table sets forth fees billed for professional audit services and other services rendered to us by BDO and its affiliates for the fiscal years ended December 31, 2018.

	<b>Fiscal 2018</b>
Audit Fees	\$ 487,010
Audit-Related Fees	
Tax Fees	56,965
All Other Fees	
<b>Total</b>	<b>\$ 543,975</b>

*Audit Fees.* Audit fees consist of fees billed for professional services performed by BDO for the audit of our annual consolidated financial statements, the review of interim consolidated financial statements, and related services that are normally provided in connection with registration statements.

*Audit-Related Fees.* Audit related fees consist of fees billed by BDO for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements. There were no such fees incurred in fiscal 2018.

*Tax Fees.* Tax fees consist of fees for professional services, including tax consulting and compliance performed by BDO.

*All Other Fees.* All other fees in fiscal 2018 consist of fees billed in connection with Forms S-3 and S-8, filed in 2018.

**Pre-Approval of Audit and Non-Audit Services**

It is the policy of our audit committee that all services to be provided by our independent registered public accounting firm, including audit services and permitted audit-related and non-audit services, must be approved in advance by our audit committee.

All BDO services and fees in the fiscal year ended December 31, 2018 were pre-approved by the audit committee.

## **Table of Contents**

### **Information Regarding Prior Independent Registered Public Accounting Firm**

The audit committee first appointed Ernst & Young LLP ( EY ) as the Company s independent registered public accounting firm for the year ended December 31, 2008.

On June 8, 2018, the audit committee dismissed EY as the Company s independent registered public accounting firm. The reports of EY on the Company s financial statements for each of the two fiscal years ended December 31, 2016 and 2017 did not contain an adverse opinion or a disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles, except that EY s report on the Company s audited financial statements for the years ended December 31, 2017 included an explanatory paragraph regarding substantial doubt about the Company s ability to continue as a going concern with which the Company agreed. Since the date of EY s report on the Company s audited financial statements for the year ended December 31, 2017, the Company closed a public offering of its common stock in which it received net proceeds of approximately \$49,300,000.

In the fiscal years ended December 31, 2016 and 2017 and in the subsequent interim period through June 8, 2018, there were no disagreements (as defined in Item 304(a)(1)(iv) of Regulation S-K and related instructions) between the Company and EY.

In the fiscal years ended December 31, 2016 and 2017 and in the subsequent interim period through June 8, 2018, there were no reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K), except that, as reported in Part II, Item 9A of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the 2017 10-K ), the Company reported a material weakness in its internal control over financial reporting during such period with which EY agreed. As disclosed in the 2017 10-K, the Company concluded that its internal control over financial reporting was not effective as of December 31, 2017 due to the existence of a material weakness in the Company s internal control over financial reporting related to the accounting for instruments which are classified as either inventory or property and equipment, depending on their future use.

The Company provided EY with a copy of the above disclosures and requested that EY furnish the Company with a letter addressed to the SEC stating whether it agrees with the statements contained herein. A copy of EY s letter, dated June 13, 2018, was filed as Exhibit 16.1 to the Company s Form 8-K filed with the SEC on June 13, 2018.

On June 8, 2018, the audit committee engaged BDO as the Company s independent registered public accounting firm for the fiscal year ended December 31, 2018.

During the fiscal years ended December 31, 2016 and 2017 and the subsequent interim period through June 13, 2018, neither the Company nor anyone on its behalf consulted with BDO with respect to (a) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company s consolidated financial statements, and neither a written report nor oral advice was provided to the Company that BDO concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issue, or (b) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and related instructions) or a reportable event (as defined in Item 304(a)(1)(v) of Regulation S-K).

### **Vote Required and Board of Directors Recommendation**

The approval of Proposal 2 requires that a majority of the votes properly cast vote FOR this proposal. Shares that are voted abstain will not affect the outcome of this proposal.

*The Board of Directors recommends that stockholders vote FOR ratification of the appointment of BDO as our independent registered public accounting firm.*

**Table of Contents****TRANSACTION OF OTHER BUSINESS**

The Board of Directors knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the Annual Meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding beneficial ownership of our common stock as of April 12, 2019, for: each person known to us to be the beneficial owner of more than five percent of our outstanding common stock; each of our named executive officers; each of our directors and nominees; and all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Except as noted by footnote, and subject to community property laws where applicable, we believe based on the information provided to us that the persons and entities named in the table below have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them.

The table lists applicable percentage ownership based on 44,339,243 shares of our common stock outstanding as of April 12, 2019. The number of shares beneficially owned includes shares of our common stock that each person has the right to acquire within 60 days of April 12, 2019, except as noted in the footnotes below, including upon the exercise of stock options and vesting of restricted stock units. These stock options and restricted stock units shall be deemed to be outstanding for the purpose of computing the percentage of outstanding shares of our common stock owned by such person but shall not be deemed to be outstanding for the purpose of computing the percentage of outstanding shares of our common stock owned by any other person.

<b>Name of Beneficial Owner</b>	<b>Amount and Nature of Ownership</b>	<b>Percentage of Class</b>
<b>5% or Greater Stockholders</b>		
Entities affiliated with Canon U.S.A., Inc. (1)	6,114,108	13.8%
Entities affiliated with Broad Street Principal Investments, LLC (2)	4,342,457	9.8%
Entities affiliated with Senvest Management LLC (3)	2,831,973	6.4%
<b>Named Executive Officers and Directors</b>		
John McDonough (4)	1,438,329	3.2%
Thomas J. Lowery, Ph.D. (5)	242,020	*
John Sprague (6)	90,423	*
Adrian Jones (2)	4,342,457	9.8%
Michael J. Cima, Ph.D. (7)	364,358	*
John W. Cumming (8)	128,470	*
David B. Elsbree (9)	188,178	*
Stanley N. Lapidus (10)	180,241	*
Seymour Liebman (1)	6,114,108	13.8%
	13,386,122	30.3%

All executive officers and directors as a group  
(11 persons) (11)

\* Less than 1%.

(1) Based solely on information set forth in a Schedule 13D filed with the SEC by Canon U.S.A., Inc. on September 21, 2016, this includes 6,055,341 shares held by Canon U.S.A., Inc. Mr. Seymour Liebman is the Executive Vice President, Chief Administrative Officer and General Counsel, Senior Managing Executive

**Table of Contents**

Officer of Canon Inc., Japan, and Chairman of the Board of BriefCam, a Canon, Inc. company and may be deemed to have beneficial ownership of the shares held by Canon U.S.A., Inc. Canon U.S.A., Inc. and Mr. Liebman each disclaim beneficial ownership of the shares held directly or indirectly by Canon U.S.A., Inc., except to the extent of its pecuniary interest therein, if any. On September 21, 2016, 66,176 options were granted to Mr. Liebman, in connection with Mr. Liebman becoming a member of our Board of Directors, on June 2, 2017, 18,000 restricted stock units were granted to Mr. Liebman, on January 1, 2018, 9,708 restricted stock units were granted to Mr. Liebman, on June 8, 2018, 9,000 restricted stock units were granted to Mr. Liebman, and on January 1, 2019, 13,289 restricted stock units were granted to Mr. Liebman, of which (i) 22,059 options and (ii) 9,000 restricted stock units are, or will be, immediately exercisable within 60 days of April 12, 2019. The mailing address of the beneficial owner is One Canon Park, Melville, New York 11747.

