UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED: June 30, 2022

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-35280

VERICEL CORPORATION

(Exact name of registrant as specified in its charter)

Michigan	**94-3096597**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

64 Sidney Street
Cambridge, MA 02139
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(617) 588-5555**

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

Title of Class	**Trading Symbol(s)**	**Name of Each Exchange on Which Registered**
Common Stock (No par value)	VCEL	NASDAQ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

As of July 29, 2022, 47,177,974 shares of Common Stock, no par value per share, were outstanding.

VERICEL CORPORATION
QUARTERLY REPORT ON FORM 10-Q
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

VERICEL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, amounts in thousands)

	June 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 56,054	$ 68,330
Short-term investments	44,638	35,068
Accounts receivable (net of allowance for doubtful accounts of $40 and $40, respectively)	33,664	37,437
Inventory	15,929	13,381
Other current assets	4,809	4,246
Total current assets	155,094	158,462
Property and equipment, net	15,919	13,308
Restricted cash	6,184	211
Right-of-use assets	43,583	45,720
Long-term investments	23,718	25,687
Other long-term assets	317	317
Total assets	$ 244,815	$ 243,705
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 9,684	$ 9,016
Accrued expenses	12,133	14,045
Current portion of operating lease liabilities	3,156	2,950
Other current liabilities	41	41
Total current liabilities	25,014	26,052
Operating lease liabilities	44,964	47,147
Other long-term liabilities	21	44
Total liabilities	69,999	73,243
COMMITMENTS AND CONTINGENCIES		
Shareholders' equity:		
Common stock, no par value; shares authorized — 75,000; shares issued and outstanding 47,141 and 46,880, respectively	575,011	553,902
Accumulated other comprehensive loss	(855)	(154)
Accumulated deficit	(399,340)	(383,286)
Total shareholders' equity	174,816	170,462
Total liabilities and shareholders' equity	$ 244,815	$ 243,705

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

VERICEL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, amounts in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Product sales, net	$ 36,826	$ 38,680	$ 72,678	$ 72,307
Other revenue	220	839	442	1,780
Total revenue	37,046	39,519	73,120	74,087
Cost of product sales	14,192	12,609	26,814	24,192
Gross profit	22,854	26,910	46,306	49,895
Research and development	4,792	4,449	9,652	8,079
Selling, general and administrative	27,144	26,190	53,009	48,850
Total operating expenses	31,936	30,639	62,661	56,929
Loss from operations	(9,082)	(3,729)	(16,355)	(7,034)
Other income (expense):				
Interest income	148	43	236	119
Interest expense	(20)	(1)	(38)	(2)
Other income (expense)	(9)	(27)	103	57
Total other income	119	15	301	174
Loss before income taxes	(8,963)	(3,714)	(16,054)	(6,860)
Income tax expense	—	72	—	215
Net loss	$ (8,963)	$ (3,786)	$ (16,054)	$ (7,075)
Net loss per common share:				
Basic	$ (0.19)	$ (0.08)	$ (0.34)	$ (0.15)
Diluted	$ (0.19)	$ (0.08)	$ (0.34)	$ (0.15)
Weighted-average common shares outstanding:				
Basic	47,117	46,403	47,052	46,195
Diluted	47,117	46,403	47,052	46,195

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

VERICEL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited, amounts in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net loss	$ (8,963)	$ (3,786)	$ (16,054)	$ (7,075)
Other comprehensive loss:				
Unrealized (loss) gain on investments	(242)	24	(701)	(37)
Comprehensive loss	$ (9,205)	$ (3,762)	$ (16,755)	$ (7,112)

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

VERICEL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited, amounts in thousands)

	Common Stock		Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
BALANCE, DECEMBER 31, 2021	46,880	$ 553,902	$ (154)	$ (383,286)	$ 170,462
Net loss	—	—	—	(7,091)	(7,091)
Stock-based compensation expense	—	9,531	—	—	9,531
Stock option exercises	125	1,155	—	—	1,155
Shares issued under the Employee Stock Purchase Plan	9	310	—	—	310
Issuance of stock for restricted stock unit vesting	108	—	—	—	—
Restricted stock withheld for employee tax remittance	(41)	(1,423)	—	—	(1,423)
Unrealized loss on investments	—	—	(459)	—	(459)
BALANCE, MARCH 31, 2022	47,081	$ 563,475	$ (613)	$ (390,377)	$ 172,485
Net loss	—	—	—	(8,963)	(8,963)
Stock-based compensation expense	—	10,808	—	—	10,808
Stock option exercises	32	428	—	—	428
Shares issued under the Employee Stock Purchase Plan	10	318	—	—	318
Issuance of stock for restricted stock unit vesting	19	—	—	—	—
Restricted stock withheld for employee tax remittance	(1)	(18)	—	—	(18)
Unrealized loss on investments	—	—	(242)	—	(242)
BALANCE, JUNE 30, 2022	47,141	$ 575,011	$ (855)	$ (399,340)	$ 174,816

	Common Stock		Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
BALANCE, DECEMBER 31, 2020	45,804	$ 510,061	$ 14	$ (375,815)	$ 134,260
Net loss	—	—	—	(3,289)	(3,289)
Stock-based compensation expense	—	7,019	—	—	7,019
Stock option exercises	359	3532	—	—	3,532
Shares issued under the Employee Stock Purchase Plan	14	249	—	—	249
Issuance of stock for restricted stock unit vesting	76	—	—	—	—
Restricted stock withheld for employee tax remittance	(28)	(1,501)	—	—	(1,501)
Unrealized loss on investments	—	—	(61)	—	(61)
BALANCE, MARCH 31, 2021	46,225	$ 519,360	$ (47)	$ (379,104)	$ 140,209
Net loss	—	—	—	(3,786)	(3,786)
Stock-based compensation expense	—	10,866	—	—	10,866
Stock option exercises	330	3,531	—	—	3,531
Shares issued under the Employee Stock Purchase Plan	13	309	—	—	309
Issuance of stock for restricted stock unit vesting	12	—	—	—	—
Restricted stock withheld for employee tax remittance	(1)	(61)	—	—	(61)
Unrealized gain on investments	—	—	24	—	24
BALANCE, JUNE 30, 2021	46,579	$ 534,005	$ (23)	$ (382,890)	$ 151,092

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

VERICEL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, amounts in thousands)

	Six Months Ended June 30,	
	2022	2021
Operating activities:		
Net loss	$ (16,054)	$ (7,075)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization expense	1,928	1,506
Stock-based compensation expense	20,339	17,885
Amortization of premiums and discounts on marketable securities	302	505
Non-cash lease cost	2,155	2,325
Other	16	5
Changes in operating assets and liabilities:		
Inventory	(2,548)	(3,603)
Accounts receivable	3,773	2,772
Other current assets	(563)	1,039
Accounts payable	1,152	1,356
Accrued expenses	(1,912)	(216)
Operating lease liabilities	(1,977)	(1,644)
Net cash provided by operating activities	6,611	14,855
Investing activities:		
Purchases of investments	(34,948)	(30,951)
Sales and maturities of investments	26,344	32,655
Expenditures for property and equipment	(5,062)	(4,461)
Net cash used in investing activities	(13,666)	(2,757)
Financing activities:		
Net proceeds from common stock issuance	2,211	7,621
Payments on employee's behalf for taxes related to vesting of restricted stock unit awards	(1,441)	(1,562)
Other	(18)	(16)
Net cash provided by financing activities	752	6,043
Net (decrease) increase in cash, cash equivalents, and restricted cash	(6,303)	18,141
Cash, cash equivalents, and restricted cash at beginning of period	68,541	33,831
Cash, cash equivalents, and restricted cash at end of period	$ 62,238	$ 51,972

VERICEL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(Unaudited, amounts in thousands)

	Six Months Ended June 30,	
	2022	2021
Supplemental disclosure of cash flow information:		
Non-cash information:		
Additions to property and equipment included in accounts payable	869	630
Restricted stock held for employee tax remittance included in accounts payable	—	61

	Six Months Ended June 30,	
	2022	2021
Reconciliation of amounts within the condensed consolidated balance sheets:		
Cash and cash equivalents	$ 56,054	$ 51,761
Restricted cash	6,184	211
Total cash, cash equivalents, and restricted cash at end of period	$ 62,238	$ 51,972

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

VERICEL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

Vericel Corporation, a Michigan corporation (together with its consolidated subsidiaries referred to herein as the Company, or Vericel), was incorporated in March 1989 and began employee-based operations in 1991. The Company is a fully-integrated, commercial-stage biopharmaceutical company and is a leader in advanced therapies for the sports medicine and severe burn care markets. Vericel currently markets two cell therapy products in the U.S., MACI® (autologous cultured chondrocytes on porcine collagen membrane) and Epicel® (cultured epidermal autografts).

MACI is an autologous cellularized scaffold product indicated for the repair of symptomatic, single or multiple full-thickness cartilage defects of the knee with or without bone involvement in adults. Epicel is a permanent skin replacement for the treatment of adult and pediatric patients with deep-dermal or full-thickness burns comprising greater than or equal to 30 percent of total body surface area ("TBSA"). The Company also holds an exclusive license from MediWound Ltd. ("MediWound") for North American rights to NexoBrid®, a registration-stage biological orphan product designed for the debridement of severe thermal burns. The Company operates its business primarily in the U.S. in one reportable segment — the research, product development, manufacture and distribution of cellular therapies for use in the treatment of specific diseases.

COVID-19

The ongoing pandemic caused by the spread of a novel strain of coronavirus ("COVID-19") has created significant disruptions to the U.S. and global economy and has contributed to significant volatility in financial markets. The global impact of the outbreak has fluctuated since early 2020. At times, many state, local and national governments – including those in Massachusetts and Michigan, where the Company's operations are located – have responded by issuing, extending and supplementing orders requiring quarantines, restrictions on travel, and the mandatory closure of certain non-essential businesses, among other actions. Because Vericel is deemed an essential business, the Company has been exempted from government orders requiring the closure of workplaces and the cessation of business operations. The vast majority of these restrictions have since been rescinded throughout most of the U.S.

Notwithstanding being an essential business, the Company's business and operations at times have been adversely impacted by the ongoing effects of the COVID-19 pandemic. For example, as a result of periodic restrictions placed on the performance of elective surgical procedures, Vericel experienced a significant increase in cancellations of scheduled MACI procedures as well as a slowdown in new MACI orders during March and April of 2020. The widespread suspension of surgical procedures impacted the Company's business and operations during the first and second quarters of 2020. The level and degree of restriction on elective surgeries, on the ability of patients to seek treatment and on U.S. business operations generally fluctuated throughout 2020 as COVID-19 infection rates rose and fell during the summer months and into the autumn. By the first quarter of 2021, the pandemic's effects on the Company's MACI business had largely dissipated. During the summer of 2021, however, the pandemic's direct and ancillary effects again began to cause some disruption to the Company's MACI business. Following the cessation of COVID-19-related travel restrictions in many parts of the U.S. and the availability of vaccinations in May and June 2021, some MACI patients postponed or delayed treatment. Further, surges of new COVID-19 cases during the second half of 2021 caused by the spread of the "Delta" and "Omicron" variants again caused disruptions to health care networks including restrictions on the performance of elective procedures, the availability of physicians and/or their treatment prioritizations, the level of healthcare facility staffing and, in some instances, the willingness or ability of patients to seek treatment. Consequently, and notwithstanding the widespread distribution of vaccines, these factors contributed to a slowdown of MACI procedures during the third and fourth quarters of 2021 and during the first and second quarters of 2022. Although hospitals are now better prepared for subsequent surges in COVID-19 patients, the risk remains that regional or local restrictions could again be placed on the performance of elective surgical procedures if the number of COVID-19 infections in the U.S. were to rise, or if new or existing COVID-19 variants render current vaccine treatments ineffective.

Because Epicel is used almost exclusively in an emergent setting by burn centers and surgeons throughout the country, Epicel revenue and procedure volumes have been less affected by the pandemic. Nevertheless, the number of large burns and burn admissions can be affected by restrictions on human activity resulting from more severe government lockdown orders.

At the outset of the pandemic, the Company put in place a comprehensive workplace protection plan, which instituted protective measures in response to COVID-19. Vericel's workplace protection plan has closely followed guidance issued by the Centers for Disease Control and Prevention ("CDC") and has complied with applicable federal and state law. To date, Vericel has been successful in sustaining its operations and providing MACI and Epicel to patients in need. The Company continues to

review its policies and procedures regularly, including its workplace protection plan, as the pandemic evolves and the Company may take additional actions to the extent required.

The Company continues to manufacture MACI and Epicel and is maintaining a significant safety stock of all key raw materials. Vericel does not expect that current supply chain interruptions will impact its ongoing manufacturing operations. With respect to customer delivery, MACI final product has an established shelf life of six (6) days and an established shipping shelf life of three (3) days. Currently, MACI is picked up by courier and shipped by commercial air or ground transportation to customer surgical sites. Epicel final product has an established shelf life of 48 hours and is hand carried to customer hospitals by courier. Transportation is primarily by commercial or charter airline. Although the Company has not experienced material shipping delays, significant disruption of air travel could result in the inability to deliver MACI or Epicel final products to customer sites within appropriate timeframes, which could further adversely impact the Company's business. At this time, the Company is not aware of COVID-19 related impacts on its distributors, operations or third-party service providers' ability to manage patient cases. The Company believes it is possible that it could experience variable business impacts, should a new resurgence of COVID-19 infections occur in the future.

The Conflict in Ukraine

The current conflict between Russia and Ukraine and the related sanctions and other penalties imposed by countries across the globe against Russia are creating substantial uncertainty in the global economy and resulting in heightened inflation and supply chain disruptions. While the Company does not have operations in Russia or Ukraine and does not have exposure to distributors, or third-party service providers in Russia or Ukraine, it is unable to predict the impact that these actions will have on the global economy or on its financial condition, results of operations, and cash flows as of the date of these unaudited condensed consolidated financial statements.

Liquidity

The accompanying condensed consolidated financial statements have been prepared on a basis which assumes that the Company will continue as a going concern and contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. As of June 30, 2022, the Company had an accumulated deficit of $399.3 million and had a net loss of $16.1 million during the six months ended June 30, 2022. The Company had cash and cash equivalents of $56.1 million and investments of $68.4 million as of June 30, 2022. The Company expects that cash from the sales of its products and existing cash, cash equivalents and investments will be sufficient to support the Company's current operations through at least 12 months from the issuance of these condensed consolidated financial statements. The effects of the COVID-19 pandemic continue to evolve, however. To the extent the U.S. experiences a worsening in COVID-19 infections or the emergence of additional virus variants that result in more serious disease or limit the effectiveness of existing vaccines, subsequent healthcare measures – to include the postponement or cessation of elective and other surgical procedures – may cause the Company to experience a reduction in business and resulting revenue. This, consequently, may result in irrecoverable losses of customers and significantly impact the Company's long-term liquidity, potentially requiring the Company to engage in layoffs, furloughs and/or reductions in salaries. The Company also may need to access additional capital; however, the Company may not be able to obtain financing on acceptable terms or at all, particularly in light of the impact of COVID-19 on the global economy and financial markets. The terms of any financing may adversely affect the holdings or the rights of the Company's shareholders.

2. Basis of Presentation

The accompanying condensed consolidated financial statements of Vericel are unaudited and have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). The preparation of condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates, judgments, and assumptions that may affect the reported amounts of assets, liabilities, equity, revenue and expenses. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been omitted pursuant to such rules and regulations.

The financial statements reflect, in the opinion of management, all adjustments (consisting only of normal, recurring adjustments) necessary to state fairly the financial position and results of operations as of and for the periods indicated. The Company bases its estimates on historical experience and on various other assumptions that it believes are reasonable, the results of which form the basis for making judgments about the carrying values of assets, liabilities and equity and the amount of revenue and expenses. The full extent to which the COVID-19 pandemic will continue to directly or indirectly impact the Company's business, results of operations and financial condition, including sales, expenses, reserves and allowances, manufacturing, clinical trials, research and development costs and employee-related amounts, will depend on future

developments that are highly uncertain, including as a result of new information that may emerge concerning the COVID-19 pandemic and the actions taken to continue to contain or treat COVID-19, as well as the economic impact on its customers. The Company has made estimates of the impact of the COVID-19 pandemic within these financial statements and there may be changes to those estimates in future periods. Actual results may differ from these estimates. As of June 30, 2022, the Company has not recorded impairments to investments, inventory, other current assets or long-lived assets as a result of the COVID-19 pandemic.

The condensed consolidated balance sheet as of December 31, 2021 has been derived from the audited consolidated financial statements at that date, but does not include all the information and notes required by U.S. GAAP for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the SEC on February 24, 2022 ("Annual Report").

Recent Accounting Pronouncements

No new accounting standards were adopted during the quarter ended June 30, 2022.