- (2) Based solely on information set forth in a Schedule 13G/A filed with the SEC by the Goldman Sachs Group, Inc. on February 13, 2019, this includes (a) 3,492,083 shares of common stock held by Broad Street Principal Investments, LLC, (b) 515,497 shares of common stock held by Bridge Street 2013 Holdings, L.P. (c) 149,660 shares of common stock held by MBD 2013 Holdings, L.P., and (d) 132,100 shares of common stock held by all other (that may or may not be vested or exercisable within 60 days), collectively the GS Entities. The GS Entities, of which affiliates of the Goldman Sachs Group, Inc. are the general partner, managing general partner or investment manager, share voting and investment power with certain of its respective affiliates. Mr. Adrian Jones is a Managing Director of Goldman, Sachs & Co. and may be deemed to have beneficial ownership of the shares held by the GS Entities. The Goldman Sachs Group, Inc., Goldman, Sachs & Co. and Mr. Jones each disclaim beneficial ownership of the shares held directly or indirectly by the GS Entities, except to the extent of its pecuniary interest therein, if any. Mr. Jones has sole and direct voting interest in 53,117 shares of common stock which Mr. Jones has the right to acquire pursuant to outstanding stock options and restricted stock units which are, or will be, immediately exercisable within 60 days of April 12, 2019. The address of the GS Entities, the Goldman Sachs Group, Inc., Goldman, Sachs & Co. and Mr. Jones is c/o The Goldman Sachs Group, 200 West Street, New York, New York 10282.
- (3) Based solely on information set forth in a Schedule 13G/A filed with the SEC by Senvest Management LLC and Richard Mashaal on February 8, 2019, this includes 2,831,973 shares held in the accounts of Senvest Master Fund, LP (the Investment Vehicle ). Senvest Management, LLC may be deemed to beneficially own the securities held by the Investment Vehicle by virtue of Senvest Management, LLC's position as investment manager of each of the Investment Vehicle. Mr. Mashaal may be deemed to beneficially own the securities held by the Investment Vehicle by virtue of Mr. Mashaal's position as investment manager of the Investment Vehicle. None of the foregoing should be construed in and of itself as an admission by any Reporting Person as to beneficial ownership of the Common Stock reported herein. The mailing address of the beneficial owner is 540 Madison Avenue, 32nd Floor, New York 10022.
- (4) Consists of (a) 448,220 shares of common stock and (b) options to purchase 990,109 shares of common stock which Mr. McDonough has the right to acquire pursuant to outstanding stock options which are, or will be, immediately exercisable within 60 days of April 12, 2019.
- (5) Consists of (a) 69,704 shares of common stock and (b) options to purchase 172,316 shares of common stock which Dr. Lowery has the right to acquire pursuant to outstanding stock options which are, or will be, immediately exercisable within 60 days of April 12, 2019.
- (6) Consists of (a) 11,673 and (b) options to purchase 78,750 shares of common stock shares of common stock which Mr. Sprague has the right to acquire pursuant to outstanding stock options which are, or will be, immediately exercisable within 60 days of April 12, 2019.
- (7) Consists of (a) 207,418 shares of common stock, (b) options to purchase 147,940 shares of common stock which Dr. Cima has the right to acquire pursuant to outstanding stock options which are, or will be, immediately exercisable within 60 days of April 12, 2019 and (c) 9,000 restricted stock units vesting within 60 days of April 12, 2019.
- (8)

Edgar Filing: T2 Biosystems, Inc. - Form DEF 14A

Consists of (a) 18,000 shares of common stock, (b) options to purchase 101,470 shares of common stock which Mr. Cumming has the right to acquire pursuant to outstanding stock options which are, or will be, immediately exercisable within 60 days of April 12, 2019 and (c) 9,000 restricted stock units vesting within 60 days of April 12, 2019.

**Table of Contents**

- (9) Consists of (a) 77,708 shares of common stock, (b) options to purchase 101,470 shares of common stock which Mr. Elsbree has the right to acquire pursuant to outstanding stock options which are, or will be, immediately exercisable within 60 days of April 12, 2019 and (c) 9,000 restricted stock units vesting within 60 days of April 12, 2019.
- (10) Consists of (a) 53,010 shares of common stock, (b) options to purchase 118,231 shares of common stock which Mr. Lapidus has the right to acquire pursuant to outstanding stock options which are, or will be, immediately exercisable within 60 days of April 12, 2019 and (c) 9,000 restricted stock units vesting within 60 days of April 12, 2019.
- (11) Consists of (a) 11,348,992 shares of common stock, (b) 1,983,130 shares of common stock which our directors and executive officers as a group have the right to acquire pursuant to outstanding stock options which are, or will be, immediately exercisable within 60 days of April 12, 2019 and (c) 54,000 restricted stock units vesting within 60 days of April 12, 2019.

**EXECUTIVE OFFICERS**

The following table identifies our executive officers and sets forth their current position(s) at T2 Biosystems and their ages as of April 12, 2019.

<b>Name</b>	<b>Age</b>	<b>Position</b>
John McDonough	59	President, Chief Executive Officer and Director
Thomas J. Lowery, Ph.D.	40	Chief Scientific Officer
John Sprague	60	Chief Financial Officer
Michael Gibbs, Esq.	48	Vice President and General Counsel
Alec Barclay	38	Senior Vice President, Operations

You should refer to *Proposal 1: Election of Directors* above for information about our Chief Executive Officer, John McDonough. Biographical information for our other executive officers, as of April 12, 2019, is set forth below.

*Thomas J. Lowery, Ph.D.* has served as our Chief Scientific Officer since September 2013. Since joining our company in 2007, Dr. Lowery has held various technical leadership roles in the assay, methods, reagents and detector development programs. Prior to joining our company, Dr. Lowery conducted research at the University of California Berkeley focused on developing innovative magnetic resonance based biosensors for molecular imaging. Dr. Lowery received his Ph.D. in chemistry from the University of California, Berkeley and his B.S. in biochemistry from Brigham Young University.

*John Sprague* has served as our Chief Financial Officer since January 2018. Prior to joining our company, Mr. Sprague, 60, was Chief Financial Officer at Caliber Imaging & Diagnostics, Inc., a medical technologies company that designs, develops and markets innovative digital imaging solutions that show tissue at the cellular level using in-vivo confocal microscopes designed specifically for imaging skin and other tissues for pathology and life sciences, from February 2017 to January 2018. From 2011 to 2017, Mr. Sprague held various positions at GE Healthcare, with his last assignment serving as Finance Manager of GE's North American Core Imaging business. Mr. Sprague is a certified public accountant and received his BS in accounting from Boston College.

*Alec Barclay* has served as our Senior Vice President, Operations since March 2018. Mr. Barclay joined our company in April 2016 as Vice President of Product Development and Product Management. Prior to joining the Company, Mr. Barclay served as the Director of Hardware and Systems Engineering at Becton Dickinson, a medical technology company that manufactures and sells medical devices, instrument systems, and reagents, within their Genomics division from January 2015 to April 2016. Prior to joining Becton Dickinson, he held various positions within

Siemens Healthcare from July 2006 to December 2014, with his last assignment serving as Senior Manager, Lead Systems Integrator. Mr. Barclay received his BSME from Rochester Institute of Technology.

## **Table of Contents**

*Michael Gibbs, Esq.* has served as our Vice President and General Counsel since January 2016. Mr. Gibbs joined our company in December 2014 as Senior Corporate Counsel. From 2011 until he joined our company, Mr. Gibbs was General Counsel for Keystone Dental, Inc., a medical device company focused on dental implants and biomaterials. From 2003 to 2011, Mr. Gibbs was a corporate attorney with the law firm Bingham McCutchen LLP (now Morgan Lewis & Bockius). Prior to joining Bingham McCutchen LLP, he was an officer in the United States Marine Corps, departing with the rank of Major. Mr. Gibbs received his J.D. from Boston College Law School and his B.S. in Political Science from Syracuse University.

## **RELATED PERSON TRANSACTIONS**

### **Policies for Approval of Related Person Transactions**

We have adopted a written policy that transactions with directors, officers and holders of 5% or more of our voting securities and their affiliates, or each, a related party, must be approved by our audit committee or another independent body of our Board of Directors. All related party transactions shall be disclosed in our applicable filings with the SEC as required under SEC rules.

### **Transactions with Related Persons**

Based on a review of the transactions and arrangements between us and any related person or related person's affiliate, we describe below the transactions or arrangements during the year ended December 31, 2018 in which any related person or related person affiliate has a direct or indirect material interest and the amount involved exceeds \$120,000.

*Co-Development Agreement.* On February 3, 2015, we entered into a Co-Development Partnership Agreement with Canon U.S. Life Sciences, Inc. ( "Canon US Life Sciences" ) to develop a diagnostic test panel to rapidly detect Lyme disease. Canon US Life Sciences is an affiliate of Canon U.S.A., Inc., which acquired greater than 5% of our voting securities on September 21, 2016. Under the terms of the agreement, we received an upfront payment of \$2.0 million from Canon US Life Sciences and the agreement includes an additional \$6.5 million of consideration upon achieving certain development and regulatory milestones for total aggregate payments of up to \$8.5 million. Of the additional \$6.5 million of consideration, we received \$3.5 million related to the achievement of two milestones. We are eligible to receive an additional \$3.0 million related to the achievement of the final regulatory milestone. We recorded revenue of \$1.5 million for the year ended December 31, 2018 under the agreement, and we expect to record revenue through February of 2020.

*Indemnification Agreements with Executive Officers and Directors.* We have entered into an indemnification agreement with each of our directors and executive officers. These indemnification agreements and our certificate of incorporation and our bylaws indemnify each of our directors and officers to the fullest extent permitted by the DGCL. See the *Director Compensation Limitation of Liability and Indemnification Agreements* section for further details.

*Limitation of Liability and Indemnification Agreements* We have adopted provisions in our certificate of incorporation and bylaws that limit or eliminate the personal liability of our directors to the fullest extent permitted by the DGCL, as it now exists or may in the future be amended.

Consequently, a director will not be personally liable to us or our stockholders for monetary damages or breach of fiduciary duty as a director, except for liability for:

any breach of the director's duty of loyalty to us or our stockholders;

any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;

**Table of Contents**

any unlawful payments related to dividends or unlawful stock purchases, redemptions or other distributions;  
or

any transaction from which the director derived an improper personal benefit.

These limitations of liability do not alter director liability under the federal securities laws and do not affect the availability of equitable remedies such as an injunction or rescission.

In addition, our bylaws provide that:

we will indemnify our directors, officers and, in the discretion of our Board of Directors, certain employees to the fullest extent permitted by the DGCL, as it now exists or may in the future be amended; and

we will advance reasonable expenses, including attorneys' fees, to our directors and, in the discretion of our Board of Directors, to our officers and certain employees, in connection with legal proceedings relating to their service for or on behalf of us, subject to limited exceptions.

We have entered into indemnification agreements with each of our directors and executive officers. These agreements provide that we will indemnify each of our directors, such executive officers and, at times, their affiliates to the fullest extent permitted by Delaware law. We will advance expenses, including attorneys' fees (but excluding judgments, fines and settlement amounts), to each indemnified director, executive officer or affiliate in connection with any proceeding in which indemnification is available and we will indemnify our directors and officers for any action or proceeding arising out of that person's services as a director or officer brought on behalf of us and/or in furtherance of our rights. Additionally, each of our directors may have certain rights to indemnification, advancement of expenses and/or insurance provided by their affiliates, which indemnification relates to and might apply to the same proceedings arising out of such director's services as a director referenced herein. Nonetheless, we have agreed in the indemnification agreements that our obligations to those same directors are primary and any obligation of the affiliates of those directors to advance expenses or to provide indemnification for the expenses or liabilities incurred by those directors are secondary.

We also maintain general liability insurance which covers certain liabilities of our directors and officers arising out of claims based on acts or omissions in their capacities as directors or officers, including liabilities under the Securities Act.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, or persons controlling the registrant under the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During 2018, Mr. Lapidus, Mr. Cumming and Mr. Jones served as a member of our compensation committee. None of these individuals was at any time during the fiscal year ended December 31, 2018 one of our officers or employees or had any relationship requiring disclosure under Item 404 of Regulation S-K, and none was a former officer of the Company. None of our executive officers currently serves, or in the past fiscal year has served, as a member of the Board of Directors or compensation committee of any entity that has one or more executive officers serving on our Board of Directors or compensation committee.

**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our officers and directors and persons who beneficially own more than 10% of our outstanding common stock (collectively, Reporting Persons ) to file reports of beneficial ownership and changes in beneficial ownership with the SEC. Reporting Persons are required by SEC regulations

## **Table of Contents**

to furnish us with copies of all Section 16(a) forms they file. Based on our records and other information, we believe that during the fiscal year ended December 31, 2018, all Reporting Persons complied with all Section 16(a) reporting requirements, except that one Form 4 for each of Mr. McDonough, Mr. Lowery and Mr. Gibbs was inadvertently filed late.

## **CORPORATE GOVERNANCE**

### **Board and Committee Matters**

*Board Leadership and Independence.* Our Board of Directors has determined that all members of the Board of Directors, except John McDonough and Seymour Liebman, are independent, as determined in accordance with the rules of the NASDAQ Stock Market (the "NASDAQ Rules"). In making such independence determination, the Board of Directors considered the relationships that each such non-employee director has with us and all other facts and circumstances that the Board of Directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director. In considering the independence of the directors listed above, our Board of Directors considered the association of our directors with the holders of more than 5% of our common stock. There are no family relationships among any of our directors or executive officers.

The positions of our Chairman of the Board, or Lead Independent Director, and Chief Executive Officer are presently separated. Separating these positions allows our Chief Executive Officer to focus on our day-to-day business, while allowing the Chairman of the Board, or Lead Independent Director, to lead the Board of Directors in its fundamental role of providing advice to and independent oversight of management. Our Board of Directors recognizes the time, effort and energy that the Chief Executive Officer must devote to his position in the current business environment, as well as the commitment required to serve as our Chairman or Lead Independent Director, particularly as the Board of Directors' oversight responsibilities continue to grow. Our Board of Directors also believes that this structure ensures a greater role for the non-management directors in the oversight of our company and active participation of the independent directors in setting agendas and establishing priorities and procedures for the work of our Board of Directors. Our Board of Directors believes its administration of its risk oversight function has not affected its leadership structure. Although our bylaws do not require our Chairman, or Lead Independent Director, and Chief Executive Officer positions to be separate, our Board of Directors believes that having separate positions is the appropriate leadership structure for us at this time.

*Board Meetings and Committees.* Our Board of Directors held 5 meetings during 2018. The independent directors regularly hold executive sessions at meetings of the Board of Directors. During 2018, each of the directors then in office attended at least 75% of the aggregate of all meetings of the Board of Directors and all meetings of the committees of the Board of Directors on which such director then served. Continuing directors and nominees for election as directors in a given year are encouraged to attend the annual meeting of stockholders. All directors attended our annual meeting of stockholders in June 2018.

*Stockholder Communications.* Any stockholder wishing to communicate with our Board of Directors, a particular director or the chair of any committee of the Board of Directors may do so by sending written correspondence to our principal executive offices, to the attention of the Chair, Nominating and Corporate Governance Committee. All such communications will be delivered to the Board of Directors or the applicable director or committee chair.

During 2018, our Board of Directors had four standing committees: audit committee, compensation committee, nominating and corporate governance committee and technology committee.



**Table of Contents**

*Audit Committee.*

David Elsbree, Michael Cima and Stanley Lapidus currently serve on the audit committee, which is chaired by David Elsbree. Our Board of Directors has determined that each member of the audit committee is independent for audit committee purposes as that term is defined in the rules of the SEC and the applicable NASDAQ Rules. Our Board of Directors has designated David Elsbree as an audit committee financial expert, as defined under the applicable rules of the SEC. The audit committee's responsibilities include:

appointing, overseeing the independence of, and setting the compensation of our independent auditor;

overseeing the work of the independent auditor, including through the receipt and consideration of reports from such firm;

reviewing and discussing with management and our independent auditor our annual and quarterly financial statements and related disclosures;

coordinating the Board's oversight of our internal control over financial reporting, disclosure controls and procedures;

discussing our risk management and risk assessment policies;

establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters;

reviewing the company's policies and procedures for reviewing and approving or ratifying any related person transactions;

meeting independently with our internal auditing staff, if any, independent auditors and management; and

preparing the audit committee report included below.

The audit committee held eleven meetings during 2018. The audit committee operates under a written charter that satisfies the applicable standards of the SEC and NASDAQ. A copy of the audit committee charter is attached as Appendix A to this Proxy Statement.

*Compensation Committee.*

Stanley Lapidus, John Cumming and Adrian Jones currently serve on the compensation committee, which is chaired by Stanley Lapidus. Under NASDAQ Rules, we are permitted to phase in our compliance with the independent

compensation committee requirements set forth in NASDAQ Rule 5605(d). Our Board of Directors has determined that each of Stanley Lapidus, John Cumming and Adrian Jones is independent as that term is defined in the applicable NASDAQ Rules. The compensation committee's responsibilities include:

reviewing and approving, or recommending for approval by our Board of Directors, our Chief Executive Officer's compensation;

reviewing and approving, or recommending for approval by our Board of Directors with respect to, the compensation of our other executive officers;

overseeing an evaluation of our senior executives;

overseeing and administering our cash and equity incentive plans;

reviewing and making recommendations to our Board of Directors with respect to director compensation;

reviewing and discussing annually with management our Compensation Discussion and Analysis, if applicable; and

preparing the annual compensation committee report, if applicable.

## Table of Contents

The compensation committee may delegate its authority under its charter to one or more subcommittees as it deems appropriate from time to time as further described in its charter. The compensation committee may also delegate to an officer the authority to grant equity awards to certain employees, as further described in its charter and subject to the terms of our equity plans. The compensation committee has delegated to our Chief Executive Officer the authority to issue stock options and restricted stock units under our 2014 Incentive Award Plan to certain of our non-officer employees. For information regarding the role of executive officers and compensation consultants in establishing executive and director compensation please refer to [Executive Compensation Overview](#) below.

The compensation committee held four meetings during 2018. The Compensation Committee operates under a written charter adopted by the Board, which is available, along with our corporate governance guidelines, in the [Investors Corporate Governance](#) section of our website at [www.t2biosystems.com](http://www.t2biosystems.com).

### *Nominating and Corporate Governance Committee.*

John Cumming currently serves on the nominating and corporate governance committee. Our Board of Directors has determined that he is independent as that term is defined in the applicable NASDAQ Rules. The nominating and corporate governance committee's responsibilities include:

- recommending to our Board the persons to be nominated for election as directors and to each of the Board committees;

- reviewing and making recommendations to the Board with respect to management succession planning;

- developing and recommending to the Board corporate governance guidelines; and

- overseeing an annual evaluation of the Board of Directors.

The nominating and corporate governance committee did not hold any formal meetings during 2018. The nominating and corporate governance committee operates pursuant to a written charter, which is available in the [For Investors and Media Corporate Governance](#) section of our website at [www.t2biosystems.com](http://www.t2biosystems.com).