3. Revenue

Revenue Recognition and Net Product Sales

The Company recognizes product revenue from sales of MACI biopsy kits, MACI implants, Epicel grafts and other sources following the five-step model in Accounting Standards Codification 606, *Revenue Recognition.*

MACI Biopsy Kits

MACI biopsy kits are sold directly to hospitals and ambulatory surgical centers based on contracted rates in an approved contract or sales order. The Company recognizes MACI kit revenue upon delivery of the biopsy kit, at which time the customer (the facility) is in control of the kit. The kit is used by the doctor to provide a sample of cartilage tissue to the Company, which can later be used to manufacture a MACI implant. The ordering of the kit does not obligate the Company to manufacture an implant nor does the receipt of the cartilage tissue by the Company from the customer following biopsy. The customer's order of an implant is separate from the process of ordering the biopsy kit. Therefore, the sale of the biopsy kit and any subsequent sale of an implant are distinct contracts and are accounted for separately.

MACI Implants

The Company contracts with two specialty pharmacies, Orsini Pharmaceutical Services, Inc. ("Orsini") and AllCare Plus Pharmacy, Inc. ("AllCare") to distribute MACI in a manner in which the Company retains the credit and collection risk from the end customer. The Company pays both specialty pharmacies a fee for each patient to whom MACI is dispensed. Both Orsini and AllCare perform collection activities to collect payment from customers. The Company engages a third party to provide services in connection with a patient support program to manage patient cases and to ensure complete and correct billing information is provided to the insurers and hospitals. In addition, the Company also sells MACI directly to DMS Pharmaceutical Group, Inc.("DMS") for patients treated at military treatment facilities. The sales directly to DMS are made at a contracted rate.

Prior authorization and confirmation of coverage level by the patient's private insurance plan, hospital or government payer is a prerequisite to the shipment of product to a patient. The Company recognizes product revenue from sales of all MACI implants upon delivery at which time the customer obtains control of the implant and the claim is billable. The total consideration which the Company expects to collect in exchange for MACI implants (the "Transaction Price") may be fixed or variable. Direct sales to hospitals or distributors are recorded at a contracted price, and there are typically no forms of variable consideration.

When the Company sells MACI, the patient is responsible for payment; however, the Company is typically reimbursed by a third-party insurer or government payer, subject to a patient co-pay amount. Reimbursements from third-party insurers and government payers vary by patient and payer and are based on either contracted rates, publicly available rates, fee schedules or past payer precedents. Net product revenue is recognized net of estimated contractual allowances, which considers historical collection experience from both the payer and patient, denial rates and the terms of the Company's contractual arrangements. The Company estimates expected collections for these transactions using the portfolio approach. The Company records a reduction to revenue at the time of sale for its estimate of the amount of consideration that will not be collected. In addition, potential credit risk exposure has been evaluated for the Company's accounts receivable in accordance with *ASC 326, Financial Instruments* -

Credit Losses. The Company assesses risk and determines a loss percentage by pooling account receivables based on similar risk characteristics. The loss percentage is calculated through the use of forecasts that are based on current and historical economic and financial information. This loss percentage was applied to the accounts receivables as of June 30, 2022. The total allowance for uncollectible consideration as of June 30, 2022 and December 31, 2021 was $6.7 million and $7.0 million, respectively. Changes to the estimate of the amount of consideration that will not be collected could have a material impact on the revenue recognized. A 50 basis points change to the estimated uncollectible percentage could result in an approximately $0.3 million decrease or increase in the revenue recognized for the six months ended June 30, 2022.

Changes in estimates of the Transaction Price are recorded through revenue in the period in which such change occurs. Changes in estimates related to prior periods are shown in the Revenue by Product and Customer table below and relate primarily to changes in the initial expected reimbursement or collection expectation upon completion of the billing claims process for MACI implants that occurred in a prior year. During the three months ended June 30, 2022, the Company recorded changes in estimates for MACI implants that occurred in a prior year of approximately $1.4 million, related to claims billed through a third-party insurer as a result of finalization of the billing claims processes.

Epicel

The Company sells Epicel directly to hospitals and burn centers based on contracted rates stated in an approved contract or purchase order. Similar to MACI, there is no obligation to manufacture Epicel grafts upon receipt of a skin biopsy, and Vericel has no contractual right to receive payment until the product is delivered to the hospital. The Company recognizes product revenue from sales of Epicel upon delivery to the hospital, at which time the customer is in control of the Epicel grafts and the claim is billable to the hospital.

NexoBrid

The Company entered into exclusive license and supply agreements with MediWound in May 2019, under which MediWound will manufacture and supply NexoBrid on a unit price basis, which may be increased pursuant to the terms of the agreements. The U.S. Biomedical Advanced Research and Development Authority (“BARDA”) has committed to procure NexoBrid from MediWound and, as of June 30, 2022, the Company did not hold a direct contract or distribution agreement with BARDA, or take title to the product. The Company recognizes revenue based on a percentage of gross profits for sales of NexoBrid to BARDA upon delivery, at which time BARDA is in control of the product.

Revenue by Product and Customer

The following table and descriptions below show the products from which the Company generated its revenue:

Revenue by product (in thousands)	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
MACI implants and kits				
Implants based on contracted rates sold through a specialty pharmacy [(a)]	$ 15,714	$ 17,972	$ 31,009	$ 31,200
Implants subject to third party reimbursement sold through a specialty pharmacy [(b)]	4,295	3,502	7,803	7,917
Implants sold direct based on contracted rates [(c)]	5,756	4,487	11,390	8,954
Implants sold direct subject to third-party reimbursement [(d)]	570	405	1,441	1,255
Biopsy kits - direct bill	545	551	1,066	1,070
Change in estimates related to prior periods [(e)]	1,733	(392)	1,898	(74)
Total MACI implants and kits	28,613	26,525	54,607	50,322
Epicel				
Direct bill (hospital)	8,213	12,155	18,071	21,985
NexoBrid revenue [(f)]	220	839	442	1,780
Total revenue	$ 37,046	$ 39,519	$ 73,120	$ 74,087

(a) Represents implants sold through Orsini and AllCare whereby such specialty pharmacies have a direct contract with the underlying insurance provider. The amount of reimbursement is based on contracted rates at the time of sale supported by the pharmacy's direct contracts.

(b) Represents implants sold through Orsini or AllCare whereby such specialty pharmacy does not have a direct contract with the underlying payer. The amount of reimbursement is established based on a payer or state fee schedule and/or payer history.

(c) Represents implants sold directly from the Company to the facility based on a contract and known price agreed upon prior to the surgery date. Also represents direct sales under a contract to specialty distributor DMS.

(d) Represents implants sold directly from the Company to the facility based on a contract and known price agreed upon prior to the surgery date. The payment terms are subject to third-party reimbursement from an underlying insurance provider.

(e) Primarily represents changes in estimates related to implants sold through Orsini or AllCare, and relate primarily to changes to the initial expected reimbursement or collection expectation upon completion of the billing claims process. The change in estimates is a result of additional information, changes in collection expectations or actual cash collections received in the current period.

(f) Represents revenue based on a percentage of gross profits for sales of NexoBrid to BARDA, pursuant to the license agreement between the Company and MediWound (see note 10).

Concentration of Credit Risk

The Company's total revenue concentration from an Epicel customer for the three and six months ended June 30, 2022 was 6% and 7%, respectively, and 11% and 12%, respectively, for the same periods in 2021. For the Company's total accounts receivable balances, there were no customers as of June 30, 2022 or December 31, 2021, with a concentration greater than 10%.

4. Selected Balance Sheet Components

Inventory

Inventory as of June 30, 2022 and December 31, 2021:

(In thousands)	June 30, 2022	December 31, 2021
Raw materials	$ 15,175	$ 12,676
Work-in-process	683	644
Finished goods	71	61
Total inventory	$ 15,929	$ 13,381

Property and Equipment

Property and Equipment, net as of June 30, 2022 and December 31, 2021:

(In thousands)	June 30, 2022	December 31, 2021
Machinery and equipment	$ 4,615	$ 4,522
Furniture, fixtures and office equipment	1,710	1,551
Computer equipment and software	8,112	7,769
Leasehold improvements	13,134	10,617
Construction in process	4,543	3,097
Financing right-of-use lease	55	74
Total property and equipment, gross	32,169	27,630
Less accumulated depreciation	(16,250)	(14,322)
Total property and equipment, net	$ 15,919	$ 13,308

Depreciation expense for the three and six months ended June 30, 2022 was $1.1 million and $1.9 million, respectively, and $0.7 million and $1.5 million, respectively, for the same periods in 2021.

Accrued Expenses

Accrued Expenses as of June 30, 2022 and December 31, 2021 are as follows:

(In thousands)	June 30, 2022	December 31, 2021
Bonus related compensation	$ 3,942	$ 6,305
Employee related accruals	3,555	3,616
Insurance reimbursement-related liabilities	4,585	3,973
Other accrued expenses	51	151
Total accrued expenses	$ 12,133	$ 14,045

5. Leases

The Company leases facilities in Ann Arbor, Michigan and Cambridge, Massachusetts. The Ann Arbor facility includes office space, and the Cambridge facilities include clean rooms, laboratories for MACI and Epicel manufacturing, and office space. The Company also leases offsite warehouse space, vehicles and computer equipment.

On January 28, 2022, the Company entered into a lease agreement (the “Burlington Lease”) to lease approximately 126,000 square feet of to-be-constructed manufacturing, laboratory and office space in Burlington, Massachusetts (the “Premises”). Once constructed, the Premises will serve as the Company’s new corporate headquarters and primary manufacturing facility.

The term of the Burlington Lease is currently expected to begin in 2023, 12 months following the landlord’s commencement of construction of the core and shell of the building in which the Premises are located (the “Commencement Date”).

The Company's obligation to pay rent for the Premises will begin on the earlier of: 13 months from the Commencement Date; or the date on which the Company first occupies the Premises to conduct operations (the "Rent Commencement Date"). The initial term of the Lease is 144 months following the Rent Commencement Date. The Company has a one-time option to extend the term of the Lease for an additional 10 years, exercisable under certain conditions and at a market rate determined in accordance with the Burlington Lease.

The annual base rent of the Burlington Lease is initially $57 per square foot per year, subject to annual increases of 2.5%. Monthly contractual payments are expected to range from $0.6 million to $0.8 million. Additionally, the Company is responsible for reimbursing the landlord for the Company's share of the Premises' property taxes and certain other operating expenses. The Burlington Lease also provides for a tenant improvement allowance from the landlord in an amount equal to $200 per square foot of the Premises, or approximately $25.1 million in total, towards the design and construction of certain tenant improvements made to the Premises, subject to the terms set forth in the Burlington Lease.

The Company is not involved in the initial construction of the core and shell of the building and will record the lease liability and right-of-use asset on its condensed consolidated balance sheet, when the construction is substantially completed and it obtains control of the Premises, which is currently expected to be on or around the Commencement Date.

In January 2022, in connection with the execution of the Burlington Lease, the Company issued a letter of credit collateralized by cash deposits of approximately $6.0 million. Such letter of credit shall be reduced to approximately $4.2 million and $1.8 million at the conclusion of the third and sixth lease years, respectively, provided certain conditions set forth in the Burlington Lease are satisfied.

For the three and six months ended June 30, 2022 and 2021, lease expense of less than $0.1 million was recorded related to short-term leases. For the three and six months ended June 30, 2022, the Company recognized $1.7 million and $3.5 million, respectively, of operating lease expense and $1.8 million and $3.7 million, respectively, for the same periods in 2021. For the three and six months ended June 30, 2022 and 2021, the Company recognized less than $0.1 million of financing lease expense.

Operating and finance lease assets and liabilities are as follows:

(In thousands)	Classification	June 30, 2022	December 31, 2021
Assets			
Operating	Right-of-use assets	$ 43,583	$ 45,720
Finance	Property and equipment, net	55	73
Total leased assets		$ 43,638	$ 45,793
Liabilities			
Current			
Operating	Current portion of operating lease liabilities	$ 3,156	$ 2,950
Finance	Other current liabilities	41	41
Non-current			
Operating	Operating lease liabilities	44,964	47,147
Finance	Other long-term liabilities	21	44
Total leased liabilities		$ 48,182	$ 50,182

6. Stock-Based Compensation

The 2022 Omnibus Incentive Plan ("2022 Plan") was approved on April 27, 2022, and provides incentives through the grant of stock options, stock appreciation rights, restricted stock awards and restricted stock units. The exercise price of stock options granted under the 2022 Plan shall not be less than the fair market value of the Company's common stock on the date of grant. The 2022 Plan replaced the 1992 Stock Option Plan, the 2001 Stock Option Plan, the Amended and Restated 2004 Equity Incentive Plan, the 2009 Second Amended and Restated Omnibus Incentive Plan, the 2017 Omnibus Incentive Plan, and the Amended and Restated 2019 Omnibus Incentive Plan ("Prior Plans"), and no new grants have been granted under the Prior Plans after approval of the 2022 Plan. However, the expiration or forfeiture of options previously granted under the Prior Plans will increase the number of shares available for issuance under the 2022 Plan.

Stock Compensation Expense

Non-cash stock-based compensation expense (service-based stock options, restricted stock units and employee stock purchase plan) is summarized in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2022	2021	2022	2021
Cost of product sales	$ 1,035	$ 1,287	$ 2,153	$ 2,199
Research and development	1,520	1,234	2,870	2,096
Selling, general and administrative	8,253	8,345	15,316	13,590
Total non-cash stock-based compensation expense	$ 10,808	$ 10,866	$ 20,339	$ 17,885

Service-Based Stock Options

During the three and six months ended June 30, 2022, the Company granted service-based options to purchase common stock of 170,060 and 1,163,649, respectively, and 136,117 and 1,474,072, respectively, for the same periods in 2021. The weighted-average grant-date fair value of service-based options granted during the three and six months ended June 30, 2022 was $19.25 and $20.74 per option, respectively, and $39.31 and $32.69, respectively, for the same periods in 2021.

Restricted Stock Units

During the three and six months ended June 30, 2022, the Company granted 39,746 and 382,768 restricted stock units, respectively, and 26,941 and 241,054, respectively, for the same periods in 2021. The weighted-average grant-date fair value of restricted stock units granted during the three and six months ended June 30, 2022 was $31.94 and $34.65 per unit, respectively, and $61.37 and $51.99, respectively, for the same periods in 2021.

7. Investments

Marketable debt securities held by the Company are classified as available-for-sale pursuant to ASC 320, *Investments – Debt and Equity Securities*, and carried at fair value in the accompanying condensed consolidated balance sheets on a settlement date basis. The following tables summarize the gross unrealized gains and losses of the Company's marketable securities as of June 30, 2022 and December 31, 2021:

	June 30, 2022				
		Gross Unrealized			
(In thousands)	Amortized Cost	Gains	Losses	Credit Losses	Estimated Fair Value
Commercial paper	$ 15,784	$ —	$ (76)	$ —	$ 15,708
Corporate notes	53,428	—	(780)	—	52,648
	$ 69,212	$ —	$ (856)	$ —	$ 68,356
Classified as:					
Short-term investments					$ 44,638
Long-term investments					23,718
					$ 68,356

	December 31, 2021				
		Gross Unrealized			
(In thousands)	Amortized Cost	Gains	Losses	Credit Losses	Estimated Fair Value
Commercial paper	$ 10,243	$ —	$ (12)	$ —	$ 10,231
Corporate notes	50,666	—	(142)	—	50,524
	$ 60,909	$ —	$ (154)	$ —	$ 60,755
Classified as:					
Short-term investments					$ 35,068
Long-term investments					25,687
					$ 60,755

As of June 30, 2022 and December 31, 2021, all marketable securities held by the Company had remaining contractual maturities of three years or less. There have been no impairments of the Company's assets measured and carried at fair value during the three and six months ended June 30, 2022 and 2021.

8. Fair Value Measurements

The Company's fair value measurements are classified and disclosed in one of the following three categories:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The commercial paper and corporate notes are classified as Level 2 as they were valued based upon quoted market prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant inputs are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. There were no transfers into or out of Level 3 from December 31, 2021 to June 30, 2022.

The following table summarizes the valuation of the Company's financial instruments that are measured at fair value on a recurring basis:

	June 30, 2022				December 31, 2021			
		Fair Value Measurement Category				Fair Value Measurement Category		
(In thousands)	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets:								
Money market funds	$ 1,135	$ 1,135	$ —	$ —	$ 1,258	$ 1,258	$ —	$ —
Commercial paper [(a)]	15,708	—	15,708	—	18,229	—	18,229	—
Corporate notes	52,648	—	52,648	—	50,524	—	50,524	—
	$ 69,491	$ 1,135	$ 68,356	$ —	$ 70,011	$ 1,258	$ 68,753	$ —

[(a)] Approximately $8.0 million of commercial paper had an original maturity of 90 days or less and was recorded as a cash equivalent as of December 31, 2021.

The fair values of the cash equivalents and marketable securities are based on observable market prices. The Company's accounts receivables, accounts payable and accrued expenses are valued at cost which approximates fair value.