The nominating and corporate governance committee considers candidates for Board membership suggested by its members and the Chief Executive Officer. Additionally, in selecting nominees for directors, the nominating and corporate governance committee will review candidates recommended by stockholders in the same manner and using the same general criteria as candidates recruited by the committee and/or recommended by the Board. Any stockholder who wishes to recommend a candidate for consideration by the committee as a nominee for director should follow the procedures described later in this proxy statement under the heading [Stockholder Matters Stockholder Recommendations for Director Nominations](#). The nominating and corporate governance committee will also consider whether to nominate any person proposed by a stockholder in accordance with the provisions of our bylaws relating to stockholder nominations as described later in this proxy statement under the heading [Stockholder Matters Procedures for Submitting Stockholder Proposals](#).

*Risk Oversight.* Our Board of Directors oversees the management of risks inherent in the operation of our business and the implementation of our business strategies. Our Board of Directors performs this oversight role by using several

different levels of review. In connection with its reviews of the operations and corporate functions of our company, our Board of Directors addresses the primary risks associated with those operations and corporate functions. In addition, our Board of Directors reviews the risks associated with our company's business strategies periodically throughout the year as part of its consideration of undertaking any such business strategies.

Each of our Board committees also coordinates oversight of the management of our risk that falls within the committee's areas of responsibility. In performing this function, each committee has full access to management,

## **Table of Contents**

as well as the ability to engage advisors. Our Chief Financial Officer or Chief Executive Officer reports regularly to the audit committee and is responsible for identifying, evaluating and implementing risk management controls and methodologies to address any identified risks. In connection with its risk management role, our audit committee meets privately with representatives from our independent registered public accounting firm, and privately with our Chief Financial Officer or Chief Executive Officer.

### *Technology Committee*

Michael Cima currently serves on the technology committee. The technology committee meets periodically to discuss scientific and technological developments that may affect our business.

### **Audit Committee Report**

The information contained in this report shall not be deemed to be (1) soliciting material, (2) filed with the SEC, (3) subject to Regulations 14A or 14C of the Exchange Act, or (4) subject to the liabilities of Section 18 of the Exchange Act. This report shall not be deemed incorporated by reference into any of our other filings under the Exchange Act or the Securities Act, except to the extent that we specifically incorporate it by reference into such filing.

The audit committee operates under a written charter approved by the Board of Directors, which provides that its responsibilities include appointing, overseeing the independence of, and setting the compensation of the independent registered public accounting firm engaged as our independent auditor, BDO; pre-approving all audit and non-audit services to be provided by the independent auditor; overseeing the work of the independent auditor, including through the receipt and consideration of reports from such firm; reviewing and discussing with management and our independent auditor our annual and quarterly financial statements and related disclosures; coordinating the Board's oversight of our internal control over financial reporting and disclosure controls and procedures; discussing our risk management and risk assessment policies; establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; reviewing the company's policies and procedures for reviewing and approving or ratifying any related person transactions; and meeting independently with our internal auditing staff, if any, independent auditors and management.

The audit committee assists the Board of Directors with the oversight of our financial reporting process. Management is responsible for our internal controls, financial reporting process, and compliance with laws and regulations and ethical business standards. BDO is responsible for performing an independent audit of our consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). The audit committee's main responsibility is to monitor and oversee this process.

The audit committee reviewed and discussed our audited financial statements for the fiscal year ended December 31, 2018 with management and the independent auditor. BDO presented the matters required to be discussed by Public Company Accounting Oversight Board (PCAOB) AS 16, *Communications with Audit Committees*, and SEC Regulation S-X Rule 207, *Communications with Audit Committees*. The audit committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent registered public accounting firm's communications with the audit committee concerning independence, and has discussed with the independent registered public accounting firm the independent registered public accounting firm's independence.

The audit committee considered any fees paid to BDO for the provision of non-audit related services and does not believe that these fees compromise BDO's independence in performing the audit.



**Table of Contents**

Based on the review and discussions referred to above, the audit committee recommended to the Board of Directors that such audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2018, for filing with the SEC.

*THE AUDIT COMMITTEE*

David Elsbree

Stanley Lapidus

Michael Cima

**EXECUTIVE COMPENSATION**

This section discusses the material components of the executive compensation program offered to our named executive officers identified below. For 2018, our named executive officers were:

John McDonough, President and Chief Executive Officer;

Thomas J. Lowery, Ph.D., Chief Scientific Officer; and

John Sprague, Chief Financial Officer.

Mr. Sprague was appointed as our Chief Financial Officer effective January 30, 2018.

**Overview**

Our compensation programs are designed to:

attract and retain individuals with superior ability and managerial experience;

align executive officers' incentives with our corporate strategies, business objectives and the long-term interests of our stockholders; and

increase the incentive to achieve key strategic performance measures by linking incentive award opportunities to the achievement of performance objectives and by providing a portion of total compensation for executive officers in the form of ownership in the company.

Our compensation committee is primarily responsible for establishing and approving, or recommending for approval by the Board of Directors, the compensation for all of our executive officers. The compensation committee oversees our compensation and benefit plans and policies, administers our equity incentive plans and reviews and approves, or recommends for approval by the Board of Directors, annually all compensation decisions relating to all of our

executive officers, including our chief executive officer. The compensation committee typically considers, and during 2018 did consider, recommendations from our chief executive officer regarding the compensation of our executive officers other than himself. Our compensation committee has the authority under its charter to engage the services of a consulting firm or other outside advisor to assist it in designing our compensation programs and in making compensation decisions and has engaged Arnosti Consulting to provide these services. The compensation committee reviewed compensation assessments provided by Arnosti Consulting comparing our executive compensation program to that of a group of peer companies within our industry and met with Arnosti Consulting to discuss compensation of our executive officers, including the chief executive officer, and to receive input and advice. The compensation committee has considered the adviser independence factors required under SEC rules as they relate to Arnosti Consulting and does not believe Arnosti Consulting's work in 2018 raised a conflict of interest.

---

**Table of Contents****Executive Compensation Components**

Our executive compensation program consists of base salary, cash incentive bonuses, long-term incentive compensation in the form of stock options and restricted stock units, and a broad-based benefits program. We have not adopted any formal guidelines for allocating total compensation between long-term and short-term compensation, cash compensation and non-cash compensation, or among different forms of non-cash compensation. The compensation committee considers a number of factors in setting compensation for its executive officers, including company performance, as well as the executive's performance, experience, responsibilities and the compensation of executive officers in similar positions at comparable companies.

*Base Salary*

Our named executive officers receive base salaries to compensate them for the satisfactory performance of duties to our company. The base salary payable to each named executive officer is intended to provide a fixed component of compensation reflecting the executive's skill set, experience, role and responsibilities. Base salaries for our named executive officers have generally been set at levels deemed necessary to attract and retain individuals with superior talent.

*Cash Incentive Compensation*

Each of our named executive officers is eligible to participate in an annual cash incentive compensation program which provides participants with an opportunity to earn variable cash incentive compensation based on individual and company performance. For 2018, Mr. McDonough's target bonus was 75% of his base salary as in 2017, Dr. Lowery's target bonus was increased to 50% of his base salary from 45% and Mr. Sprague's target bonus was 50% of his base salary pursuant to the employment letter agreement we entered into with him in connection with his commencement of employment with us in January 2018. For 2019, the Board of Directors increased Mr. McDonough's target bonus to 85% of his base salary, Dr. Lowery's target bonus to 60% of his base salary and Mr. Sprague's target bonus to 60% of his base salary.

Objectives for the 2018 annual cash incentive compensation program were established in January 2018 by our compensation committee and generally related to attaining clinical, business development and financing milestones and publication, commercialization and operational goals. The determination of 2018 bonus amounts was based on a non-formulaic assessment of these factors, as well as our compensation committee's subjective evaluation of our company's overall performance and each named executive officer's individual performance and contribution to our company. The compensation committee did not assign specific weights to any elements of our bonus program in determining 2018 bonuses.

After considering these factors, the Board of Directors, based upon the recommendation of our compensation committee, approved a bonus for Mr. McDonough, Dr. Lowery and Mr. Sprague. The bonus for Mr. Sprague was prorated based on the length of his service in 2018. The annual variable cash incentive compensation earned by our named executive officers for 2018 is set forth in the Non-Equity Incentive Plan Compensation column of our 2018 Summary Compensation Table.

In March, 2018, the Board of Directors elected to pay a portion of the bonuses earned by certain of our key employees, including Mr. McDonough and Dr. Lowery, for 2017 performance in cash and a portion in equity-based awards and to delay these payments pending receipt of market clearance from the U.S. Food and Drug Administration for T2Bacteria, which was received on May 24, 2018. Thereafter, in June, 2018, the Board of Directors approved payment of the 2017 bonuses for Mr. McDonough and Dr. Lowery 40% in cash and 60% in vested shares of our

common stock, with the stock portion valued based on the market price per share of our common stock on the date the Board of Directors first approved the bonus amounts earned by

**Table of Contents**

them for 2017 performance. As a result, in June 2018, the following amounts of cash and numbers of vested shares of stock were paid to Mr. McDonough and Dr. Lowery:

Name	2017 Total		
	Bonus Amount*	Cash Payment	Shares of Stock*
John McDonough	\$ 280,500	\$ 112,200	33,130
Thomas J. Lowery	\$ 138,600	\$ 55,440	16,370

\* For purposes of determining the number of shares of stock to be delivered to each named executive officer, the Board of Directors used an assumed value of \$5.08, which was the market price per share of our common stock on March 1, 2018, the date the Board of Directors first approved the bonus amounts earned by the named executive officer for 2017 performance. The actual value per share of our common stock on the date the shares were paid to the named executive officers was \$8.53. The excess of the value of the shares on the payment date over the assumed value of \$5.08 is included in the Stock Awards column of our 2018 Summary Compensation Table below.