9. Net Loss Per Common Share

A summary of net loss per common share is presented below:

(Amounts in thousands, except per share amounts)	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Net loss	$ (8,963)	$ (3,786)	$ (16,054)	$ (7,075)
Basic weighted-average common shares outstanding	47,117	46,403	47,052	46,195
Effect of dilutive stock options and restricted stock units	—	—	—	—
Diluted weighted-average common shares outstanding	47,117	46,403	47,052	46,195
Basic loss per common share	$ (0.19)	$ (0.08)	$ (0.34)	$ (0.15)
Diluted loss per common share	$ (0.19)	$ (0.08)	$ (0.34)	$ (0.15)
Anti-dilutive shares excluded from diluted net loss per common share:				
Stock options	6,586	5,960	6,586	5,960
Restricted stock units	636	413	636	413

10. NexoBrid License and Supply Agreements

On May 6, 2019, the Company entered into exclusive license and supply agreements with MediWound to commercialize NexoBrid and any improvements to NexoBrid in North America. NexoBrid is a topically-administered biological product that enzymatically removes nonviable burn tissue, or eschar, in patients with deep partial and full-thickness thermal burns. On June 29, 2021, the Company announced that MediWound had received a complete response letter ("CRL") from the U.S. Food & Drug Administration ("FDA") with respect to a biologics license application ("BLA"), which MediWound had previously submitted to the FDA seeking marketing approval for the product in the U.S. As part of the CRL, the FDA communicated to MediWound that it had completed its review of the BLA, as amended, and had determined that it could not approve the BLA in its then form. The Company has continued to work with MediWound, BARDA and the FDA to address the issues identified in the CRL. On July 1, 2022, the Company and MediWound submitted a BLA resubmission to the FDA to address the issues identified by the FDA in the CRL. Subsequently, the FDA informed the Company that it has accepted the resubmission for review and has established a Prescription Drug User Fee Act ("PDUFA") date for completing that review of January 1, 2023.

Pursuant to the terms of the license agreement, if the BLA is approved, MediWound will transfer the BLA to Vericel and Vericel will market NexoBrid in the U.S. Both MediWound and Vericel, under the supervision of a Central Steering Committee comprised of members of both companies will continue to guide the development of NexoBrid in North America (the "Central Steering Committee"). NexoBrid is approved in the European Union ("EU") and other international markets and has been designated as an orphan biologic in the U.S., EU and other international markets.

In May 2019, the Company paid MediWound $17.5 million in consideration for the license, which was recorded as research and development expense during 2019. The Company is also obligated to pay MediWound $7.5 million, which is contingent upon U.S. regulatory approval of the BLA for NexoBrid and up to $125.0 million contingent upon meeting certain sales milestones. The first sales milestone of $7.5 million would be triggered when annual net sales of NexoBrid or improvements to it in North America exceed $75.0 million. As of June 30, 2022, the milestone payments are not yet probable and therefore, not recorded as a liability. The Company also will pay MediWound tiered royalties on net sales ranging from mid-high single-digit to mid-teen percentages, subject to customary reductions. The Company also entered into a supply agreement with MediWound under which MediWound will manufacture NexoBrid for the Company on a unit price basis which may be increased based on a published index. MediWound is obligated to supply the Company with NexoBrid for sale in North America on an exclusive basis for the first five years of the term of the supply agreement. After the exclusivity period or upon supply failure, the Company will be permitted to establish an alternate source of supply.

BARDA has committed to procure NexoBrid directly from MediWound under an emergency use authorization, and under such commitment the Company will receive a percentage of gross profit for sales directly to BARDA. If BARDA procures NexoBrid directly from Vericel, the Company will pay a percentage of gross profits to MediWound on initial committed amounts and a royalty on any additional BARDA purchases of NexoBrid beyond the initial committed amount. As of June 30, 2022, the Company does not hold a direct contract or distribution agreement with BARDA.

11. Commitments and Contingencies

From time to time, the Company could be a party to various legal proceedings arising in the ordinary course of business. The costs and outcome of litigation, regulatory, investigatory or other proceedings cannot be predicted with certainty, and some lawsuits, claims, actions or proceedings may be disposed of unfavorably to the Company and could have a material adverse effect on the Company's results of operations or financial condition. In addition, intellectual property disputes often have a risk of injunctive relief which, if imposed against the Company, could materially and adversely affect its financial condition or results of operations. If a matter is both probable to result in material liability and the amount of loss can be reasonably estimated, the Company estimates and discloses the possible material loss or range of loss. If such loss is not probable or cannot be reasonably estimated, a liability is not recorded in its condensed consolidated financial statements.

As of June 30, 2022, the Company had no material ongoing litigation in which the Company was a party or any material ongoing regulatory or other proceedings and had no knowledge of any investigations by government or regulatory authorities in which the Company is a target that could have a material adverse effect on its current business.

12. Subsequent Events

On July 29, 2022, the Company, as borrower, entered into a $150 million five-year senior secured revolving credit agreement by and among the Company, the other loan parties thereto, the lenders party thereto, and JPMorgan Chase Bank, N.A., as the administrative agent (the "Revolving Credit Agreement"). The Revolving Credit Agreement includes a $15 million sub-facility for the issuance of letters of credit. Amounts available under the Revolving Credit Agreement are for the working capital needs and other general corporate purposes of the Company.

Outstanding borrowings under the Revolving Credit Agreement bear interest, with pricing based from time to time at the Company's election at (i) SOFR plus 0.10% plus a spread ranging from 1.25% to 2.50% as determined by the Company's total net leverage ratio (as defined in the Revolving Credit Agreement) or (ii) the alternative base rate (as defined in the Revolving Credit Agreement) plus a spread ranging from 0.25% to 1.50% as determined by the Company's total net leverage ratio. The Revolving Credit Agreement also includes a commitment fee, which ranges from 0.20% to 0.25% as determined by the Company's total net leverage ratio.

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

Overview

Vericel Corporation is a fully-integrated, commercial-stage biopharmaceutical company and a leader in advanced therapies and for sports medicine and severe burn care markets. We currently market two U.S. Food and Drug Administration ("FDA") approved autologous cell therapy products in the U.S. MACI® is an autologous cellularized scaffold product indicated for the repair of symptomatic, single or multiple full-thickness cartilage defects of the knee with or without bone involvement in adults. Epicel® is a permanent skin replacement Humanitarian Use Device ("HUD") for the treatment of adult and pediatric patients with deep-dermal or full-thickness burns comprising greater than or equal to 30 percent of total body surface area ("TBSA"). We also hold an exclusive license from MediWound for North American rights to NexoBrid®, a registration-stage biological orphan product designed for the debridement of severe thermal burns. In 2020, MediWound submitted to the FDA a biologics license application ("BLA") seeking the approval of NexoBrid for eschar removal (debridement) in adults with deep partial-thickness and/or full-thickness thermal burns. The FDA accepted the BLA for filing and assigned a Prescription Drug User Fee Act ("PDUFA") target date of June 29, 2021. Thereafter, on June 29, 2021, MediWound received a complete response letter ("CRL") from the FDA regarding the BLA through which the FDA communicated to MediWound that it had completed its review of the BLA, as amended, and had determined that it could not approve the BLA in its then form. We have continued to work with MediWound, BARDA and the FDA to address the issues identified in the CRL. On July 1, 2022, Vericel and MediWound submitted the BLA resubmission to the FDA seeking the potential approval of NexoBrid. Subsequently, the FDA informed us that it has accepted the resubmission for review and has established a PDUFA date for completing that review of January 1, 2023.

COVID-19

The ongoing pandemic caused by the spread of a novel strain of coronavirus ("COVID-19") has created significant disruptions to the U.S. and global economy and has contributed to significant volatility in financial markets. The global impact of the outbreak has fluctuated since early 2020. At times, many state, local and national governments – including those in Massachusetts and Michigan, where the Company's operations are located – have responded by issuing, extending and supplementing orders requiring quarantines, restrictions on travel, and the mandatory closure of certain non-essential businesses, among other actions. Because Vericel is deemed an essential business, it has been exempted from government orders requiring the closure of workplaces and the cessation of business operations. The vast majority of these restrictions have since been rescinded throughout most of the U.S.

Notwithstanding being an essential business, our business and operations at times have been adversely impacted by the ongoing effects of the COVID-19 pandemic. For example, as a result of periodic restrictions placed on the performance of elective surgical procedures, Vericel experienced a significant increase in cancellations of scheduled MACI procedures as well as a slowdown in new MACI orders during March and April of 2020. The widespread suspension of surgical procedures impacted our business and operations during the first and second quarters of 2020. The level and degree of restriction on elective surgeries, on the ability of patients to seek treatment and on U.S. business operations generally fluctuated throughout 2020 as COVID-19 infection rates rose and fell during the summer months and into the autumn. By the first quarter of 2021, the pandemic's effects on our MACI business had largely dissipated. During the summer of 2021, however, the pandemic's direct and ancillary effects again began to cause some disruption to our MACI business. Following the cessation of COVID-19-related travel restrictions in many parts of the U.S. and the availability of vaccinations in May and June 2021, some MACI patients postponed or delayed treatment. Further, surges of new COVID-19 cases during the second half of 2021 caused by the spread of the "Delta" and "Omicron" variants again caused disruptions to health care networks including restrictions on the performance of elective surgical procedures, the availability of physicians and/or their treatment prioritizations, the level of healthcare facility staffing and, in some instances, the willingness or ability of patients to seek treatment. Consequently, and notwithstanding the widespread distribution of vaccines, these factors contributed to a slowdown of MACI procedures during the third and fourth quarters of 2021 and during the first and second quarters of 2022. Although hospitals are now better prepared for subsequent surges in COVID-19 patients, the risk remains that regional or local restrictions could again be placed on the performance of elective surgical procedures if the number of COVID-19 infections in the U.S. were to continue to rise, or if new or existing COVID-19 variants render current vaccine treatments ineffective.

Because Epicel is used almost exclusively in an emergent setting by burn centers and surgeons throughout the country, Epicel revenue and procedure volumes have been less affected by the pandemic. Nevertheless, the number of large burns and burn admissions can be affected by restrictions on human activity resulting from more severe government lockdown orders.

At the outset of the pandemic, we put in place a comprehensive workplace protection plan, which instituted protective measures in response to COVID-19. Our workplace protection plan has closely followed guidance issued by the Centers for

Disease Control and Prevention ("CDC") and has complied with applicable federal and state law. To date, Vericel has been successful in sustaining its operations and providing MACI and Epicel to patients in need. We continue to review our policies and procedures regularly, including our workplace protection plan, as the pandemic evolves and we may take additional actions to the extent required.

We continue to manufacture MACI and Epicel and are maintaining a significant safety stock of all key raw materials. We do not expect current supply chain interruptions will impact our ongoing manufacturing operations. With respect to customer delivery, MACI final product has an established shelf life of six (6) days and an established shipping shelf life of three (3) days. Currently, MACI is picked up by courier and shipped by commercial air or ground transportation to customer surgical sites. Epicel final product has an established shelf life of 48 hours and is hand-carried to customer hospitals by courier. Transportation is primarily by commercial or charter airline. Although we have not experienced material shipping delays, significant disruption of air travel could result in the inability to deliver MACI or Epicel final products to customer sites within appropriate timeframes, which could further adversely impact our business. At this time, we are not aware of COVID-19-related impacts on our distributors, operations or third-party service providers' ability to manage patient cases.

We believe it is possible that we could continue to experience variable impacts on our business, should a new resurgence of COVID-19 infections occur in the future. Measures taken to limit the impact of COVID-19 at the international, national and local levels, including the availability and effectiveness of COVID-19 vaccines, shelter-in-place orders, social distancing measures, travel bans and restrictions, and business and government shutdowns, may again create significant negative economic impacts on a global basis. Given that uncertainty, we cannot accurately estimate the extent to which the ongoing COVID-19 pandemic may continue to impact utilization and revenue of our products in 2022 and beyond.

The Conflict in Ukraine

The current conflict between Russia and Ukraine and the related sanctions and other penalties imposed by countries across the globe against Russia are creating substantial uncertainty in the global economy and resulting in heightened inflation and supply chain disruptions. While we do not have operations in Russia or Ukraine and do not have exposure to distributors, or third-party service providers in Russia or Ukraine, we are unable to predict the impact that these actions will have on the global economy or on our financial condition, results of operations, and cash flows as of the date of these unaudited condensed consolidated financial statements.

Manufacturing

We have a cell manufacturing facility in Cambridge, Massachusetts which is used for U.S. manufacturing and distribution of MACI and Epicel.

Product Portfolio

Our marketed products include two FDA-approved autologous cell therapies: MACI, a third-generation autologous cellularized scaffold product indicated for the repair of symptomatic, single or multiple full-thickness cartilage defects of the knee with or without bone involvement in adults, and Epicel, a permanent skin replacement for the treatment of adult and pediatric patients with deep-dermal or full-thickness burns comprising greater than or equal to 30 percent of TBSA. Both products are currently marketed in the U.S. In addition, we have entered into exclusive license and supply agreements with MediWound to commercialize NexoBrid in North America, if approved by the FDA.

MACI

MACI is a third-generation autologous chondrocyte implantation ("ACI") product indicated for the repair of symptomatic, single or multiple full-thickness cartilage defects of the knee with or without bone involvement in adults.

Our target audience of U.S. physicians is approximately 5,000 orthopedic surgeons and is divided into two segments: a group of orthopedic surgeons who self-identify and/or have a formal specialty as sports medicine physicians, and a subpopulation of general orthopedic surgeons who perform a high volume of cartilage repair procedures. As of the date of this report, we have 76 MACI sales representatives to enable the sales force to reach our target audience. Most private payers have a medical policy that covers treatment with MACI with the top 30 largest commercial payers having a formal medical policy for MACI or ACI in general. With respect to private commercial payers that have not yet approved a medical policy for MACI, we often obtain approval on a case-by-case basis.

Epicel

Epicel is a permanent skin replacement for deep-dermal or full-thickness burns greater than or equal to 30 percent of TBSA. Epicel is regulated by the Center for Biologics Evaluation and Research ("CBER") of the FDA under medical device authorities, and is the only FDA-approved cultured epidermal autograft product available for large total surface area burns. Epicel was designated as a HUD in 1998 and an HDE application for the product was submitted in 1999. HUDs are devices that are intended for diseases or conditions that affect fewer than 8,000 individuals annually in the U.S. Under an HDE approval, a HUD cannot be sold for an amount that exceeds the cost of research and development, fabrication and distribution unless certain conditions are met. A HUD is eligible to be sold for profit after receiving HDE approval if the device meets certain eligibility criteria, including where the device is intended for the treatment of a disease or condition that occurs in pediatric patients and such device is labeled for use in pediatric patients. If the FDA determines that a HUD meets the eligibility criteria, the HUD is permitted to be sold for profit so long as the number of devices distributed in any calendar year does not exceed the Annual Distribution Number ("ADN"). The ADN is defined as the number of devices reasonably needed to treat a population of 8,000 individuals per year in the U.S.

On February 18, 2016, the FDA approved our HDE supplement to revise the labeled indications of use for Epicel to specifically include pediatric patients. The revised product label also now specifies that the probable benefit of Epicel, mainly related to survival, was demonstrated in two Epicel clinical experience databases and a physician-sponsored study comparing outcomes in patients with massive burns treated with Epicel relative to standard care. Because of the change in the label to specifically include use in pediatric patients, Epicel is no longer subject to the HDE profit restrictions. In conjunction with adding the pediatric labeling and meeting the pediatric eligibility criteria, the FDA has determined the ADN number for Epicel to be 360,400 which is approximately 30 times larger than the volume of grafts sold in 2021. We currently have a thirteen-person burn field force comprised of seven account managers and six burn clinical specialists, led by two regional directors and one national sales director.

NexoBrid

Our development portfolio includes NexoBrid, a registration-stage, topically-administered biological product that enzymatically removes nonviable burn tissue, or eschar, in patients with deep partial and full-thickness thermal burns. We have entered into exclusive license and supply agreement with MediWound to commercialize NexoBrid and any improvements to the product in North America, if approved. On June 29, 2021, the Company announced that MediWound had received a CRL from the FDA with respect to the BLA, which MediWound had previously submitted to the FDA seeking marketing approval for the product in the U.S. As part of the CRL, the FDA communicated to MediWound that it had completed its review of the BLA, as amended, and had determined that it could not approve the BLA in its then form. We have continued to work with MediWound, BARDA and the FDA to address the issues identified in the CRL. On July 1, 2022, Vericel and MediWound submitted a BLA resubmission to the FDA to address the issues identified by the FDA in the CRL. Subsequently, the FDA informed us that is has accepted the resubmission for review and has established a Prescription Drug User Fee Act ("PDUFA") date for completing that review of January 1, 2023.

NexoBrid is approved in the European Union ("EU") and other international markets and has been designated as an orphan biologic in the U.S., EU and other international markets. Pursuant to the terms of our existing license agreement, if the BLA is approved, MediWound will transfer the BLA to us and we will market NexoBrid in the U.S. Both MediWound and Vericel, under the supervision of a Central Steering Committee comprised of members of both companies will continue to guide development of NexoBrid in North America. Under our license agreement with MediWound, NexoBrid is being manufactured for BARDA prior to approval by the FDA under an emergency use authorization.