*Equity-Based Compensation*

We generally grant stock options and restricted stock unit awards to our employees, including our named executive officers, as the long-term incentive component of our compensation program. We typically grant stock options to employees when they commence employment with us and may thereafter grant additional options and restricted stock unit awards in the discretion of our Board of Directors. Our stock options granted upon commencement of employment typically vest as to 25% of the shares subject to the option on the first anniversary of the date of grant and in substantially equal monthly installments over the ensuing 36 months, subject to the holder's continued employment with us. Additional stock options granted after the commencement of employment typically vest in substantially equal monthly installments over 48 months. Our restricted stock unit awards typically vest in substantially equal annual installments over 24 to 36 months, subject to the holder's continued employment with us. Each restricted stock unit entitles the holder to receive one share of our common stock or its cash value upon vesting or a later settlement date. From time to time, our Board of Directors may also construct alternate vesting schedules as it determines are appropriate to motivate particular employees. For 2018, in addition to stock options, we granted performance-based restricted stock units to our named executive officers, which vest based on the achievement of pre-established 90-day average stock price targets, if achieved between March 15, 2018 and March 18, 2021.

We awarded stock options and performance-based restricted stock unit awards to our named executive officers in 2018 in the following amounts:

Named Executive Officer	2018	2018
	Options Granted (#)(1)(2)	Performance Based RSU s Granted (#)(3)
John McDonough	300,000	434,783
Thomas J. Lowery	90,000	107,386
John Sprague	225,000	69,170

- (1) Stock options were granted with exercise prices equal to the fair market value of our common stock on the date of grant.
- (2) The options granted to Mr. McDonough and Dr. Lowery vest in 48 substantially equal monthly installments following the date of grant. The options granted to Mr. Sprague were granted in connection with his commencement of employment with us and vest as to 25% of the shares subject to the option on the first anniversary of the date of grant, and in equal monthly installments over the ensuing 36 months.
- (3) The performance-based restricted stock units vest upon achievement of pre-established 90 day average stock price targets, if achieved between March 15, 2018 and March 15, 2021.

**Table of Contents***Retirement, Health, Welfare and Additional Benefits*

Our named executive officers are eligible to participate in our employee benefit plans and programs, including medical and dental benefits, flexible spending accounts and short-and long-term disability and life insurance, to the same extent as our other full-time employees, subject to the terms and eligibility requirements of those plans. Our named executive officers are also eligible to participate in a tax-qualified 401(k) defined contribution plan to the same extent as all of our other full-time employees. We make company contributions for participants in the 401(k) plan equal to 50% of the participant's contribution, up to 2% of the participant's eligible compensation or \$3,000 per year, whichever is lesser.

**2018 Summary Compensation Table**

Name and Principal Position	Year	Salary		Stock Awards	Non-Equity Incentive Compensation		All Other Compensation	Total
		(1)	(2)		(3)	(4)		
John McDonough, President and Chief Executive Officer	2018	497,917	31,250	2,230,170	951,518	309,375	3,000	4,023,230
	2017	425,000		283,500	332,911	280,500	3,000	1,324,911
Thomas J. Lowery, Chief Scientific Officer	2018	360,208		579,070	285,456	135,844	3,000	1,363,578
	2017	347,500		99,225	116,519	138,600	3,000	704,844
John Sprague, Chief Financial Officer	2018	323,526		336,616	713,639	120,312	3,000	1,497,093

- (1) Amounts in this column represent base salaries earned for 2018 rather than 2018 annual base salary rates. The base salary amount shown for Mr. Sprague, who joined our company on January 30, 2018, represents base salary for the portion of the year during which he was employed.
- (2) Represents a one-time special bonus paid to Mr. McDonough in 2018 following receipt of market clearance from the U.S. Food and Drug Administration for T2Bacteria.
- (3) Represents the aggregate grant date fair value of the restricted stock unit awards granted during the given year computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. For a description of the assumptions used in valuing these awards, see note 8 to our audited consolidated financial statements included in our Annual Report on Form 10-K filed with the SEC on March 14, 2019. The amounts shown for performance-based restricted stock units reflect the grant date fair value determined using a Monte Carlo simulation. The maximum values of the market-based restricted stock units granted in 2018, based on the closing price per share of our common stock on the date of grant, were \$\_\_\_\_\_ for Mr. McDonough, \$\_\_\_\_\_ for Dr. Lowery and \$\_\_\_\_\_ for Mr. Sprague. In addition, for Mr. McDonough and Dr. Lowery, the 2018 amounts reported include \$114,290 and \$56,476, respectively, representing the excess of the actual value on the payment date of shares of stock issued in satisfaction of the named executive officer's 2017 bonus over the assumed value of the shares for purposes of determining the number of shares issued, as described in Executive Compensation Components Cash Incentive.
- (4) Represents the aggregate grant date fair value of the option awards granted during the given year computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. For a description of the assumptions used in valuing these awards, see note 8 to our audited consolidated financial statements included in our Annual Report on Form 10-K filed with the SEC on March 14, 2019.

- (5) Represents awards earned under our annual cash incentive compensation program. For additional information regarding these amounts, see the section titled Executive Compensation Components Cash Incentive Compensation above.
- (6) Represents Company matching contributions under our 401(k) plan.

**Table of Contents****Outstanding Equity Awards at Fiscal Year-End Table 2018**

Name	Vesting Commencement Date	Option Awards			Option Price (\$)	Option Expiration Date	Stock Awards		
		Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Exercised Options (#)(1)	Number of Securities Underlying Option Not Vested (#)(2)			Market Value of Shares or Units of Stock That Have Not Vested (#)(3)	Equity Awards: Incentive Plan Awards: Number of Shares or Units of Stock That Have Not Vested (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares or Units of Stock That Have Not Vested (#)(3)
John McDonough	03/01/2018	56,250	243,750	5.08	03/01/2028				
	02/09/2017	45,833	54,167	5.67	02/09/2027				
	01/20/2016	97,223	36,111	9.02	01/20/2026				
	02/13/2015	128,536	5,588	19.95	02/13/2025				
	07/02/2014	66,411		10.69	07/02/2024				
	01/22/2014	33,205		3.21	01/22/2024				
		166,029		3.21	10/24/2023				
		194,558		2.45	01/17/2022				
		120,087		1.96	09/14/2020				
	03/15/2018							326,087	981,522
	02/09/2017					33,333	100,332		
Thomas J. Lowery	03/01/2018	16,875	73,125	5.08	03/01/2028				
	02/09/2017	16,042	18,958	5.67	02/08/2027				
	01/20/2016	42,875	15,925	9.02	01/20/2026				
	02/13/2015	42,608	1,852	19.95	02/13/2025				
	07/02/2014	26,564		10.69	07/02/2024				
	03/15/2018							80,539	242,422
	02/09/2017					11,667	35,118		
John Sprague (5)	03/01/2018		225,000	5.08	03/01/2028				
	03/15/2018							51,877	156,150

(1) All unvested time-based options for Mr. McDonough and Dr. Lowery vest in substantially equal monthly installments over the 48 month vesting period from the vesting commencement date, subject to the holder's continued employment with us through the applicable vesting date and potential accelerated vesting as described

in the sections titled Employment Letter Agreements with Our Named Executive Officers and Potential Payments upon a Change in Control below.

- (2) All unvested restricted stock units for Mr. McDonough and Dr. Lowery (a) granted on November 30, 2016, vest in two equal annual installments beginning on November 30, 2017 and (b) granted on February 29, 2017, vest in three annual installments beginning on February 29, 2018, each subject to the holder's continued employment with us through the applicable vesting date and potential accelerated vesting as described in the sections titled Employment Letter Agreements with Our Named Executive Officers and Potential Payments upon a Change in Control below.
- (3) Based on the closing price of our common stock on December 31, 2018 of \$3.01.
- (4) The performance-based restricted stock units issued on March 15, 2018, vest upon achievement of pre-established 90-day average stock price targets, if achieved between March 15, 2018 and March 18, 2021, subject to the holder's continued employment with us through the applicable vesting date and potential accelerated vesting as described in the sections titled Employment Letter Agreements with Our Named Executive Officers and Potential Payments upon a Change in Control below.