Results of Operations

The following is a summary of our condensed consolidated results of operations:

	Three Months Ended June 30,				Six Months Ended June 30,			
(In thousands)	2022	2021	Change $	Change %	2022	2021	Change $	Change %
Total revenue	$ 37,046	$ 39,519	$ (2,473)	(6.3)%	$ 73,120	$ 74,087	$ (967)	(1.3)%
Cost of product sales	14,192	12,609	1,583	12.6 %	26,814	24,192	2,622	10.8 %
Gross profit	22,854	26,910	(4,056)	(15.1)%	46,306	49,895	(3,589)	(7.2)%
Research and development	4,792	4,449	343	7.7 %	9,652	8,079	1,573	19.5 %
Selling, general and administrative	27,144	26,190	954	3.6 %	53,009	48,850	4,159	8.5 %
Total operating expenses	31,936	30,639	1,297	4.2 %	62,661	56,929	5,732	10.1 %
Loss from operations	(9,082)	(3,729)	(5,353)	143.6 %	(16,355)	(7,034)	(9,321)	132.5 %
Total other income	119	15	104	693.3 %	301	174	127	73.0 %
Income tax expense	—	72	(72)	(100.0)%	—	215	(215)	(100.0)%
Net loss	$ (8,963)	$ (3,786)	$ (5,177)	136.7 %	$ (16,054)	$ (7,075)	$ (8,979)	126.9 %

Comparison of the Periods Ended June 30, 2022 and 2021

Total Revenue

Revenue by product for the three and six months ended June 30, 2022 and 2021 are as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
Revenue by product (In thousands)	2022	2021	Change $	Change %	2022	2021	Change $	Change %
MACI	$ 28,613	$ 26,526	$ 2,087	7.9 %	$ 54,607	$ 50,322	$ 4,285	8.5 %
Epicel	8,213	12,154	(3,941)	(32.4)%	18,071	21,985	(3,914)	(17.8)%
NexoBrid	220	839	(619)	(73.8)%	442	1,780	(1,338)	(75.2)%
Total Revenue	$ 37,046	$ 39,519	$ (2,473)	(6.3)%	$ 73,120	$ 74,087	$ (967)	(1.3)%

Total revenue decrease for the three and six months ended June 30, 2022 compared to the same periods in 2021, was driven by a decrease in Epicel revenue and lower revenues associated with the delivery of NexoBrid to BARDA for emergency response preparedness.

Seasonality. The effects of the ongoing COVID-19 pandemic have disrupted the normal seasonality of our MACI business at times over the past twenty-eight months. These effects have included, among others, periodic restrictions on the performance of elective surgical procedures throughout the country, the unavailability of physicians and/or changes to their treatment prioritizations, reductions in the levels of healthcare facility staffing and, in certain instances, the willingness or ability of patients to seek treatment and the inability of our clinical account specialists to call on surgeon customers. Over the last five years, ACI (MACI and Carticel prior to replacement) sales volumes from the first through the fourth quarter on average represented 19% (16%-21% range), 22% (16%-25% range), 23% (21%-26% range) and 36% (33%-38% range) respectively, of total annual volumes. MACI orders are normally stronger in the fourth quarter due to several factors including the satisfaction by patients of insurance deductible limits and the time of year patients prefer to start rehabilitation. Because of the effects of the COVID-19 pandemic, the MACI business seasonality in 2021 and 2020 did not follow our historical patterns, and seasonality in 2022 could continue to be impacted by COVID-19 related factors. Due to the low incidence and variable occurrence of severe burns, Epicel revenue has inherent variability from quarter-to-quarter and does not exhibit significant seasonality.

Gross Profit

Gross profit decreased for the three and six months ended June 30, 2022 compared to the same periods in 2021, driven by the reduction in revenue over those periods in addition to higher external storage costs and manufacturing facility costs, lower Epicel labor utilization and raw material price increases.

Research and Development Expenses

The following table summarizes research and development expenses, which include license fees, materials, professional fees and an allocation of employee-related salary and fringe benefit costs for our research and development projects:

	Three Months Ended June 30,				Six Months Ended June 30,			
(In thousands)	**2022**	**2021**	**Change $**	**Change %**	**2022**	**2021**	**Change $**	**Change %**
MACI	$ 2,972	$ 2,533	$ 439	17.3 %	$ 5,961	$ 4,421	$ 1,540	34.8 %
Epicel	1,238	1,231	7	0.6 %	2,458	2,165	293	13.5 %
NexoBrid	582	685	(103)	(15.0)%	1,233	1,493	(260)	(17.4)%
Total research and development expenses	$ 4,792	$ 4,449	$ 343	7.7 %	$ 9,652	$ 8,079	$ 1,573	19.5 %

Research and development expenses for the three months ended June 30, 2022 were $4.8 million, compared to $4.4 million for the same period in 2021. Research and development costs continue to be centered around process development, regulatory and medical affairs for MACI and Epicel. The increase is primarily due to additional spend on instrument design for Arthroscopic MACI delivery, offset by reimbursement of expenses related to the BLA resubmission.

Research and development expenses for the six months ended June 30, 2022 were $9.7 million, compared to $8.1 million for the same period in 2021. Research and development costs continue to be centered around process development, regulatory and medical affairs for MACI and Epicel. The increase is primarily due to an increase of $0.8 million in stock-based compensation expense and additional spend on instrument design for Arthroscopic MACI delivery, offset by reimbursement of expenses related to the BLA resubmission.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended June 30, 2022 were $27.1 million compared to $26.2 million for the same period in 2021. The increase in selling, general and administrative expenses was primarily due to an increase in travel and in-person events including more physician engagement and educational programs in addition to higher depreciation related to the new office space in Cambridge, Massachusetts.

Selling, general and administrative expenses for the six months ended June 30, 2022 were $53.0 million compared to $48.9 million for the same period in 2021. The increase in selling, general and administrative expenses was primarily due to an increase of $1.7 million in stock-based compensation expenses, an increase in travel and in-person events including more physician engagement and educational programs in addition to higher depreciation related to the new office space in Cambridge, Massachusetts.

Total Other Income (Expense)

The change in other income (expense) for the three and six months ended June 30, 2022, compared to the same periods in 2021 was due primarily to fluctuations in the rates of return on our investments in various marketable debt securities.

Income Tax Expense

No income tax expense was recorded for the three and six months ended June 30, 2022, compared to $0.1 million and $0.2 million recorded for the three and six months ended June 30, 2021, respectively.

Stock-Based Compensation Expense

Non-cash stock-based compensation expense is summarized in the following table:

	Three Months Ended June 30,				Six Months Ended June 30,			
(In thousands)	2022	2021	Change $	Change %	2022	2021	Change $	Change %
Cost of product sales	$ 1,035	$ 1,287	$ (252)	(19.6)%	$ 2,153	$ 2,199	$ (46)	(2.1)%
Research and development	1,520	1,234	286	23.2 %	2,870	2,096	774	36.9 %
Selling, general and administrative	8,253	8,345	(92)	(1.1)%	15,316	13,590	1,726	12.7 %
Total non-cash stock-based compensation expense	$ 10,808	$ 10,866	$ (58)	(0.5)%	$ 20,339	$ 17,885	$ 2,454	13.7 %

The increase in stock-based compensation expense for the six months ended June 30, 2022 compared to the same period in 2021, was due primarily to fluctuations in stock prices which impact the fair value of the options and restricted stock units awarded and the expense recognized in the period.

Liquidity and Capital Resources

Cash Flows

The following table summarizes our sources and uses of cash for each of the periods presented:

	Six Months Ended June 30,	
(In thousands)	2022	2021
Net cash provided by operating activities	$ 6,611	$ 14,855
Net cash used in investing activities	(13,666)	(2,757)
Net cash provided by financing activities	752	6,043
Net (decrease) increase in cash, cash equivalents, and restricted cash	$ (6,303)	$ 18,141

Net Cash Provided by Operating Activities

Our cash, cash equivalents and restricted cash totaled $62.2 million, short-term investments totaled $44.6 million and long-term investments totaled $23.7 million as of June 30, 2022. The $6.6 million of cash provided by operations during the six months ended June 30, 2022 was primarily the result of non-cash charges of $20.3 million related to stock-based compensation expense, $2.2 million of operating lease amortization and $1.9 million in depreciation and amortization expense, offset by a net loss of $16.1 million and a net decrease of $2.1 million related to movements in our working capital accounts. The overall decrease in cash from our working capital accounts was primarily driven by a decrease in accrued expenses due to timing of payments, a decrease in operating lease liabilities, an increase in inventory due to increased production needs, offset by a decrease in accounts receivable due to cash collections.

Our cash, cash equivalents and restricted cash totaled $52.0 million, short-term investments totaled $39.2 million and long-term investments totaled $24.8 million as of June 30, 2021. The $14.9 million of cash provided by operations during the six months ended June 30, 2021 was primarily the result of non-cash charges of $17.9 million related to stock compensation expense, $2.3 million of operating lease amortization, and $1.5 million in depreciation and amortization expense, offset by a net loss of $7.1 million, and a net decrease of $0.3 million related to movements in our working capital accounts. The overall decrease in cash from our working capital accounts was primarily driven by a decrease in accounts receivable due to a decrease in sales volume compared to the previous sequential quarter, an increase in inventory due to increased production needs, and an increase in operating lease liabilities.

Net Cash Used In by Investing Activities

Net cash used in investing activities during the six months ended June 30, 2022 was the result of $34.9 million in investment purchases and $5.1 million of property and equipment purchases primarily for manufacturing upgrades and leasehold improvements, offset by $26.3 million of investment sales and maturities.

Net cash used in investing activities during the six months ended June 30, 2021 was the result of $31.0 million in investments purchases and equipment purchases of $4.5 million, primarily for manufacturing upgrades and leasehold improvements, offset by $32.7 million of investment sales and maturities.

Net Cash Provided by Financing Activities

Net cash provided by financing activities during the six months ended June 30, 2022 was the result of net proceeds from the exercise of stock options and the employee stock purchase plan of $2.2 million partially offset by payments of employee withholding taxes related to the vesting of restricted stock units of $1.4 million.

Net cash provided by financing activities during the six months ended June 30, 2021 was primarily the result of net proceeds from the exercise of stock options of $7.6 million, partially offset by the payment of employee withholding taxes related to the vesting of restricted stock units of $1.6 million.

Liquidity

Since our acquisition of MACI and Epicel in 2014, our primary focus has been to invest in our existing commercial business with the goal of growing revenue. We have raised significant funds in order to complete our product development programs and to market and commercialize our products, including NexoBrid. To date, we have financed our operations primarily through cash received through Epicel and MACI sales, debt and public and private sales of our equity securities. We generated $6.6 million in operating cash flows during the six months ended June 30, 2022, and we may finance our operations through the sales of equity securities or debt financings.

We believe that our current cash on hand, cash equivalents investments, and borrowing capacity will be sufficient to support our current operations through at least 12 months from the issuance of these condensed consolidated financial statements. However, the continuing effects of the ongoing COVID-19 pandemic continue to evolve and may adversely impact our business and operations. Our actual cash requirements may differ from projections and will depend on many factors, including any future impacts of the COVID-19 pandemic, the level of future research and development, the scope and results of ongoing and potential clinical trials, the costs involved in filing, prosecuting and enforcing patents, the need for additional manufacturing capacity, competing technological and market developments, costs of possible acquisition or development of complementary business activities, and the cost to market our products.

As of June 30, 2022, we were not party to any off-balance sheet arrangements.

Sources of Capital

On August 27, 2021, we entered into a Sales Agreement with SVB Leerink LLC, as sales agent (“SVB Leerink”), pursuant to which we may offer and sell up to $200.0 million of shares of our common stock, no par value per share (“ATM Shares”). The ATM Shares to be offered and sold under the Sales Agreement will be issued and sold pursuant to an automatically effective shelf registration statement on Form S-3ASR (File No. 333-259119) filed by us on August 27, 2021, which expires three years from the filing date. We also filed a prospectus supplement relating to the offering and sale of the ATM Shares on August 27, 2021. We are not obligated to make any sales of ATM Shares, and SVB Leerink is not required to sell any specific number or dollar amount of the ATM Shares under the Sales Agreement. As of June 30, 2022, we have sold no shares pursuant to the Sales Agreement.

On July 29, 2022, we entered into a $150 million five-year senior secured revolving credit agreement by and among the Company, the other loan parties thereto, the lenders party thereto, and JPMorgan Chase Bank, N.A., as the administrative agent (the “Revolving Credit Agreement”). We have no immediate plans to borrow under the Revolving Credit Agreement, but we will use the facility for working capital needs and other general corporate purposes, as desired. As of the filing of this Quarterly Report on Form 10-Q, there are no outstanding borrowings under the Revolving Credit Agreement, and we are in compliance with all covenant requirements of the Revolving Credit Agreement. See Note 12, “Subsequent Events” in the accompanying condensed consolidated financial statements.

Contractual Obligations and Commitments

The disclosure of our contractual obligations and commitments is set forth in the heading "Management's Discussion and Analysis of Financial Conditions and Results of Operations - Contractual Obligations" in our Annual Report on Form 10-K for the year ended December 31, 2021. There have been no material changes, outside of the ordinary course of business, to our contractual obligations and commitments since December 31, 2021, except as discussed in Note 5, "Leases" in the accompanying condensed consolidated financial statements.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based on our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and judgments that affect our reported assets, liabilities, revenues, expenses, and related disclosures. Actual results may differ materially from these estimates under different assumptions and conditions.

There have been no material changes to our critical accounting policies and estimates in the six months ended June 30, 2022. For further information, refer to our summary of significant accounting policies and estimates in our Annual Report on Form 10-K filed for the year ended December 31, 2021.

Cautionary Note Regarding Forward-Looking Statements

This report, including the documents incorporated by reference herein, contains certain statements that describe our management's beliefs concerning future business conditions, plans and prospects, growth opportunities and the outlook for our business based upon information currently available. Such statements are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"). Wherever possible, we have identified these forward-looking statements by words such as "will," "may," "anticipates," "believes," "intends," "estimates," "expects," "plans," "projects," "trends," "opportunity," "current," "intention," "position," "assume," "potential," "outlook," "remain," "continue," "maintain," "sustain," "seek," "target," "achieve," "continuing," "ongoing," and similar words or phrases, or future or conditional verbs such as "would," "should," "could," "may," or similar expressions. These forward-looking statements are based upon assumptions our management believes are reasonable. Such forward-looking statements are subject to risks and uncertainties which could cause our actual results, performance and achievements to differ materially from those expressed in, or implied by, these statements, including, among others, the risks and uncertainties listed in our Annual Report under "Part I, Item 1A Risk Factors."

Because our forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond our control or are subject to change, actual results could be materially different and any or all of our forward-looking statements may turn out to be wrong. Forward-looking statements speak only as of the date made and can be affected by assumptions we might make or by known or unknown risks and uncertainties. Many factors mentioned in our discussion in our Annual Report will be important in determining future results. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. Consequently, we cannot assure you that our expectations or forecasts expressed in such forward-looking statements will be achieved. Except as required by law, we undertake no obligation to publicly update any of our forward-looking or other statements, whether as a result of new information, future events, or otherwise. These forward-looking statements include statements regarding:

- manufacturing and facility capabilities;
- potential strategic collaborations with others;
- future capital needs and financing sources;
- adequacy of existing capital to support operations for a specified time;
- reimbursement for our products;
- the timing of the FDA's review of the NexoBrid BLA resubmission;
- expectations regarding approval by the FDA of the NexoBrid BLA;
- product development and marketing plans;
- features and successes of our therapies;
- clinical trial plans, including publication thereof;
    - the effects of the ongoing COVID-19 pandemic on our business, including economic slowdowns or recessions, impact to our operations or to the healthcare industry generally, which could reduce demand for our products;
    - anticipated inflationary pressures and our responses thereto as well as other unfavorable global and regional economic conditions, geopolitical events, and military conflicts, such as repercussions from the recent conflict in Ukraine;
- anticipation of future losses;
- replacement of manufacturing sources;
- commercialization plans; or
- revenue expectations and operating results.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For quantitative and qualitative disclosures about market risk, see Part II, Item 7A. "Quantitative and Qualitative Disclosures About Market Risk," of our Annual Report on Form 10-K for the year ended December 31, 2021. Our exposures to market risk have not changed materially since December 31, 2021.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management of the Company, with the participation of its Chief Executive Officer and Chief Financial Officer (its Certifying Officers), evaluated the effectiveness of the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on the evaluation as of June 30, 2022, the Company's Certifying Officers concluded that the Company's disclosure controls and procedures were effective.

The Company has established disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities and Exchange Act of 1934, as amended (the Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and that such information is accumulated and communicated to management of the Company, with the participation of its Certifying Officers, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the three months ended June 30, 2022, there were no material changes made in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act).

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are currently not party to any material legal proceedings, although from time to time we may become involved in disputes in connection with the operation of our business.

Item 1A. Risk Factors

Factors that could cause the Company's actual results to differ materially from those in this Quarterly Report are any of the risks described in our Annual Report on the 10-K for the fiscal year ended December 31, 2021 filed with the SEC on February 24, 2022. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. As of the date of this Quarterly Report on Form 10-Q, there have been no material changes to the risk factors disclosed in our Annual Report on the 10-K for the fiscal year ended December 31, 2021, except as follows.