---

**Table of Contents**

- (5) The option for Mr. Sprague vests as to 25% of the total shares subject to the option on the first anniversary of the vesting commencement date and in substantially equal monthly installments over the ensuing 36 months, subject to his continued employment with us through the applicable vesting date and potential accelerated vesting as described in the sections titled *Employment Letter Agreements with Our Named Executive Officers* and *Potential Payments upon a Change in Control* below.

***Employment Letter Agreements with Our Named Executive Officers***

We have entered into an employment letter agreement with each of the named executive officers. Certain key terms of these agreements are described below.

*John McDonough.* We have entered into an amended employment letter agreement with Mr. McDonough which provides that if Mr. McDonough is terminated by us without cause, he will be entitled to receive 6 months of base salary continuation and a lump-sum payment in an amount equal to 50% of the maximum amount of his annual variable cash incentive compensation for the year of termination. If Mr. McDonough's employment is terminated by us without cause within the three months preceding or the 12 months following a change in control, or if Mr. McDonough resigns his employment for good reason within the 12 months following a change in control, and he timely executes a release of claims in our favor, he will be entitled to receive 18 months of base salary continuation, a lump-sum payment in an amount equal to his target annual variable cash incentive compensation for the year of termination, accelerated vesting of all outstanding unvested equity awards and reimbursement for a portion (based on cost sharing for active employees) of healthcare continuation premiums for up to 18 months.

Mr. McDonough's employment letter agreement also contains restrictive covenants pursuant to which he has agreed to refrain from competing with us or soliciting our customers, prospective customers, employees or consultants for one year following his termination of employment.

*Thomas J. Lowery, PhD.* We have entered into an employment letter agreement with Dr. Lowery, which provides that if Dr. Lowery's employment is terminated by us without cause within the three months preceding or the 12 months following a change in control, or if Dr. Lowery resigns his employment for good reason within the 12 months following a change in control, and he timely executes a release of claims in our favor, he will be entitled to receive 12 months of base salary continuation, accelerated vesting of all outstanding unvested equity awards and reimbursement for a portion (based on active employee cost sharing rates) of healthcare premiums for up to 12 months.

Dr. Lowery has also entered into a non-compete, non-disclosure and invention assignment agreement with us pursuant to which he has agreed to refrain from disclosing our confidential information indefinitely and from competing with us or soliciting our employees or consultants for 12 months following termination of his employment.

*John Sprague.* In January 2018, we entered into an employment letter agreement and a change in control severance agreement with Mr. Sprague. The employment letter agreement entitled him to an initial annual base salary of \$350,000, a target annual variable cash incentive bonus equal to 45% of his annual base salary, prorated for 2018, and an initial grant of options to purchase a total of 225,000 shares of our common stock, which vests as to 25% of the shares subject to the option on the first anniversary of Mr. Sprague's employment commencement date and as to 1/48<sup>th</sup> of the shares subject to the option on each monthly anniversary thereafter, subject to his continued employment on each applicable vesting date.

Pursuant to Mr. Sprague's employment letter agreement, in the event that his employment is terminated by us without cause not in connection with a change in control and he timely executes a release of claims in our favor, he will be entitled to receive six months of base salary continuation and reimbursement for costs associated with COBRA for six months following such termination.



**Table of Contents**

Pursuant to Mr. Sprague's change in control severance agreement, in the event Mr. Sprague's employment is terminated by us without cause within the three months preceding or the 12 months following a change in control, or if Mr. Sprague resigns his employment for good reason within the 12 months following a change in control, and he timely executes a release of claims in our favor, he will be entitled to receive 12 months of base salary continuation, accelerated vesting all outstanding unvested equity awards (provided that if such termination had occurred prior to the first anniversary of his start date, he would have received 12 months of accelerated vesting of all outstanding unvested equity awards), and reimbursement for a portion (based on active employee cost sharing rates) of healthcare premiums for up to 12 months.

Mr. Sprague has also entered into a non-compete, non-disclosure and invention assignment agreement with us pursuant to which he has agreed to refrain from disclosing our confidential information indefinitely and from competing with us or soliciting our employees or consultants for 12 months following termination of his employment.

**Potential Payments Upon a Change in Control**

As described above, under the terms of their individual agreements with the Company, Mr. McDonough, Mr. Sprague and Dr. Lowery may become entitled to payments or benefits in connection with certain terminations of employment that occur at specified times around a change in control.

In addition, the agreements governing Mr. McDonough's, Dr. Lowery's and Mr. Sprague's unvested stock options and restricted stock units provide for full accelerated vesting if their employment is terminated by us without cause within the three months preceding or the 12 months following a change of control or if they resign for good reason within 12 months following a change in control.

**DIRECTOR COMPENSATION**

The following table presents the total compensation for each person who served as a member of our Board of Directors during 2018, other than Mr. McDonough. Mr. McDonough, who is also our Chief Executive Officer, receives no compensation for his service as a director. The compensation earned by Mr. McDonough as our Chief Executive Officer during 2018 is presented in the 2018 Summary Compensation Table.

**Director Compensation Table 2018**

	<b>Fees Earned or Paid in Cash (\$)(1)</b>	<b>Stock Awards (\$)(2)(3)</b>	<b>Total (\$)</b>
Michael J. Cima, Ph.D.	62,500	84,780	147,280
John W. Cumming	48,500	84,780	133,280
David B. Elsbree	28,000	124,786	152,786
Adrian Jones	15,000	124,786	139,786
Stanley N. Lapidus	91,500	84,780	176,280
Seymour Liebman	10,000	124,786	134,786

(1)

Messrs. Elsbree, Jones and Liebman each elected to receive his \$40,000 2018 annual retainer for board service in the form of restricted stock units and, as a result, were each issued 13,289 restricted stock units on January 1, 2018 that vested in a single installment on January 1, 2019.

- (2) Represents the aggregate grant date fair value of the restricted stock unit awards granted during the given year computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. For a description of the assumptions used in valuing these awards, see note 8 to our audited consolidated financial statements included in our Annual Report on Form 10-K filed with the SEC on March 14, 2019.

**Table of Contents**

(3) As of December 31, 2018, Dr. Cima held options to purchase a total of 147,940 shares of our common stock and 9,000 restricted stock units, Mr. Cumming held options to purchase a total of 101,470 shares of our common stock and 9,000 restricted stock units, Mr. Elsbree held options to purchase a total of 101,470 shares of our common stock and 18,708 restricted stock units, Mr. Lapidus held options to purchase 91,173 shares of our common stock and 9,000 restricted stock units, Mr. Jones and Mr. Liebman each held options to purchase a total of 66,176 shares of our common stock and 18,708 restricted stock units. Each restricted stock unit entitles the holder to receive one share of our common stock or its cash value upon vesting or a later settlement date. We maintain a non-employee director compensation policy pursuant to which all non-employee directors were paid cash compensation as set forth below for 2018:

	<b>Annual Retainer (\$)</b>
<b>Board of Directors:</b>	
All non-employee members	40,000
Additional retainer for Lead Independent Director	30,000
<b>Audit Committee:</b>	
Chairperson	18,000
Membership	7,500
<b>Compensation Committee:</b>	
Chairperson	14,000
Membership	5,000
<b>Nominating and Corporate Governance Committee:</b>	
Chairperson	10,000
Membership	3,500
<b>Technology Committee:</b>	
Chairperson	15,000

Annual retainers are earned on a quarterly basis and paid in arrears following the end of each calendar quarter. Retainers are prorated for partial quarters of service. Each director also has the opportunity to elect to be paid the director's \$40,000 annual retainer for board service in 2018 or later in the form of restricted stock units that vest in a single installment on January 1 of the following year.

Under the non-employee director compensation policy for 2018, each non-employee director initially appointed or elected to the Board of Directors was granted an option to purchase 66,176 shares of our common stock on the date he or she first became a non-employee director. The option vests and becomes exercisable in substantially equal installments on each of the first three anniversaries of the date of grant, subject to the director's continued service on the Board of Directors. The Board of Directors was also able to elect, prior to the date of the annual stockholder meeting, to make equity awards under the program in the form of (i) an option to purchase 17,647 shares of common stock, (ii) 9,000 restricted stock units, or (iii) a combination thereof. These awards vest (i) if an option, in 12 substantially equal monthly installments following the date of grant and (ii) if a restricted stock unit, in a single installment on the first anniversary of the grant date. On the date of the 2018 annual meeting of stockholders, each continuing non-employee director was granted 9,000 restricted stock units that vest in one installment on the first anniversary of the grant date.

In February 2019, the non-employee director compensation program was amended to allow the Board of Directors to elect, prior to the date of the annual stockholder meeting, to make annual equity awards under the program in the form

of (i) an option to purchase 22,000 shares of our common stock, (ii) 11,000 restricted stock units on the date of such annual meeting or (iii) a combination thereof. In the event that no election is made, each non-employee director shall receive an option to purchase 22,000 shares of our common stock. The vesting schedules of such option and restricted stock unit awards remain unchanged from our prior program.

Table of Contents**EQUITY COMPENSATION PLAN INFORMATION**

The following table provides information on our equity compensation plans as of December 31, 2018.