We are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability, an ongoing military conflict between Russia and Ukraine, and record inflation. Our business, financial condition and results of operations could be materially adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine, geopolitical tensions, or record inflation.

U.S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the start of the military conflict between Russia and Ukraine. In February 2022, a full-scale military invasion of Ukraine by Russian troops began. Although the length and impact of the ongoing military conflict is highly unpredictable, the conflict in Ukraine has led to market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions, which has contributed to record inflation globally. We are continuing to monitor inflation, the situation in Ukraine and global capital markets and assessing its potential impact on our business.

Although, to date, our business has not been materially impacted by the ongoing military conflict between Russian and Ukraine, geopolitical tensions, or record inflation, it is impossible to predict the extent to which our operations will be impacted in the short and long term, or the ways in which such matters may impact our business. The extent and duration of the conflict in Ukraine, geopolitical tensions, record inflation and resulting market disruptions are impossible to predict but could be substantial. Any such disruptions may also magnify the impact of other risks described in the 10-K.

NexoBrid's approval in the U.S. for the treatment of severe burns may be further delayed, or it may not be approved by the FDA for use in the U.S. at all.

On June 29, 2021, we announced that MediWound had received a CRL from the FDA with respect to a BLA that MediWound had previously submitted to the FDA seeking marketing approval for NexoBrid in the U.S. As part of the CRL, the FDA communicated to MediWound that it had completed its review of the BLA, as amended, and had determined that it could not approve the BLA in its then form. The FDA identified issues related to the chemistry, manufacturing and controls, or CMC section of the BLA and had requested that MediWound provide additional CMC information. The FDA stated that it had not reviewed several amendments submitted by MediWound in response to the CMC information requests related to the BLA. The FDA also stated that inspections of manufacturing facilities in Israel and Taiwan are required before the BLA can be approved, but that it was unable to conduct the required inspections during the original review cycle due to COVID-19-related travel restrictions. In addition, the CRL referenced observations that were made during GCP inspections related to the Phase 3 pivotal DETECT study and requested that MediWound address questions regarding the impact of the observations on the study's efficacy findings. The FDA also requested that MediWound provide a safety update as part of a BLA resubmission.

We have continued to work with MediWound, BARDA and the FDA to address the issues identified in the CRL, and on July 1, 2022, Vericel and MediWound submitted a BLA resubmission to the FDA to address the issues identified by the FDA in the CRL. Subsequently, the FDA informed us that it has accepted the resubmission for review and has established a PDUFA date for completing that review of January 1, 2023. We cannot predict the likelihood that the FDA will ultimately approve the NexoBrid BLA. We also cannot predict whether current geopolitical tensions between the U.S. and China will affect or delay the FDA's ability to conduct inspections of the NexoBrid manufacturing facility located in Taiwan. In addition, if approval to market NexoBrid is sought in Mexico or Canada, we cannot predict how long regulatory authorities in those countries will take to provide NexoBrid with marketing authorization in their jurisdictions or whether such authorizations will be granted at all. A significant delay or a failure to receive regulatory approval for NexoBrid in the U.S. may have a material adverse impact on our business prospects.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The Exhibits listed in the Exhibit Index are filed as a part of this Quarterly Report on Form 10-Q.

EXHIBIT INDEX

Exhibit No.	Description
3.1	Restated Articles of Incorporation of the Company, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 17, 2009, incorporated herein by reference.
3.2	Certificate of Amendment to Restated Articles of Incorporation of the Company, dated February 9, 2010, filed as Exhibit 3.2 to the Company's Post-Effective Amendment No. 1 to Form S-1 filed on March 31, 2010, incorporated herein by reference.
3.3	Certificate of Amendment to Restated Articles of Incorporation of the Company, dated March 22, 2011, attached as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 25, 2011, incorporated herein by reference.
3.4	Certificate of Amendment to the Restated Articles of Incorporation of the Company, dated November 21, 2014, attached as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on November 24, 2014, incorporated herein by reference.
3.5	Bylaws, as amended, attached as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on November 12, 2010, incorporated herein by reference.
10.1†	Lease Agreement, dated January 28, 2022, by and between the Company and NBD Property Owner 2, L.P., (incorporated herein by reference to Exhibit 10.1 on form 10-Q filed May 4, 2022).
10.2	Form of Current Employee Incentive Stock Option Agreement under the 2019 Omnibus Incentive Plan, amended February 15, 2022, (incorporated herein by reference to exhibit 10.1 on form 10-Q filed May 4, 2022)
10.3	Form of New Hire Incentive Stock Option Award Agreement under the 2019 Omnibus Incentive Plan amended February 15, 2022, (incorporated herein by reference to exhibit 10.1 on form 10-Q filed May 4, 2022).
10.4	Form of Non-Qualified Stock Option Award Agreement for Non-Employee Directors under the 2019 Omnibus Incentive Plan amended February 15, 2022, (incorporated herein by reference to exhibit 10.1 on form 10-Q filed May 4, 2022).
10.5*	Eighth Amendment to the Distribution Agreement between Orsini Pharmaceutical Services, Inc. and the Company, dated May 15, 2022.
10.6*	Third Amendment to the Dispensing Agreement between AllCare Plus Pharmacy, Inc. and the Company, dated May 16, 2022.
10.7*	Form of New Hire Incentive Stock Option Agreement under the 2022 Omnibus Incentive Plan (effective April 26, 2022).
10.8*	Form of Current Employee Incentive Stock Option Agreement under the 2022 Omnibus Incentive Plan (effective April 26, 2022).
10.9*	Form of Restricted Stock Unit Award Agreement for Employees under the 2022 Omnibus Incentive Plan (effective April 26, 2022).
10.10*	Form of Restricted Stock Unit Award Agreement for Non-employee Directors under the 2022 Omnibus Incentive Plan (effective April 26, 2022).
10.11*	Form of Non-Qualified Stock Option Award Agreement for Non-Employee Directors under the 2022 Omnibus Incentive Plan (effective April 26, 2022).
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit No.	Description
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.
† Certain of the exhibits and schedules to this Exhibit have been omitted in accordance with Regulation S-K Item 601(a)(5). The Registrant agrees to furnish a copy of all omitted exhibits and schedules to the SEC upon its request.

SIGNATURES

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

Date: August 3, 2022

VERICEL CORPORATION

/s/ DOMINICK C. COLANGELO

Dominick C. Colangelo
President and Chief Executive Officer
(Principal Executive Officer)

/s/ JOSEPH A. MARA

Joseph A. Mara
Chief Financial Officer
(Principal Financial Officer)

EIGHTH AMENDMENT TO DISTRIBUTION AGREEMENT

This Eighth Amendment to the Distribution Agreement ("Eighth Amendment") is between Vericel Corporation ("Vericel") and Orsini Pharmaceutical Services, LLC. (“Orsini"). This Eighth Amendment is effective May 15, 2022 ("Effective Date").

Whereas, Vericel and Orsini are parties to a Distribution Agreement dated May 15, 2017 (as amended, the "Agreement"), under which Vericel appointed Orsini as a specialty pharmacy distributor for MACI®;

Whereas, the Parties entered into the First Amendment to the Agreement effective August 10, 2017;

Whereas, the Parties entered into the Second Amendment to the Agreement effective October 13, 2017;

Whereas, the Parties entered into the Third Amendment to the Agreement effective November 14, 2017;

Whereas, the Parties entered into the Fourth Amendment to the Agreement effective July 25, 2018;

Whereas, the Parties entered into the Fifth Amendment to the Agreement effective August 10, 2018;

Whereas, the Parties entered into a Sixth Amendment to the Agreement effective April 18, 2019;

Whereas, the Parties entered into a Seventh Amendment to the Agreement effective October 1, 2021 and

Whereas, the Parties desire to modify certain terms of the Agreement, including the revision and restatement of Exhibits A and B;

Now therefore, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree to amend the Agreement as follows:

1. **Section 7.1 Term**. Section 7.1 shall be deleted and replaced with the following:

The Term of this Agreement shall continue until **May 15, 2024** (“Term”). The Parties may renew the Agreement for two (2) additional two year terms, upon mutual agreement.

During the Term, Orsini shall be one in a limited network of pharmacies, not to exceed three, supplying the Product for the cases covered by Section 1.1. Orsini shall not enter into any agreement with a Payor covering the Product unless Vericel has approved the reimbursement amount for the Product. Unless otherwise agreed to in writing by Vericel, the minimum reimbursement amount for the Product shall be the Product’s Wholesale Acquisition Cost plus 2.75%. Vericel shall review and approve any proposed material modifications to the conditions for reimbursement for the Product relating to Payors on Exhibit B and/or for the proposed addition of Payors to Exhibit B - Contracted Payors, which approval shall not be unreasonably withheld or delayed. Orsini shall provide to Vericel the allowable reimbursement amount for the Payors listed on Exhibit B. Should a Payor request extended payment terms in excess of sixty (60) days, Orsini will secure advance approval from Vericel. Exhibit B. will be modified from time to time in writing by the Parties as additional Payors are contracted with Orsini and approved by Vericel.

2. Section 7.2(a) shall be deleted and replaced with the following: “Either Party may terminate this Agreement for any reason upon 180 days’ written notice to the other Party.”

3. **Exhibits A and B**. The Parties agree that Exhibits A and B to the Agreement shall be deleted and replaced with the attached revised and restated Exhibits A and B.

4. **No Other Changes**. To the extent terms in the Eighth Amendment conflict with the Agreement and/or any of the amendments to the Agreement, the terms of this Eighth Amendment shall prevail. Except as provided in this Eighth Amendment, the terms and conditions of the Agreement will continue in full force.

5. **Counterparts/Signatures**. This Eighth Amendment may be executed in multiple counterparts, each of which constitutes an original, and all of which, collectively, constitute only one agreement. The signatures of the parties need not appear on the same counterpart, and delivery of an executed counterpart signature page by facsimile or other form of electronic transmission shall be as effective as executing and delivering this Eighth Amendment in the presence of the other parties to this Eighth Amendment.

IN WITNESS WHEREOF, the parties executed this Eighth Amendment as of its Effective Date.

Vericel Corporation

By:	Joe Mara CFO
Name:	Joe Mara
Title:	CFO
Date:	5/13/2022

Orsini Pharmaceutical Services, LLC.

By:	Carla Sawa
Name:	Carla Sawa
Title:	Chief Financial Officer
Date:	5/13/2022

EXHIBIT A -- PAYMENT TERMS AND PRICING

1. **Product.**

Product, under this Agreement is defined as:

Product	NDC Number
MACI-1	69866-1030-05
MACI-2	69866-1030-08

2. Orsini Counseling and Dispensing.

A. Orsini, when acting as the dispensing specialty pharmacy for Product, shall review Case Materials related to a patient's clinical history, diagnosis and approval for MACI and contact the patient to conduct pharmacy counseling and a discussion regarding the patient's financial responsibility. Vericel shall provide Orsini, through its vendors or its web-based data-sharing platform ("Vericel Central"), with daily data feeds regarding cases, including information related to patients.

B. Vericel shall, at its expense and using its account with carriers, arrange for Product to be shipped to Orsini so that Orsini may label and dispense the Product to the patient by the surgery date. Vericel shall also be responsible for the shipping cost for the Product from Orsini's facility to the treating facility.

C. In order to perform its specialty pharmacy services, Orsini shall take title to the Product upon receipt of the Product at its facility. Vericel, however, shall retain the risk of loss related to the Product throughout its shipment from Vericel's manufacturing facility to Orsini and from Orsini's facility to the treating facility, including any damages relating to delay in shipment by the delivery company. Notwithstanding the preceding sentence, Orsini shall be responsible for damages occurring to the Product while in its possession, unless the cause of the damage is Force Majeure as defined in Section 8(a) of the Agreement.

3. Claim Submittal, Contracting and Payment Coordination between Parties.

A. To the extent permitted by Orsini's Payor agreements, the Parties agree that they will work together to manage reimbursement issues regarding the Product. Orsini, working with Vericel's contractor, shall submit claims for Products within five (5) business days of Product implantation. Orsini shall provide a claim submission to Vericel's contractor prior to submission and provide Vericel's contractor two (2) business days to review and comment on the claim, which comments Orsini shall address in good faith. Orsini shall appeal or resubmit for payment all denied and otherwise rejected claims for which a good faith basis exists to do so, within five (5) business days from Orsini's receipt of such notice of denial or rejection. Orsini agrees that it shall provide a copy of the appeal or resubmission to Vericel's contractor prior to submission and provide Vericel's contractor two (2) business days to review and comment on the appeal or resubmission, which comments Orsini shall address in good faith. Orsini shall notify Vericel daily of denials or claims otherwise rejected and the reason for the denial or rejection.

B. Upon request by Vericel, Orsini will consult with Vericel and its designated representatives with regard to MACI contracting and claim submission.

To the extent allowed by law or contract, Orsini further agrees to provide Vericel representatives with access to the MACI portal of its claims management system. Orsini agrees to provide to Vericel representatives the payment history for the Product. If required for Vericel's financial reporting purposes under generally accepted accounting principles, or in the event there is any dispute with the amounts paid by any Payor for any claim, upon request and no less than thirty (30) days prior written notice by Vericel to Orsini, Orsini will provide Vericel with relevant portions of all Payor agreements between Orsini and the Payor with which there is a dispute and relevant portions of records of Product-related transactions between Payor, and Orsini related to this Agreement. Vericel agrees to keep all such records and documents strictly confidential.

4. Payment Terms.

A. Vericel shall pay Orsini for each Product dispensed by Orsini, regardless of the Product NDC, a fixed fee of $1,250 ("Dispensing Fee"). Orsini shall invoice Vericel for the Dispensing Fee weekly for claims submitted during the week, and such payment is due to Orsini within sixty (60) days of Vericel's receipt of the invoice. Vericel's obligation to pay this fee shall survive the termination of the Agreement.

B. Within five business days of receipt of payment from a Payor related to the Product, Orsini shall remit to Vericel all reimbursements related to Products dispensed by Orsini except as provided above. The payments shall be deposited into a bank account maintained by and in the name and sole control of Vericel (the "Vericel Account"). In conjunction with each deposit, Orsini shall remit to Vericel a schedule detailing the cases for which a payment was deposited into the account including the case number and the amount deposited for each case.

C. On a weekly basis, Orsini shall remit to Vericel a schedule which includes the gross reimbursements received from the Payor and patient related to Products dispensed by Orsini, including whether the payments were deposited into the Vericel Account and the date of payment into the Vericel Account. Such schedule of payments shall include the case number and other identifiers agreed to by the Parties. In addition, Orsini shall provide to Vericel and its agent a copy of the Explanation of Benefits for each reimbursed case.

D. In addition to the remitting of payment to Vericel as set forth above, Orsini shall update, on a daily basis, the payment status of submitted cases to Vericel and its contractors through Vericel Central or other mutually agreed upon method.

E. Subject to the terms of the Agreement, as amended, Vericel acknowledges that it retains the risk of payment for all cases received by Orsini on June 16, 2018 or thereafter. Orsini represents and warrants that it has the contractual authority to bind Payors listed in Exhibit B to the payment amounts contained in its disclosures to Vericel and to cause Payors to be responsible for their payment obligations. In the case of a Payor that fails to comply with its payment obligations to Orsini, Orsini agrees to use its best efforts to enforce its Payor agreements, including but not limited to, assigning to Vericel or its contractor, at the request of Vericel, the rights to initiate legal action under the applicable agreement between Orsini and Payor

F. Except as provided herein, all payments (including interest payments, if any) for the Product received by Orsini during the Term and after the expiration or termination of the Agreement shall be the sole property of Vericel and shall be remitted to Vericel in accordance with the

Agreement. In the event of a termination or expiration of the Agreement, Orsini shall continue to collect on claims covered by the Agreement, consistent with the terms of the Agreement, for a period of twelve months following the expiration or termination of the Agreement.

G. Orsini represents and warrants that each of Orsini's Payor agreements set forth on Exhibit B are in full force and effect and apply to the Product.

H. If a Payor recoups any payment on a case for which Orsini has made payment to Vericel, Orsini shall notify Vericel and shall be entitled to deduct from Vericel funds a sum equal to the amount of the recoupment to the extent the recoupment is not disputed by Vericel. If there are insufficient Vericel Funds, Orsini shall invoice Vericel for the amount of the recoupment and Vericel shall pay Orsini within thirty (30) days of receipt of the invoice. Vericel's obligation under this Paragraph K shall survive the termination of the Agreement. The Parties shall discuss appealing and/or disputing the proposed recoupment with the Payor. If an appeal is successful, Orsini shall treat the payment in accordance with the terms of this Eighth Amendment.

I. The Parties agree that fees paid hereunder are not designed nor constitute inducements for Orsini to utilize or recommend the utilization of Vericel Products under federal and/or similar state laws. Orsini shall properly disclose and otherwise comply with applicable law.