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, and Rights</b>	<b>Weighted Average Exercise Price of Outstanding Options, and Rights</b>	<b>Number of Securities Available for Future Issuance Under Equity Compensation Plans</b>
Equity compensation plans approved by security holders (1)	5,010,717(2)	\$ 7.13(3)	922,273(4)
Equity compensation plans not approved by security holders (5)	429,750	5.65	193,750
<b>Total</b>	<b>5,440,467</b>	<b>\$ 6.98</b>	<b>1,116,023</b>

- (1) Consists of the 2006 Employee, Director and Consultant Stock Plan, or the 2006 Plan, the 2014 Incentive Award Plan, as amended and restated, or the 2014 Plan, and the Employee Stock Purchase Plan, or ESPP. We ceased issuing new awards under the 2006 Plan when the 2014 Plan became effective.
- (2) Consists of 1,156,188 outstanding options to purchase shares of our common stock under the 2006 Plan, 2,655,895 outstanding options to purchase shares of our common stock under the 2014 Plan, and 1,198,634 outstanding restricted stock units under the 2014 Plan.
- (3) Represents the weighted-average exercise price of options under the 2014 Plan and 2006 Plan as of December 31, 2018. Amounts shown do not take into account any restricted stock units awarded under the 2014 Plan, which do not have an exercise price.
- (4) Pursuant to the terms of the 2014 Plan, the number of shares of common stock available for issuance under the 2014 Plan automatically increases on January 1 of each year during the current ten year term of the 2014 Plan, beginning on January 1, 2015. The annual increase in the number of shares is currently equal to the lesser of: (a) 4% of our shares of common stock outstanding (on an as-converted basis) on the final day of the immediately preceding calendar year; and (b) such smaller number of shares of common stock determined by the Board of Directors. Pursuant to the terms of the ESPP, the number of shares of common stock available for issuance under the ESPP automatically increases on the first day of each calendar year beginning January 1, 2015 and ending on January 1, 2024. The annual increase in the number of shares is currently equal to the least of: (1) 220,588 shares, (2) 1% of the common shares outstanding on the final day of the immediately preceding calendar year and (3) such smaller number of common shares as determined by the Board of Directors. As of December 31, 2018, a total of 887,355 shares of stock were available for issuance under the ESPP, all of which were subject to purchase with respect to the purchase period in effect as of December 31, 2018, which purchase period ends on May 15, 2019.
- (5) Consists of the Inducement Award Plan. See below for a description of the material features of the plan.

On March 1, 2018, the Board of Directors adopted the T2 Biosystems, Inc. Inducement Award Plan (the "Inducement Award Plan"). The Inducement Award Plan provides for the grant of equity-based awards in the form of non-qualified stock options, restricted stock awards, restricted stock unit awards, dividend equivalent awards, stock payment awards and stock appreciation rights on terms determined by the plan administrator. The Inducement Award Plan was amended and restated on February 21, 2019 in order to, among other things, increase the number of shares reserved for issuance under the Inducement Award Plan. The Inducement Award Plan was adopted by the Board of Directors without stockholder approval pursuant to Rule 5635(c)(4) of the Nasdaq Listing Rules.

The Board of Directors has reserved 1,625,000 shares of the Company's common stock for issuance pursuant to awards granted under the Inducement Award Plan, and the Inducement Award Plan will be administered by the Compensation Committee of the Board of Directors. In accordance with Rule 5635(c)(4) of

## **Table of Contents**

the Nasdaq Listing Rules, awards under the Inducement Award Plan may only be made to an employee who has not previously been an employee or member of the Board of Directors or any parent or subsidiary, or following a bona fide period of non-employment by the Company or a parent or subsidiary, if he or she is granted such award in connection with his or her commencement of employment with the Company or a subsidiary and such grant is an inducement material to his or her entering into employment with the Company or such subsidiary.

## **HOUSEHOLDING OF PROXY MATERIALS**

Some banks, brokers, and other nominee record holders may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of the Notice of Internet Availability of Proxy Materials, Proxy Statement, and Annual Report on Form 10-K for the year ended December 31, 2018, as applicable, is being delivered to multiple stockholders sharing an address unless we have received contrary instructions. We will promptly deliver a separate copy of any of these documents to you if you write to us at 101 Hartwell Ave., Lexington, MA 02421, Attention: Secretary or call us at (781) 761-4646. If you want to receive separate copies of the Notice of Internet Availability of Proxy Materials, Proxy Statement, or Annual Report on Form 10-K in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker, or other nominee record holder, or you may contact us at the above address or telephone number.

## **STOCKHOLDER MATTERS**

### **Stockholder Recommendations for Director Nominations**

Any stockholder wishing to recommend a director candidate for consideration by the nominating and corporate governance committee should provide the following information to the Chair of the nominating and corporate governance committee, T2 Biosystems, Inc., 101 Hartwell Ave., Lexington, Massachusetts 02421: (a) a brief statement outlining the reasons the nominee would be an effective director for T2 Biosystems; (b) (i) the name, age, and business and residence addresses of the candidate, (ii) the principal occupation or employment of the candidate for the past five years, as well as information about any other Board of Directors and board committees on which the candidate has served during that period, (iii) the number of shares of T2 Biosystems stock, if any, beneficially owned by the candidate and (iv) details of any business or other significant relationship the candidate has ever had with T2 Biosystems; (c) (i) the stockholder's name and record address and the name and address of the beneficial owner of T2 Biosystems shares, if any, on whose behalf the proposal is made and (ii) the number of shares of T2 Biosystems stock that the stockholder and any such other beneficial owner beneficially own; and (d) the other information specified in T2 Biosystems' Bylaws as then in effect. The nominating and corporate governance committee may seek further information from or about the stockholder making the recommendation, the candidate, or any such other beneficial owner, including information about all business and other relationships between the candidate and the stockholder and between the candidate and any such other beneficial owner.

### **Other Stockholder Proposals**

Any stockholder proposing to bring any business other than a director candidate before an annual meeting of stockholders, which business must relate to a proper matter under Delaware law for stockholder action, must provide the following information to the Chair of the nominating and corporate governance committee: (a) a brief description of the business desired to be brought before the annual meeting; (b) the text of the proposal (including the exact text of any resolutions proposed for consideration and, in the event that such business includes a proposal to amend the bylaws, the exact text of the proposed amendment); (c) the reasons for conducting such business at the annual meeting; (d) the proposing stockholder's name and record address and the name and address of the beneficial owner of T2 Biosystems shares, if any, on whose behalf the proposal is made; and (e) the other information specified in T2

Biosystems Bylaws as then in effect.

**Table of Contents**

**Procedure for Submitting Stockholder Proposals**

Stockholder proposals, including proposed director nominations, intended to be presented at the next annual meeting of our stockholders must satisfy the requirements set forth in the advance notice provision under our By-laws. To be timely for our next annual meeting of stockholders, any such proposal must be delivered in writing to our Secretary at our principal executive offices between the close of business on February 8, 2019, and March 10, 2019. If the date of the next annual meeting of the stockholders is scheduled to take place before May 9, 2019, or after August 7, 2019, notice by the stockholder must be delivered no earlier than the 120th day prior to such annual meeting and no later than the close of business on the later of (1) the 90th day prior to such annual meeting or (2) the 10th day following the day on which public announcement of the date of such meeting is first made.

In addition, any stockholder proposal, including proposed director nominations, intended to be included in the proxy statement for the next annual meeting of our stockholders must also satisfy the SEC regulations under Rule 14a-8 of the Exchange Act, and be received not later than December 27, 2018. If the date of the annual meeting is moved by more than 30 days from the date contemplated at the time of the previous year's proxy statement, then notice must be received within a reasonable time before we begin to print and send proxy materials. If that happens, we will publicly announce the deadline for submitting a proposal in a press release or in a document filed with the SEC.

Table of Contents

Appendix A

**T2 BIOSYSTEMS, INC.**

**AUDIT COMMITTEE CHARTER**

(amended and restated, effective as of April 25, 2019)

**A. Purpose**

The purpose of the Audit Committee of the Board of Directors (the Board) of T2 Biosystems, Inc. (the Company) is to assist the Board's oversight of the Company's accounting and financial reporting processes and the audits of the Company's financial statements.

**B. Structure and Membership**

1. *Number.* Except as otherwise permitted by the applicable NASDAQ rules, the Audit Committee shall consist of at least three members of the Board.

2. *Independence.* Except as otherwise permitted by the applicable NASDAQ rules, each member of the Audit Committee shall be an independent director as defined by NASDAQ Rule 5605(a)(2), meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended (the Exchange Act) (subject to the exemptions provided in Rule 10A-3(c)), and not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years.

3. *Financial Literacy.* Each member of the Audit Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement, at the time of his or her appointment to the Audit Committee. In addition, at least one member must have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. Unless otherwise determined by the Board (in which case disclosure of such determination shall be made in the Company's annual report filed with the SEC), at least one member of the Audit Committee shall be an audit committee financial expert (as defined by applicable SEC rules).