EXHIBIT B –Contracted Payors

Consistent with Section 1.1 and Section 7.1 of the Agreement, the Payors listed on this Exhibit shall only apply to covered commercial lives, which shall not include Managed Medicaid.

- Aetna
- BCBS of Arizona
- BCBS of FEP
- BCBS of Illinois (HCSC)
- BCBS of Louisiana
- BCBS of Massachusetts
- BCBS of Montana (HCSC)
- BCBS of New Mexico (HCSC)
- BCBS of Oklahoma (HCSC)
- BCBS of Texas (HCSC)
- Cigna
- Florida Blue
- GEHA – UMR (UHC Network)
- Golden Rule (UHC Network)
- Health Partners
- HealthNet Veterans Choice
- Humana
- Tricare East
- Tricare West
- United Healthcare
- United Healthcare Community Plans
- Carefirst
- Qualchoice

Third Amendment to Dispensing Agreement

This Third Amendment to the July 26, 2018 Dispensing Agreement ("Agreement") between Vericel Corporation ("Vericel" or "Client') and AllCare Plus Pharmacy LLC ("AllCare") shall be effective as of May 16, 2022 ("Effective Date").

Recitals

WHEREAS, Vericel and AllCare are Parties to the Agreement;

WHEREAS, the Parties desire to amend the Agreement;

NOW, THEREFORE, in consideration of good and valuable consideration, the Parties hereby agree to modify the Agreement as follows

1. The Parties agree to replace Section 7., Term, in its entirety with the following: "7. Term. The term of this Agreement shall continue through May 31, 2024 ("Term"), unless otherwise terminated pursuant to the Dispensing Agreement."

2. The Parties agree that all other conditions of the Agreement shall remain in force and that such terms shall prevail on the event of a conflict with this Third Amendment

3. The Parties agree to modify Exhibit A- Payment Terms and Pricing from the Dispensing Agreement. The fees outlined in Exhibit A attached to this Amendment reflect fees for the period May 16, 2022 through May 31, 2024.

Exhibit A
Vericel MACI Program

Fees:
AllCare's fees for the Services outlined in this Amendment are as follows:

FIXED FEE STRUCTURE	UNIT TYPE	FEE TYPE	QUANTITY	TOTAL UNITS	MONTHLY FEE	YEAR 1	YEAR 2	TOTAL FEES	NOTES
Monthly Lockbox Fee	Monthly	Fixed	1	24	$500.00	$6,000.00	$6,000.00	$12,000.00	Invoiced quarterly in advance.
TOTAL MONTHLY FEES					**$500.00**	**$6,000.00**	**$6,000.00**	**$12,000.00**	
TRANSACTIONAL FEE STRUCTURE (ESTIMATED)	**UNIT TYPE**		**QUANTITY**	**TOTAL UNITS**	**PRICE PER UNIT**	**YEAR 1**	**YEAR 2**	**TOTAL FEES**	**NOTES**
Product Dispensing	Transaction	Variable	1	1320	$1,250.00	$825,000.00	$825,000.00	$1,650,000.00	Assumes up to 55 dispenses a month
SUB-TOTAL TRANSACTION FEES						**$825,000.00**	**$825,000.00**	**$1,650,000.00**	
PASS THROUGH COSTS	**UNITS**		**QUANTITY**	**TOTAL UNITS**	**PRICE PER UNIT**	**YEAR 1**	**YEAR 2**	**TOTAL FEES**	**NOTES**
Miscellaneous Expenses: Shipping/Postage/Supplies, Travel, etc.	Monthly	Variable	1	24	TBD	TBD	TBD	TBD	Pass through costs. Billed at cost. No mark-up.
SUB-TOTAL OF PASS THROUGH COSTS						**TBD**	**TBD**	**TBD**	
FEE GRAND TOTAL								**$1,662,000.00**	**Plus pass through costs**

Invoicing Schedule
AllCare will invoice Client as follows:

Fixed Fees:
Client will be invoiced quarterly in advance on the first month and day of each quarter (pro-rated as applicated) for all fixed fees during the Term.

Variable, Transactional, Pass-Through Costs and Out of Pocket Expenses:
Client will be invoiced monthly, in arrears, based on Services performed (actuals) during the Term.

Payment Terms:
Payable within thirty (30) days from date of invoice.

Client shall also reimburse AllCare for reasonable travel and other out of pocket expenses incurred in connection with the provision of services, without premium or mark up, provided, however, that such expenses are itemized and at the Client's request.

IN WITNESS WHEREOF, the Parties have executed this Amendment, by their duly authorized representatives, as of the Effective Date.

VERICEL CORPORATION

By:	Joe Mara CFO
Name:	Joe Mara
Title:	CFO
Date:	5/13/2022

ALLCARE PLUS PHARMACY LLC

By:	Aren Leighton
Name:	Aren Leighton
Title:	GM & Lead
Date:	May 13, 0222

Form of New Hire Incentive Stock Option Award Agreement Under the 2022 Plan

Vericel Corporation 2022 Omnibus Incentive Plan
Incentive Stock Option Award Agreement

AWARD AGREEMENT (the "Agreement"), effective as of [[GRANTDATE]] (the "Grant Date"), is entered into by and between Vericel Corporation, a Michigan corporation (the "Company"), and [[FIRSTNAME]] [[LASTNAME]] (the "Participant").

1. Grant of Option. The Company hereby grants to the Participant a stock option (the "Option") to purchase [[SHARESGRANTED]] shares of common stock of the Company, no par value (the "Shares"), at the exercise price of [[GRANTPRICE]] per Share (the "Exercise Price").

2. Subject to the Plan. This Agreement is subject to and governed by the terms and provisions of the Vericel Corporation 2022 Omnibus Incentive Plan (the "Plan"), and, unless the context requires otherwise, terms used herein shall have the same meaning as in the Plan. In the event of a conflict between the provisions of the Plan and this Agreement, the Plan shall control.

3. Term of Option. Unless the Option terminates earlier pursuant to the provisions of this Agreement, the Option shall expire on the tenth anniversary of the Grant Date.

4. Vesting. Subject to the discretion of the Committee to accelerate the exercisability of the Option, the Option shall become vested and exercisable over four years, with 25% of the Shares vesting on the first anniversary of the Grant Date and 6.25% of the Shares vesting quarterly thereafter, provided that the Participant is employed by the Company or an Affiliate on the applicable date. In addition, upon termination of the Participant's employment due to the Participant's death or Disability, this Option shall become vested and exercisable in full. For purposes of this Award, "Disability" shall have the meaning set forth in Treas. Reg. Section 1.409A-3(i)(4).

5. Exercise of Option.

    a. Manner of Exercise. To the extent vested, the Option may be exercised, in whole or in part, by delivering written notice to the Company in such form as the Company may require from time to time. Such notice shall specify the number of Shares subject to the Option as to which the Option is being exercised, and shall be accompanied by full payment of the Exercise Price of such Shares in a manner permitted under the terms of Section 5.5 of the Plan. The Option may be exercised only in multiples of whole Shares and no fractional Shares shall be issued.

    b. Status of the Option. This Stock is intended to qualify as an "incentive stock option" under Section 422 of Code, but the Company does not represent or warrant that this Option qualifies as such. The Participant should consult with his or her own tax advisors regarding the tax effects of this Option and the requirements necessary to obtain favorable income tax treatment under Section 422 of the Code, including, but not limited to, holding period requirements. To the extent any portion of this Option does not so qualify as an "incentive stock option," such portion shall be deemed to be a non-qualified stock option.
    c. Issuance of Shares. As soon as practicable following the exercise of the Option, payment of the Exercise Price for the Shares as to which the Option is exercised and compliance to the satisfaction of the Committee with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the

Plan, the Company shall issue to the Participant the applicable number of Shares in the form of fully paid and nonassessable Shares. The determination of the Committee as to such compliance shall be final and binding on the Participant.

d. Capitalization Adjustments. The number of Shares subject to the Option and the Exercise Price shall be equitably and appropriately adjusted, if applicable, as provided in Section 11.2 of the Plan.

e. Notice of Disposition. The Participant agrees to notify the Company in writing within fifteen (15) days after the date of any disposition of any of the Shares issued upon exercise of the Option that occurs before the later of two (2) years after the Grant Date or one (1) year after such Shares are transferred to the Participant.

f. Withholding. The provisions of this paragraph will apply only to the extent that the Option is not treated as an incentive stock option pursuant to paragraph (b) of this Section. No Shares will be issued on exercise of the Option unless and until the Participant pays to the Company, or makes satisfactory arrangements with the Company for payment of, any federal, state or local taxes required by law to be withheld in respect of the exercise of the Option. The Participant hereby agrees that the Company may withhold from the Participant's wages or other remuneration the applicable taxes. At the discretion of the Company, the applicable taxes may be withheld from the Shares otherwise deliverable to the Participant on exercise of the Option, up to the Participant's minimum required withholding rate or such other rate that will not trigger a negative accounting impact.

6. Termination of Option. To the extent that an Option is vested, it may be exercised at any time specified in this Agreement, provided that, except as set forth in the following provisions of this Section 6, the Participant is still employed by the Company at the time of exercise. In all other cases, the Option shall terminate as set forth in the following subsections. Except as provided herein and subject to the discretion of the Committee to permit continued vesting of the Option, any portion of this Option that has not vested as of the date of termination of employment shall immediately terminate and be of no further force or effect.

a. Death. Upon the death of an Optionee while employed by the Company or an Affiliate, this Option shall be exercisable in full by the person or persons entitled to do so under the will of the Participant, or, if the Participant shall fail to make testamentary disposition of the Option, or if the Participant shall die intestate, by the Participant's executor or personal representative, at any time prior to the expiration date of this Option or within one (1) year of the Participant's date of death, whichever is the shorter period.

b. Disabled Participant. Upon the termination of employment by the Company or an Affiliate of a Disabled Participant for reasons other than Cause, the unexercised, vested portion of this Option shall be exercisable by the Participant at any time prior to the expiration date of such Option or within one year of the Participant's date of termination of employment, whichever is the shorter period. For purposes of this Agreement, a "Disabled Participant" shall mean the Participant is disabled within the meaning of Section 22(e)(3) of the Code, or as otherwise determined by the Committee in its discretion. The Committee may require such proof of disability as the Committee in its sole and absolute discretion deems appropriate and the Committee's determination as to whether the Participant is a Disabled Participant shall be final and binding on all parties concerned.

c. Termination without Cause**.** Upon the termination of employment with the Company or an Affiliate of a Participant other than a Disabled Participant, for reasons other than death or Cause, the unexercised, vested portion of this Option shall be exercisable by the Participant at any time prior to the expiration date of such Option or within three (3) months of the Participant's date of termination of employment, whichever is the shorter period.

d. Termination for Cause. Upon the termination of the Participant's employment by the Company or an Affiliate for Cause, unless the Option has earlier terminated, the Option shall immediately terminate in its entirety and shall thereafter not be exercisable to any extent whatsoever. For purposes of this Agreement, except as otherwise provided in a written employment or severance agreement between the Participant and the Company or an Affiliate or a severance plan of the Company or an Affiliate covering the Participant, "Cause" shall mean a determination by the Committee that the Participant has (i) materially breached his or her employment or service contract with the Company, (ii) been engaged in disloyalty to the Company or an Affiliate, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty in the course of his or her employment or service, which will materially harm the interests of the Company or the Affiliate, (iii) disclosed trade secrets or confidential information of the Company to persons not entitled to receive such information, (iv) breached any written noncompetition or nonsolicitation agreement between the Participant and the Company or an Affiliate in a manner which the Committee determines will cause material harm to the interests of the Company or an Affiliate, or (v) engaged in such other behavior materially detrimental to the interests of the Company, in each case as the Committee determines.

The Committee's determination of the reason for termination of the Participant's employment shall be conclusive and binding on the Participant and his or her representatives or legatees.

e. Extension of Exercise Period. Notwithstanding any provisions of paragraphs (a), (b), (c) or (d) of this Section to the contrary, if exercise of the Option following termination of employment during the time period set forth in the applicable paragraph or sale during such period of the Shares acquired on exercise would violate any of the provisions of the federal securities laws (or any Company policy related thereto), the time period to exercise the Option shall be extended until the later of (i) forty-five (45) days after the date that the exercise of the Option or sale of the Shares acquired on exercise would not be a violation of the federal securities laws (or a related Company policy), or (ii) the end of the time period set forth in the applicable paragraph.

7. Change in Control.

a. Effect on Option. In the event of a Change in Control, to the extent the successor company (or a subsidiary or parent thereof) does not assume or substitute for the Option on substantially the same terms and conditions, the Option shall (i) vest and become exercisable on the day prior to the date of the Change in Control if the Participant is then employed by the Company or an Affiliate and (ii) terminate on the date of the Change in Control. In the event of a Change in Control, to the extent the successor company (or a subsidiary or parent thereof) assumes or substitutes for the Option on substantially the same terms and conditions (which may include providing for settlement in the common stock of the successor company (or a subsidiary or parent thereof)), if within twelve (12) months following the date of the Change in Control the Participant's employment is terminated by the Company or an Affiliate (or the successor company or a subsidiary or parent thereof) without Cause or by the Participant for Good Reason, the Option shall

become fully vested and exercisable, and may be exercised by the Participant at any time prior to the expiration date of such Option or within three months of the Participant's date of termination of employment, whichever is the shorter period.

Notwithstanding the foregoing, if on the date of the Change in Control the Fair Market Value of one Share is less than the Exercise Price, then the Option shall terminate as of the date of the Change in Control, except as otherwise determined by the Committee.

b. Good Reason. For purposes of this Agreement, except as otherwise provided in paragraph (c) of this Section, "Good Reason" shall mean (i) a reduction by the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) of more than 10% in Participant's rate of annual base salary as in effect immediately prior to such Change in Control; (ii) a reduction by the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) of more than 10% of the Participant's individual annual target or bonus opportunity, except under circumstances where the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) implement changes to the bonus structure of similarly situated employees, including but not limited to changes to the bonus structure designed to integrate the Company's or Affiliate's personnel with other personnel of the successor company (or an subsidiary or parent thereof); (iii) a significant and substantial reduction by the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) of the Participant's responsibilities and authority, as compared with the Participant's responsibilities and authority in effect immediately preceding the Change in Control; or (iv) any requirement of the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) that Participant be based anywhere more than fifty (50) miles from Participant's primary office location at the time of the Change in Control.

c. Other Agreement or Plan. The provisions of this Section (including the definitions of Cause and Good Reason), shall be superseded by the specific provisions, if any, of a written employment or severance agreement between the Participant and the Company or a severance plan of the Company covering the Participant, including a change in control severance agreement or plan, to the extent such a provision provides a greater benefit to the Participant.

8. Miscellaneous.

a. No Rights of Stockholder. The Participant shall not have any of the rights of a stockholder with respect to the Shares subject to this Option until such Shares have been issued to him or her upon the due exercise of the Option.

b. Transferability of Option. As set forth in paragraph 6 of this Agreement, at the time of a Participant's death the Option shall become transferable by will or pursuant to the laws of descent and distribution. Further, to the extent a portion of the Option is deemed to be a non-qualified stock option, such portion may be assigned or transferred to a "family member" as such term is defined in the General Instructions to Form S-8 (whether by gift or a domestic relations order) (each a "Permitted Assignee"), provided that such Permitted Assignee shall: (1) be bound by and subject to all the terms and conditions of the Plan and this Agreement relating to the transferred Option; and (2) execute an agreement satisfactory to the Company evidencing such obligation. Following any such transfer the Participant shall remain bound by all applicable terms and conditions of the Plan. Notwithstanding the provisions of this paragraph (b), in no event may the Option be transferred for consideration to a third-party financial institution.

c. Severability. If any provision of this Agreement shall be held unlawful or otherwise invalid or unenforceable in whole or in part by a court of competent jurisdiction, such provision shall (i) be deemed limited to the extent that such court of competent jurisdiction deems it lawful, valid and/or enforceable and as so limited shall remain in full force and effect, and (ii) not affect any other provision of this Agreement or part thereof, each of which shall remain in full force and effect.

d. Governing Law. This Agreement shall be governed by, and interpreted in accordance with, the laws of the State of Michigan, other than its conflict of laws principles.

e. Headings. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

f. Notices. All notices required or permitted under this Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by registered or certified mail, postage prepaid. Notice by mail shall be deemed delivered on the date on which it is postmarked.

Notices to the Company should be addressed to:

Vericel Corporation
64 Sidney Street
Cambridge, MA 02139
Attention: Chief Financial Officer
Notice to the Participant should be addressed to the Participant at the Participant's address as it appears on the Company's records.

The Company or the Participant may by writing to the other party, designate a different address for notices. If the receiving party consents in advance, notice may be transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties. Such notices shall be deemed delivered when received.

g. No Obligation to Continue Employment. Neither the Company nor any subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Participant in employment and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any subsidiary to terminate the employment of the Participant at any time.

h. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and Affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Participant (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Participant may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the

Relevant Companies consider appropriate. The Participant shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

i. Entire Agreement; Modification. The Agreement contains the entire agreement between the parties with respect to the subject matter contained herein and may not be modified, except as provided in the Plan or in a written document signed by each of the parties hereto, and may be rescinded only by a written agreement signed by both parties.