4. *Chair.* Unless the Board elects a Chair of the Audit Committee, the Audit Committee shall elect a Chair by majority vote.

5. *Compensation.* The compensation of Audit Committee members shall be as determined by the Board. No member of the Audit Committee may receive, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries, other than fees paid in his or her capacity as a member of the Board or of a committee of the Board.

6. *Selection and Removal.* Members of the Audit Committee shall be appointed by the Board. The Board may remove members of the Audit Committee from such committee, with or without cause.

**C. Authority and Responsibilities**

**General**

The Audit Committee shall discharge its responsibilities, and shall assess the information provided by the Company's management and the Company's registered public accounting firm (the independent auditor), in accordance with its business judgment. Management is responsible for the preparation, presentation and integrity

## **Table of Contents**

of the Company's financial statements, for the appropriateness of the accounting principles and reporting policies that are used by the Company and for establishing and maintaining adequate internal control over financial reporting. The independent auditor is responsible for auditing the Company's financial statements and the Company's internal control over financial reporting and for reviewing the Company's unaudited interim financial statements. The authority and responsibilities set forth in this Charter do not reflect or create any duty or obligation of the Audit Committee to plan or conduct any audit, to determine or certify that the Company's financial statements are complete, accurate, fairly presented, or in accordance with generally accepted accounting principles or applicable law, or to guarantee the independent auditor's reports.

### **Oversight of Independent Auditor**

1. *Selection.* The Audit Committee shall be solely and directly responsible for appointing, evaluating, retaining and, when necessary, terminating the engagement of the independent auditor. The Audit Committee may, in its discretion, seek stockholder ratification of the independent auditor it appoints.
2. *Independence.* The Audit Committee shall take, or recommend that the full Board take, appropriate action to oversee the independence of the independent auditor. In connection with this responsibility, the Audit Committee shall obtain and review the written disclosures and the letter from the independent auditor required by applicable requirements of the Public Company Accounting Oversight Board (the PCAOB) regarding the independent auditor's communications with the Audit Committee concerning independence. The Audit Committee shall actively engage in dialogue with the independent auditor concerning any disclosed relationships or services that might impact the objectivity and independence of the auditor.
3. *Compensation.* The Audit Committee shall have sole and direct responsibility for setting the compensation of the independent auditor. The Audit Committee is empowered, without further action by the Board, to cause the Company to pay the compensation of the independent auditor established by the Audit Committee.
4. *Pre-approval of Services.* The Audit Committee shall pre-approve all audit services to be provided to the Company, whether provided by the principal auditor or other firms, and all other services (review, attest and non-audit) to be provided to the Company by the independent auditor; provided, however, that de minimis non-audit services may instead be approved in accordance with applicable SEC rules.
5. *Oversight.* The independent auditor shall report directly to the Audit Committee, and the Audit Committee shall have sole and direct responsibility for overseeing the work of the independent auditor, including resolution of disagreements between Company management and the independent auditor regarding financial reporting. In connection with its oversight role, the Audit Committee shall, from time to time as appropriate, receive and consider the reports and other communications required to be made by the independent auditor regarding:

critical accounting policies and practices;

alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with Company management, including ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;

other material written communications between the independent auditor and Company management; and

the other matters addressed in PCAOB Auditing Standard No. 16, Communications with Audit Committees ( AS 16 ).

## **Table of Contents**

6. *PCAOB Inspections.* The Audit Committee shall request the independent auditor to provide relevant information about inspections of the firm by the PCAOB, including the following:

whether any audit overseen by the Audit Committee is selected by the PCAOB for an inspection and, if so, the findings of the inspection;

whether the PCAOB's inspection of other audits performed by the firm raised auditing or accounting issues similar to those presented in the Company's audit;

the firm's response to PCAOB findings; and

the firm's remedial efforts in light of any quality control deficiencies that may have been identified by the PCAOB.

## **Audited Financial Statements**

7. *Review and Discussion.* The Audit Committee shall review and discuss with the Company's management and independent auditor the Company's audited financial statements, including the matters required to be discussed by AS 16.

8. *Recommendation to Board Regarding Financial Statements.* The Audit Committee shall consider whether it will recommend to the Board that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K.

9. *Audit Committee Report.* The Audit Committee shall prepare an annual committee report for inclusion where necessary in the proxy statement of the Company relating to its annual meeting of security holders.

## **Review of Other Financial Disclosures**

10. *Independent Auditor Review of Interim Financial Statements.* The Audit Committee shall direct the independent auditor to use its best efforts to perform all reviews of interim financial information prior to disclosure by the Company of such information and to discuss promptly with the Audit Committee and the Chief Financial Officer any matters identified in connection with the auditor's review of interim financial information which are required to be discussed by applicable auditing standards. The Audit Committee shall direct management to advise the Audit Committee in the event that the Company proposes to disclose interim financial information prior to completion of the independent auditor's review of interim financial information.

## **Controls and Procedures**

11. *Oversight.* The Audit Committee shall coordinate the Board's oversight of the Company's internal control over financial reporting and disclosure controls and procedures.

12. *Risk Management.* The Audit Committee shall discuss the Company's policies with respect to risk assessment and risk management of (i) matters that present financial risk to the Company and (ii) cybersecurity risk, including

guidelines and policies to govern the process by which the Company's exposure to such risks is handled.

13. *Procedures for Complaints.* The Audit Committee shall establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

14. *Oversight of Related Person Transactions.* The Audit Committee shall review the Company's policies and procedures for reviewing and approving or ratifying related person transactions (defined as transactions required to be disclosed pursuant to Item 404 of Regulation S-K), including the Company's Related Person

**Table of Contents**

Transaction Policy, and recommend any changes to the Board. In accordance with the Company's Related Person Transaction Policy and NASDAQ rules, the Audit Committee shall conduct appropriate review and oversight of all related person transactions for potential conflict of interest situations on an ongoing basis.

15. *Additional Duties.* The Audit Committee shall have such other duties as may be delegated from time to time by the Board.

**D. Procedures and Administration**

1. *Meetings.* The Audit Committee shall meet as often as it deems necessary in order to perform its responsibilities. The Audit Committee may also act by unanimous written consent in lieu of a meeting. The Audit Committee shall periodically meet separately with: (i) the independent auditor, (ii) Company management and (iii) the Company's internal auditors, if any. The Audit Committee shall keep such records of its meetings as it shall deem appropriate.

2. *Subcommittees.* The Audit Committee may form and delegate authority to one or more subcommittees, as it deems appropriate from time to time under the circumstances (including a subcommittee consisting of a single member). Any decision of a subcommittee to pre-approve audit, review, attest or non-audit services shall be presented to the full Audit Committee at its next scheduled meeting.

3. *Reports to Board.* The Audit Committee shall report regularly to the Board.

4. *Charter.* At least annually, the Audit Committee shall review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

5. *Independent Advisors.* The Audit Committee is authorized, without further action by the Board, to engage such independent legal, accounting and other advisors as it deems necessary or appropriate to carry out its responsibilities. Such independent advisors may be the regular advisors to the Company. The Audit Committee is empowered, without further action by the Board, to cause the Company to pay the compensation of such advisors as established by the Audit Committee.

6. *Investigations.* The Audit Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it shall deem appropriate, including the authority to request any officer, employee or advisor of the Company to meet with the Audit Committee or any advisors engaged by the Audit Committee.

7. *Funding.* The Audit Committee is empowered, without further action by the Board, to cause the Company to pay the ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

8. *Self-Evaluation.* The Audit Committee shall periodically evaluate its own performance and report to the Board on that self-evaluation.

\* \* \* \* \*

**Table of Contents**

***T2 BIOSYSTEMS, INC.***

*91 HARTWELL AVENUE*

*LEXINGTON, MA 02421*

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

**The Board of Directors recommends you vote FOR**

**the following:**

1. Election of Directors

**Nominees**

01 Michael Cima

For Against Abstain

**The Board of Directors recommends you vote FOR  
the following proposal:**

For Against Abstain

2. To ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019

**NOTE:** To transact such other business as may properly come before the meeting or at any and all adjournments or postponements thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX] Date

Signature (Joint Owners) Date

**Table of Contents**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Notice & Proxy Statement, Form 10-K is/are available at [www.proxyvote.com](http://www.proxyvote.com)

**T2 BIOSYSTEMS, INC.**

**Annual Meeting of Stockholders**

**June 7, 2019 9:00 AM**

**This proxy is solicited by the Board of Directors**

The stockholder(s) hereby appoint(s) John McDonough, Michael Gibbs and John Sprague, or any one of them, as proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this proxy, all of the shares of common stock of T2 BIOSYSTEMS, INC. that the stockholder(s) is entitled to vote at the Annual Meeting of stockholders to be held at 9:00 AM, ET on June 7, 2019, at 91 Hartwell Ave., Lexington, Massachusetts 02421, and any adjournments or postponements thereof.

**This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors recommendations**

**Continued and to be signed on reverse side**