Form of Current Employee Incentive Stock Option Award Agreement Under the 2022 Plan

Vericel Corporation 2022 Omnibus Incentive Plan
Incentive Stock Option Award Agreement

AWARD AGREEMENT (the "Agreement"), effective as of [[GRANTDATE]] (the "Grant Date"), is entered into by and between Vericel Corporation, a Michigan corporation (the "Company"), and [[FIRSTNAME]] [[LASTNAME]] (the "Participant").

1. Grant of Option. The Company hereby grants to the Participant a stock option (the "Option") to purchase [[SHARESGRANTED]] shares of common stock of the Company, no par value (the "Shares"), at the exercise price of [[GRANTPRICE]] per Share (the "Exercise Price").

2. Subject to the Plan. This Agreement is subject to and governed by the terms and provisions of the Vericel Corporation 2022 Omnibus Incentive Plan (the "Plan"), and, unless the context requires otherwise, terms used herein shall have the same meaning as in the Plan. In the event of a conflict between the provisions of the Plan and this Agreement, the Plan shall control.

3. Term of Option. Unless the Option terminates earlier pursuant to the provisions of this Agreement, the Option shall expire on the tenth anniversary of the Grant Date.

4. Vesting. Subject to the discretion of the Committee to accelerate the exercisability of the Option, the Option shall become vested and exercisable in equal quarterly installments over four years commencing on the Grant Date, provided that the Participant is employed by the Company or an Affiliate on the applicable date. In addition, upon termination of the Participant's employment due to the Participant's death or Disability, this Option shall become vested and exercisable in full. For purposes of this Option, "Disability" shall have the meaning set forth in Treas. Reg. Section 1.409A-3(i)(4).

5. Exercise of Option.

    a. Manner of Exercise. To the extent vested, the Option may be exercised, in whole or in part, by delivering written notice to the Company in such form as the Company may require from time to time. Such notice shall specify the number of Shares subject to the Option as to which the Option is being exercised, and shall be accompanied by full payment of the Exercise Price of such Shares in a manner permitted under the terms of Section 5.5 of the Plan**.** The Option may be exercised only in multiples of whole Shares and no fractional Shares shall be issued.

    b. Status of the Option. This Stock is intended to qualify as an "incentive stock option" under Section 422 of Code, but the Company does not represent or warrant that this Option qualifies as such. The Participant should consult with his or her own tax advisors regarding the tax effects of this Option and the requirements necessary to obtain favorable income tax treatment under Section 422 of the Code, including, but not limited to, holding period requirements. To the extent any portion of this Option does not so qualify as an "incentive stock option," such portion shall be deemed to be a non-qualified stock option.

    c. Issuance of Shares. As soon as practicable following the exercise of the Option, payment of the Exercise Price for the Shares as to which the Option is exercised and compliance to the satisfaction of the Committee with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the

Plan, the Company shall issue to the Participant the applicable number of Shares in the form of fully paid and nonassessable Shares. The determination of the Committee as to such compliance shall be final and binding on the Participant.

d. Capitalization Adjustments. The number of Shares subject to the Option and the Exercise Price shall be equitably and appropriately adjusted, if applicable, as provided in Section 11.2 of the Plan.

e. Notice of Disposition. The Participant agrees to notify the Company in writing within fifteen (15) days after the date of any disposition of any of the Shares issued upon exercise of the Option that occurs before the later of two (2) years after the Grant Date or one (1) year after such Shares are transferred to the Participant.

f. Withholding. The provisions of this paragraph will apply only to the extent that the Option is not treated as an incentive stock option pursuant to paragraph (b) of this Section. No Shares will be issued on exercise of the Option unless and until the Participant pays to the Company, or makes satisfactory arrangements with the Company for payment of, any federal, state or local taxes required by law to be withheld in respect of the exercise of the Option. The Participant hereby agrees that the Company may withhold from the Participant's wages or other remuneration the applicable taxes. At the discretion of the Company, the applicable taxes may be withheld from the Shares otherwise deliverable to the Participant on exercise of the Option, up to the Participant's minimum required withholding rate or such other rate that will not trigger a negative accounting impact.

6. Termination of Option. To the extent that an Option is vested, it may be exercised at any time specified in this Agreement, provided that, except as set forth in the following provisions of this Section 6, the Participant is still employed by the Company at the time of exercise. In all other cases, the Option shall terminate as set forth in the following subsections. Except as provided herein and subject to the discretion of the Committee to permit continued vesting of the Option, any portion of this Option that has not vested as of the date of termination of employment shall immediately terminate and be of no further force or effect.

a. Death. Upon the death of an Optionee while employed by the Company or an Affiliate, this Option shall be exercisable in full by the person or persons entitled to do so under the will of the Participant, or, if the Participant shall fail to make testamentary disposition of the Option, or if the Participant shall die intestate, by the Participant's executor or personal representative, at any time prior to the expiration date of this Option or within one (1) year of the Participant's date of death, whichever is the shorter period.

b. Disabled Participant. Upon the termination of employment by the Company or an Affiliate of a Disabled Participant for reasons other than Cause, the unexercised, vested portion of this Option shall be exercisable by the Participant at any time prior to the expiration date of such Option or within one year of the Participant's date of termination of employment, whichever is the shorter period. For purposes of this Agreement, a "Disabled Participant" shall mean the Participant is disabled within the meaning of Section 22(e)(3) of the Code, or as otherwise determined by the Committee in its discretion. The Committee may require such proof of disability as the Committee in its sole and absolute discretion deems appropriate and the Committee's determination as to whether the Participant is a Disabled Participant shall be final and binding on all parties concerned.

c. Termination without Cause**.** Upon the termination of employment by the Company or an Affiliate of a Participant other than a Disabled Participant, for reasons other than death or Cause, the unexercised, vested portion of this Option shall be exercisable by the Participant at any time prior to the expiration date of such Option or within three (3) months of the Participant's date of termination of employment, whichever is the shorter period.

d. Termination for Cause. Upon the termination of the Participant's employment with the Company or an Affiliate for Cause, unless the Option has earlier terminated, the Option shall immediately terminate in its entirety and shall thereafter not be exercisable to any extent whatsoever. For purposes of this Agreement, except as otherwise provided in a written employment or severance agreement between the Participant and the Company or an Affiliate or a severance plan of the Company or an Affiliate covering the Participant, "Cause" shall mean a determination by the Committee that the Participant has (i) materially breached his or her employment or service contract with the Company, (ii) been engaged in disloyalty to the Company or an Affiliate, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty in the course of his or her employment or service, which will materially harm the interests of the Company or the Affiliate, (iii) disclosed trade secrets or confidential information of the Company to persons not entitled to receive such information, (iv) breached any written noncompetition or nonsolicitation agreement between the Participant and the Company or an Affiliate in a manner which the Committee determines will cause material harm to the interests of the Company or an Affiliate, or (v) engaged in such other behavior materially detrimental to the interests of the Company, in each case as the Committee determines.

The Committee's determination of the reason for termination of the Participant's employment shall be conclusive and binding on the Participant and his or her representatives or legatees.

e. Extension of Exercise Period. Notwithstanding any provisions of paragraphs (a), (b), (c) or (d) of this Section to the contrary, if exercise of the Option following termination of employment during the time period set forth in the applicable paragraph or sale during such period of the Shares acquired on exercise would violate any of the provisions of the federal securities laws (or any Company policy related thereto), the time period to exercise the Option shall be extended until the later of (i) forty-five (45) days after the date that the exercise of the Option or sale of the Shares acquired on exercise would not be a violation of the federal securities laws (or a related Company policy), or (ii) the end of the time period set forth in the applicable paragraph.

7. Change in Control.

a. Effect on Option. In the event of a Change in Control, to the extent the successor company (or a subsidiary or parent thereof) does not assume or substitute for the Option on substantially the same terms and conditions, the Option shall (i) vest and become exercisable on the day prior to the date of the Change in Control if the Participant is then employed by the Company or an Affiliate and (ii) terminate on the date of the Change in Control. In the event of a Change in Control, to the extent the successor company (or a subsidiary or parent thereof) assumes or substitutes for the Option on substantially the same terms and conditions (which may include providing for settlement in the common stock of the successor company (or a subsidiary or parent thereof)), if within twelve (12) months following the date of the Change in Control the Participant's employment is terminated by the Company or an Affiliate (or the successor company or a subsidiary or parent thereof) without Cause or by the Participant for Good Reason, the Option shall

become fully vested and exercisable, and may be exercised by the Participant at any time prior to the expiration date of such Option or within three months of the Participant's date of termination of employment, whichever is the shorter period.

Notwithstanding the foregoing, if on the date of the Change in Control the Fair Market Value of one Share is less than the Exercise Price, then the Option shall terminate as of the date of the Change in Control, except as otherwise determined by the Committee.

b. Good Reason. For purposes of this Agreement, except as otherwise provided in paragraph (c) of this Section, "Good Reason" shall mean (i) a reduction by the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) of more than 10% in Participant's rate of annual base salary as in effect immediately prior to such Change in Control; (ii) a reduction by the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) of more than 10% of the Participant's individual annual target or bonus opportunity, except under circumstances where the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) implement changes to the bonus structure of similarly situated employees, including but not limited to changes to the bonus structure designed to integrate the Company's or Affiliate's personnel with other personnel of the successor company (or an subsidiary or parent thereof); (iii) a significant and substantial reduction by the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) of the Participant's responsibilities and authority, as compared with the Participant's responsibilities and authority in effect immediately preceding the Change in Control; or (iv) any requirement of the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) that Participant be based anywhere more than fifty (50) miles from Participant's primary office location at the time of the Change in Control.

c. Other Agreement or Plan. The provisions of this Section (including the definitions of Cause and Good Reason), shall be superseded by the specific provisions, if any, of a written employment or severance agreement between the Participant and the Company or a severance plan of the Company covering the Participant, including a change in control severance agreement or plan, to the extent such a provision provides a greater benefit to the Participant.

8. Miscellaneous.

a. No Rights of Stockholder. The Participant shall not have any of the rights of a stockholder with respect to the Shares subject to this Option until such Shares have been issued to him or her upon the due exercise of the Option.

b. Transferability of Option. As set forth in paragraph 6 of this Agreement, at the time of a Participant's death the Option shall become transferable by will or pursuant to the laws of descent and distribution. Further, to the extent a portion of the Option is deemed to be a non-qualified stock option, such portion may be assigned or transferred to a "family member" as such term is defined in the General Instructions to Form S-8 (whether by gift or a domestic relations order) (each a "Permitted Assignee"), provided that such Permitted Assignee shall: (1) be bound by and subject to all the terms and conditions of the Plan and this Agreement relating to the transferred Option; and (2) execute an agreement satisfactory to the Company evidencing such obligation. Following any such transfer the Participant shall remain bound by all applicable terms and conditions of the Plan. Notwithstanding the provisions of this paragraph (b), in no event may the Option be transferred for consideration to a third-party financial institution.

c. Severability. If any provision of this Agreement shall be held unlawful or otherwise invalid or unenforceable in whole or in part by a court of competent jurisdiction, such provision shall (i) be deemed limited to the extent that such court of competent jurisdiction deems it lawful, valid and/or enforceable and as so limited shall remain in full force and effect, and (ii) not affect any other provision of this Agreement or part thereof, each of which shall remain in full force and effect.

d. Governing Law. This Agreement shall be governed by, and interpreted in accordance with, the laws of the State of Michigan, other than its conflict of laws principles.

e. Headings. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

f. Notices. All notices required or permitted under this Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by registered or certified mail, postage prepaid. Notice by mail shall be deemed delivered on the date on which it is postmarked.

Notices to the Company should be addressed to:

Vericel Corporation
64 Sidney Street
Cambridge, MA 02139
Attention: Chief Financial Officer
Notice to the Participant should be addressed to the Participant at the Participant's address as it appears on the Company's records.

The Company or the Participant may by writing to the other party, designate a different address for notices. If the receiving party consents in advance, notice may be transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties. Such notices shall be deemed delivered when received.

g. No Obligation to Continue Employment. Neither the Company nor any subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Participant in employment and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any subsidiary to terminate the employment of the Participant at any time.

h. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and Affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Participant (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Participant may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the

Relevant Companies consider appropriate. The Participant shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

i. Entire Agreement; Modification. The Agreement contains the entire agreement between the parties with respect to the subject matter contained herein and may not be modified, except as provided in the Plan or in a written document signed by each of the parties hereto, and may be rescinded only by a written agreement signed by both parties.

Vericel Corporation 2022 Omnibus Incentive Plan
Restricted Stock Unit Award Agreement for Company Employees

Name of Participant: [[FIRSTNAME]] [[LASTNAME]]

No. of Restricted Stock Units: [[SHARESGRANTED]]

Grant Date: [[GRANTDATE]]

Vesting Start Date: [[VESTINGSTARTDATE]]

Pursuant to the Vericel Corporation 2022 Omnibus Incentive Plan as amended through the date hereof (the "Plan"), Vericel Corporation (the "Company") hereby grants an award of the number of Restricted Stock Units listed above (an "Award") to the Participant named above. Each Restricted Stock Unit shall relate to one share of common stock, no par value per share (each, a "Share") of the Company.

1. Restrictions on Transfer of Award. This Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of by the Participant, and any Shares issuable with respect to the Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of until (i) the Restricted Stock Units have vested as provided in Paragraph 2 of this Agreement and (ii) Shares have been issued to the Participant in accordance with the terms of the Plan and this Agreement.

2. Vesting of Restricted Stock Units. The restrictions and conditions of Paragraph 1 of this Agreement shall lapse as to 25% of the number of Restricted Stock Units on each of the first four anniversaries of the Vesting Start Date (each such date, a "Vesting Date"), provided that the Participant remains an employee of the Company or an Affiliate on the relevant Vesting Date. Subject to the terms of the Plan, the Committee may at any time accelerate the vesting schedule specified in this Paragraph 2.

3. Termination of Employment. Subject to the discretion of the Committee to permit continued vesting of the Restricted Stock Units, if the Participant's employment with the Company and its Affiliates terminates for any reason other than the Participant's death or Disability prior to the satisfaction of the vesting conditions set forth in Paragraph 2 above, any Restricted Stock Units that have not vested as of such date shall automatically and without notice terminate and be forfeited, and neither the Participant nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such unvested Restricted Stock Units. Upon termination of the Participant's employment due to the Participant's death or Disability, the restrictions and conditions of Paragraph 1 of this Agreement shall lapse as to 100% of the number of Restricted Stock Units. For purposes of this Award, "Disability" shall have the meaning set forth in Treas. Reg. Section 1.409A-3(i)(4).

4. Issuance of Shares. As soon as practicable following each Vesting Date (but in no event later than two and one-half months after the end of the year in which the Vesting Date occurs), the Company shall issue to the Participant the number of Shares equal to the aggregate number of Restricted Stock Units that have vested pursuant to Paragraph 2 of this Agreement on such date and the Participant shall thereafter have all the rights of a stockholder of the Company with respect to such Shares.

5. Change in Control.

a. Effect on Award. In the event of a Change in Control, to the extent the successor company (or a subsidiary or parent thereof) does not assume or substitute for the Award on substantially the same terms and conditions, the Award shall (i) vest and become nonforfeitable on the day prior to the date of the Change in Control if the Participant is then employed by the Company or an Affiliate and (ii) terminate on the date of the Change in Control. In the event of a Change in Control, to the extent the successor company (or a subsidiary or parent thereof) assumes or substitutes for the Award on substantially the same terms and conditions (which may include providing for settlement in the common stock of the successor company (or a subsidiary or parent thereof)), if within twelve (12) months following the date of the Change in Control the Participant's employment is terminated by the Company or an Affiliate (or the successor company or a subsidiary or parent thereof) without Cause or by the Participant for Good Reason, the Award shall become fully vested and nonforfeitable on the date the Participant's employment is terminated.

b. Cause. For purposes of this Agreement, except as otherwise provided in paragraph (d) of this Section, "Cause" shall mean a determination by the Committee that the Participant has (i) materially breached his or her employment or service contract with the Company, (ii) been engaged in disloyalty to the Company or an Affiliate, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty in the course of his or her employment or service, which will materially harm the interests of the Company or the Affiliate, (iii) disclosed trade secrets or confidential information of the Company to persons not entitled to receive such information, (iv) breached any written noncompetition or nonsolicitation agreement between the Participant and the Company or an Affiliate in a manner which the Committee determines will cause material harm to the interests of the Company or an Affiliate, or (v) engaged in such other behavior materially detrimental to the interests of the Company, in each case as the Committee determines. The Committee's determination of the reason for termination of the Participant's employment shall be conclusive and binding on the Participant and his or her representatives or legatees.

c. Good Reason. For purposes of this Agreement, except as otherwise provided in paragraph (d) of this Section, "Good Reason" shall mean (i) a reduction by the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) of more than 10% in Participant's rate of annual base salary as in effect immediately prior to such Change in Control; (ii) a reduction by the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) of more than 10% of the Participant's individual annual target or bonus opportunity, except under circumstances where the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) implement changes to the bonus structure of similarly situated employees, including but not limited to changes to the bonus structure designed to integrate the Company's or Affiliate's personnel with other personnel of the successor company (or an subsidiary or parent thereof); (iii) a significant and substantial reduction by the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) of the Participant's responsibilities and authority, as compared with the Participant's responsibilities and authority in effect immediately preceding the Change in Control; or (iv) any requirement of the Company or an Affiliate or a successor company (or a subsidiary or parent thereof) that Participant be based anywhere more than fifty (50) miles from Participant's primary office location at the time of the Change in Control; provided the Participant provides at

least ninety (90) days' notice to the Company following the initial occurrence of any such event and the Company fails to cure such event within thirty (30) days thereafter.

d. Other Agreement or Plan. The provisions of this Section (including the definitions of Cause and Good Reason), shall be superseded by the specific provisions, if any, of a written employment or severance agreement between the Participant and the Company or a severance plan of the Company covering the Participant, including a change in control severance agreement or plan, to the extent such a provision provides a greater benefit to the Participant.

6. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Committee set forth in Section 4.2 of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

7. Tax Withholding. The Participant shall, not later than the date as of which the receipt of this Award becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Committee for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. Unless otherwise determined by the Committee, the Company shall cause the required tax withholding obligation to be satisfied by withholding from Shares to be issued to the Participant a number of Shares with an aggregate Fair Market Value that would satisfy the withholding amount due.

8. Section 409A of the Code. This Agreement shall be interpreted in such a manner that all provisions relating to the settlement of the Award are exempt from the requirements of Section 409A of the Code as "short-term deferrals" as described in Section 409A of the Code.

9. Severability. If any provision of this Agreement shall be held unlawful or otherwise invalid or unenforceable in whole or in part by a court of competent jurisdiction, such provision shall (i) be deemed limited to the extent that such court of competent jurisdiction deems it lawful, valid and/or enforceable and as so limited shall remain in full force and effect, and (ii) not affect any other provision of this Agreement or part thereof, each of which shall remain in full force and effect.

10. Governing Law. This Agreement shall be governed by, and interpreted in accordance with, the laws of the State of Michigan, other than its conflict of laws principles.

11. Headings. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

12. Notices. All notices required or permitted under this Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by registered or certified mail, postage prepaid. Notice by mail shall be deemed delivered on the date on which it is postmarked.

    Notices to the Company should be addressed to:

    Vericel Corporation
    64 Sidney Street
    Cambridge, MA 02139
    Attention: Chief Financial Officer

Notice to the Participant should be addressed to the Participant at the Participant's address as it appears on the Company's records.

The Company or the Participant may by writing to the other party, designate a different address for notices. If the receiving party consents in advance, notice may be transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties. Such notices shall be deemed delivered when received.

13. No Obligation to Continue Employment. Neither the Company nor any Affiliate is obligated by or as a result of the Plan or this Agreement to continue the Participant in employment and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Affiliate to terminate the employment of the Participant at any time.

14. Entire Agreement; Modification. The Agreement contains the entire agreement between the parties with respect to the subject matter contained herein and may not be modified, except as provided in the Plan or in a written document signed by each of the parties hereto, and may be rescinded only by a written agreement signed by both parties.

15. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Participant (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Participant may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Participant shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

Vericel Corporation 2022 Omnibus Incentive Plan
Restricted Stock Unit Award Agreement for Non-Employee Directors

Name of Participant: _____

No. of Restricted Stock Units: _____

Grant Date: _____

Vesting Start Date: _____

Pursuant to the Vericel Corporation 2022 Omnibus Incentive Plan as amended through the date hereof (the "Plan"), Vericel Corporation (the "Company") hereby grants an award of the number of Restricted Stock Units listed above (an "Award") to the Participant named above. Each Restricted Stock Unit shall relate to one share of common stock, no par value per share (each, a "Share") of the Company.

Restrictions on Transfer of Award. This Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of by the Participant, and any Shares issuable with respect to the Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of until (i) the Restricted Stock Units have vested as provided in this Agreement and (ii) Shares have been issued to the Participant in accordance with the terms of the Plan and this Agreement.

Vesting of Restricted Stock Units. The restrictions and conditions of Paragraph 1 of this Agreement shall lapse as to [100% of the number of Restricted Stock Units on the earlier of the first anniversary of the Vesting Start Date or the date of the first Annual Meeting of Stockholders following the Vesting Start Date (such date, the "Vesting Date"), provided that the Participant is providing services to the Company as a Director on the relevant Vesting Date] OR [33% of the number of the Restricted Stock Units on each anniversary of the Vesting Start Date over a three-year period (such date, the "Vesting Date"), provided that the Participant is providing services to the Company as a Director on the relevant Vesting Date]. Subject to the terms of the Plan, the Committee may at any time accelerate the vesting schedule specified in this paragraph.

Termination of Service. Subject to the discretion of the Committee to permit continued vesting of the Restricted Stock Units, if the Participant's services as a Director terminates for any reason other than due to the Participant's death or Disability prior to the satisfaction of the vesting conditions set forth in Paragraph 2 above, any Restricted Stock Units that have not vested as of such date shall automatically and without notice terminate and be forfeited, and neither the Participant nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such unvested Restricted Stock Units. Upon termination of the Participant's services as a Director due to the Participant's death or Disability, the restrictions and conditions of Paragraph 1 of this Agreement shall lapse as to 100% of the number of Restricted Stock Units. For purposes of this Award, "Disability" shall have the meaning set forth in Treas. Reg. Section 1.409A-3(i)(4).

Issuance of Shares. As soon as practicable following each Vesting Date (but in no event later than two and one-half months after the end of the year in which the Vesting Date occurs), the Company shall issue to the Participant the number of Shares equal to the aggregate number of Restricted Stock Units that have vested as provided in this Agreement on such date and the Participant shall thereafter have all the rights of a stockholder of the Company with respect to such Shares.

Change in Control. In the event of a Change in Control, the Award shall (i) become fully vested and nonforfeitable on the day prior to the date of the Change in Control if the Participant is then providing services to the Company as a Director and (ii) terminate on the date of the Change in Control.

Incorporation of Plan. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Committee set forth in Section 4.2 of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

Section 409A of the Code. This Agreement shall be interpreted in such a manner that all provisions relating to the settlement of the Award are exempt from the requirements of Section 409A of the Code as "short-term deferrals" as described in Section 409A of the Code.

Severability. If any provision of this Agreement shall be held unlawful or otherwise invalid or unenforceable in whole or in part by a court of competent jurisdiction, such provision shall (i) be deemed limited to the extent that such court of competent jurisdiction deems it lawful, valid and/or enforceable and as so limited shall remain in full force and effect, and (ii) not affect any other provision of this Agreement or part thereof, each of which shall remain in full force and effect.

Governing Law. This Agreement shall be governed by, and interpreted in accordance with, the laws of the State of Michigan, other than its conflict of laws principles.

Headings. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

Notices. All notices required or permitted under this Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by registered or certified mail, postage prepaid. Notice by mail shall be deemed delivered on the date on which it is postmarked.

Notices to the Company should be addressed to:

Vericel Corporation
64 Sidney Street
Cambridge, MA 02139
Attention: Chief Financial Officer

Notice to the Participant should be addressed to the Participant at the Participant's address as it appears on the Company's records.

The Company or the Participant may by writing to the other party, designate a different address for notices. If the receiving party consents in advance, notice may be transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties. Such notices shall be deemed delivered when received.

No Obligation to Continue as a Director. Neither the Plan nor this Award confers upon the Participant any rights with respect to continuance as a Director.

Entire Agreement; Modification. The Agreement contains the entire agreement between the parties with respect to the subject matter contained herein and may not be modified, except as provided in the Plan or in a written document signed by each of the parties hereto, and may be rescinded only by a written agreement signed by both parties.

Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Participant (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Participant may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Participant shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

IN WITNESS WHEREOF, the parties have executed the Agreement as of the date first above written.

VERICEL CORPORATION

By: _____

Title: President and CEO

PARTICIPANT

_____

[_____]

Form of Non-Qualified Stock Option Award Agreement for Non-Employee Directors
Under the 2022 Plan

Vericel Corporation 2022 Omnibus Incentive Plan
Non-Qualified Stock Option Award Agreement for Non-Employee Directors

AWARD AGREEMENT (the "Agreement"), effective as of [[GRANTDATE]] (the "Grant Date"), is entered into by and between Vericel Corporation, a Michigan corporation (the "Company"), and [[FIRSTNAME]] [[LASTNAME]] (the "Participant").

1. Grant of Option. The Company hereby grants to the Participant a non-qualified stock option (the "Option") to purchase [[SHARESGRANTED]] shares of common stock of the Company, no par value (the "Shares"), at the exercise price of $[[GRANTPRICE]] per Share (the "Exercise Price"). The Option is not intended to qualify as an incentive stock option under Section 422 of the Code.

2. Subject to the Plan. This Agreement is subject to and governed by the terms and provisions of the Vericel Corporation 2022 Omnibus Incentive Plan (the "Plan"), and, unless the context requires otherwise, terms used herein shall have the same meaning as in the Plan. In the event of a conflict between the provisions of the Plan and this Agreement, the Plan shall control.

3. Term of Option. Unless the Option terminates earlier pursuant to the provisions of this Agreement, the Option shall expire on the tenth anniversary of the Grant Date.

4. Vesting. Subject to the discretion of the Committee to accelerate the exercisability of the Option, the Option shall become vested and exercisable [over a one-year period following the grant date, in twelve (12) equal monthly installments, provided that the Participant is then providing services to the Company as a Director] OR [over a three-year period following the grant date, in thirty-six (36) equal monthly installments, provided that the Participant is then providing services to the Company as a Director].

5. Exercise of Option

(a) Manner of Exercise. To the extent vested, the Option may be exercised, in whole or in part, by delivering written notice to the Company in such form as the Company may require from time to time. Such notice shall specify the number of Shares subject to the Option as to which the Option is being exercised, and shall be accompanied by full payment of the Exercise Price of such Shares in a manner permitted under the terms of Section 5.5 of the Plan**.** The Option may be exercised only in multiples of whole Shares and no fractional Shares shall be issued.

(b) Issuance of Shares. As soon as practicable following the exercise of the Option, payment of the Exercise Price for the Shares as to which the Option is exercised and compliance to the satisfaction of the Committee with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the Plan, the Company shall issue to the Participant the applicable number of Shares in the form of fully paid and nonassessable Shares. The determination of the Committee as to such compliance shall be final and binding on the Participant.

(c) Capitalization Adjustments. The number of Shares subject to the Option and the Exercise Price shall be equitably and appropriately adjusted, if applicable, as provided in Section 11.2 of the Plan.

6. Termination of Option.

(a) Termination of Service as a Board Member. Unless the Option has earlier terminated, the Option shall terminate in its entirety, regardless of whether the Option is vested, on the earlier of (i) twenty-four (24) months from the date that the Participant ceases to be a member of the Board of Directors or (ii) the original expiration date of the Option. Subject to the discretion of the Committee to permit continued vesting of the Option, if the Participant's services as a Director terminates for any reason other than due to the Participant's death or Disability prior to the satisfaction of the vesting conditions set forth in Paragraph 4 above, any portion of the Option that is not vested at the time the Participant ceases to be a Director shall immediately terminate and be of no further force or effect. Upon termination of the Participant's services as a Director due to the Participant's death or Disability, this Option shall become vested and exercisable in full. For purposes of this Award, "Disability" shall have the meaning set forth in Treas. Reg. Section 1.409A-3(i)(4).

(b) Extension of Exercise Period. Notwithstanding any provisions of paragraph (a) of this Section to the contrary, if exercise of the Option following termination of service during the time period set forth in the applicable paragraph or sale during such period of the Shares acquired on exercise would violate any of the provisions of the federal securities laws (or any Company policy related thereto), the time period to exercise the Option shall be extended until the later of (i) forty-five (45) days after the date that the exercise of the Option or sale of the Shares acquired on exercise would not be a violation of the federal securities laws (or a related Company policy), or (ii) the end of the time period set forth in the applicable paragraph.

7. Change in Control.

(a) Effect on Option. In the event of a Change in Control, the Option shall (i) vest and become exercisable on the day prior to the date of the Change in Control if the Participant is then providing services to the Company or an Affiliate and (ii) terminate on the date of the Change in Control.

(b) Notwithstanding the foregoing, if on the date of the Change in Control the Fair Market Value of one Share is less than the Exercise Price, then the Option shall terminate as of the date of the Change in Control, except as otherwise determined by the Committee.

8. Miscellaneous.

(a) No Rights of Stockholder. The Participant shall not have any of the rights of a stockholder with respect to the Shares subject to this Option until such Shares have been issued to him or her upon the due exercise of the Option.

(b) Transferability of Option. As set forth in paragraph 6 of this Agreement, at the time of a Participant's death the Option shall become transferable by will or pursuant to the laws of descent and distribution. Further, the Option may be assigned or transferred to a "family member" as such term is defined in the General Instructions to Form S-8 (whether by gift or a domestic relations order) (each a "Permitted Assignee"), provided that such Permitted Assignee shall: (1) be bound by and subject to all the terms and conditions of the Plan and this Agreement relating to the transferred Option; and (2) execute an agreement satisfactory to the Company evidencing such obligation. Following any such transfer the Participant shall remain bound by all applicable terms and conditions of the Plan. Notwithstanding the provisions of this paragraph (b), in no event may the Option be transferred for consideration to a third-party financial institution.

(c) Severability. If any provision of this Agreement shall be held unlawful or otherwise invalid or unenforceable in whole or in part by a court of competent jurisdiction, such provision

shall (i) be deemed limited to the extent that such court of competent jurisdiction deems it lawful, valid and/or enforceable and as so limited shall remain in full force and effect, and (ii) not affect any other provision of this Agreement or part thereof, each of which shall remain in full force and effect.

(d) Governing Law. This Agreement shall be governed by, and interpreted in accordance with, the laws of the State of Michigan, other than its conflict of laws principles.

(e) Headings. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

(f) Notices. All notices required or permitted under this Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by registered or certified mail, postage prepaid. Notice by mail shall be deemed delivered on the date on which it is postmarked.

Notices to the Company should be addressed to:

Vericel Corporation
64 Sidney Street
Cambridge, MA 02139
Attention: Chief Financial Officer

Notice to the Participant should be addressed to the Participant at the Participant's address as it appears on the Company's records.

The Company or the Participant may by writing to the other party, designate a different address for notices. If the receiving party consents in advance, notice may be transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties. Such notices shall be deemed delivered when received.

(g) No Obligation to Continue as a Director. Neither the Plan nor this Option confers upon the Participant any rights with respect to continuance as a Director.

(g) Agreement Not a Contract. This Agreement (and the grant of the Option) is not an employment or service contract, and nothing in the Option shall be deemed to create in any way whatsoever any obligation on Participant's part to continue his or her service, or of the Company or an Affiliate to continue Participant's service.

(h) Entire Agreement; Modification. The Agreement contains the entire agreement between the parties with respect to the subject matter contained herein and may not be modified, except as provided in the Plan or in a written document signed by each of the parties hereto, and may be rescinded only by a written agreement signed by both parties.

(i) Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Participant (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Participant may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which

the Relevant Companies consider appropriate. The Participant shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

IN WITNESS WHEREOF, the parties have executed the Agreement as of the date first above written.

VERICEL CORPORATION

By: _____

Title: President and CEO

PARTICIPANT

_____

[_____

NOTICE OF EXERCISE OF
STOCK OPTION

TO: [_____]

Pursuant to the Stock Option Agreement dated _____ __, 20__, under the Vericel Corporation 2022 Omnibus Incentive Plan, the undersigned exercises the right to purchase _____ shares of the common stock of Vericel Corporation and encloses: (i) payment of the purchase price in full; and (ii) executed copies of any additional documents and agreements required by the Stock Option Agreement. All shares are to be issued to the undersigned in the name as printed below and delivered to the address shown.

Dated:_____	Name_____ Address_____ _____ Signature: _____ Social Security Number:_____

Please print name as it is to appear on the stock certificate: _____

EXHIBIT 31.1

CERTIFICATION

I, Dominick C. Colangelo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vericel Corporation;

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

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

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

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

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

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

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

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

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

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

Date: August 3, 2022

/s/ DOMINICK C. COLANGELO

Dominick C. Colangelo

President and Chief Executive Officer

(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Joseph A. Mara, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vericel Corporation;

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

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

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

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

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

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

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

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

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

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

Date: August 3, 2022

/s/ JOSEPH A. MARA

Joseph A. Mara
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Vericel Corporation (the "Company") on Form 10-Q for the quarter ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), the following:

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

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

Date: August 3, 2022

/s/ DOMINICK C. COLANGELO
Dominick C. Colangelo
President and Chief Executive Officer
(Principal Executive Officer)

/s/ JOSEPH MARA
Joseph Mara
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to Vericel Corporation and will be retained by Vericel Corporation and furnished to the Securities and Exchange Commission or its staff upon request.