SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED September 30, 2015,

OR

o **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) **(800) 556-0311**

(Former name, former address and former fiscal year, if changed since last report)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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, or smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

COMMON STOCK, NO PAR VALUE	**23,789,219**
(Class)	Outstanding at November 6, 2015

VERICEL CORPORATION
QUARTERLY REPORT ON FORM 10-Q
TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

PART II — OTHER INFORMATION

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash	$ 18,724	$ 30,343
Accounts receivable (net of allowance for doubtful accounts of $54 and $40, respectively)	7,639	8,191
Inventory	1,639	1,920
Other current assets	514	1,036
Total current assets	28,516	41,490
Property and equipment, net	4,315	2,892
Intangible assets	2,987	3,197
Total assets	$ 35,818	$ 47,579
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,995	$ 5,824
Accrued expenses	3,311	4,714
Warrant liabilities	825	1,081
Other	130	210
Total current liabilities	9,261	11,829
Long term debt	81	109
Other long-term liabilities	66	—
Total liabilities	9,408	11,938
COMMITMENTS AND CONTINGENCIES (Note 14)		
Shareholders' equity:		
Series B-2 voting convertible preferred stock, no par value: shares authorized and reserved — 39, shares issued and outstanding — 12	38,389	38,389
Common stock, no par value; shares authorized — 75,000; shares issued and outstanding — 23,789 and 23,786, respectively.	307,207	305,008
Other comprehensive loss	(71)	(71)
Accumulated deficit	(319,115)	(307,685)
Total shareholders' equity	26,410	35,641
Total liabilities and shareholders' equity	$ 35,818	$ 47,579

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues:				
Product sales	$ 11,309	$ 9,658	$ 35,748	$ 14,090
Total revenues	11,309	9,658	35,748	14,090
Costs and expenses:				
Cost of product sales	6,772	5,532	19,241	10,541
Gross profit	4,537	4,126	16,507	3,549
Research and development	3,740	7,835	11,486	15,470
Selling, general and administrative	5,674	4,313	16,735	9,267
Total operating expenses	9,414	12,148	28,221	24,737
Loss from operations	(4,877)	(8,022)	(11,714)	(21,188)
Other income (expense):				
Decrease (increase) in fair value of warrants	461	949	256	(155)
Bargain purchase gain	—	—	—	3,634
Foreign currency translation gain (loss)	(5)	154	5	154
Interest income	7	3	29	9
Interest expense	(2)	(1)	(6)	(4)
Total other income (expense)	461	1,105	284	3,638
Net loss	$ (4,416)	$ (6,917)	$ (11,430)	$ (17,550)
Net loss per share attributable to common shareholders (Basic and Diluted) (see note 11)	$ (0.26)	$ (0.82)	$ (0.69)	$ (2.90)
Weighted average number of common shares outstanding (Basic and Diluted)	23,788	10,273	23,786	7,569

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net loss	$ (4,416)	$ (6,917)	$ (11,430)	$ (17,550)
Other comprehensive loss				
Foreign currency translation	—	(75)	—	(70)
Comprehensive loss	$ (4,416)	$ (6,992)	$ (11,430)	$ (17,620)

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)

	Nine Months Ended September 30,	
	2015	2014
Operating activities:		
Net loss	$ (11,430)	$ (17,550)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	1,182	496
Stock compensation expense	2,188	653
Change in fair value of warrants	(256)	155
Asset retirement obligation	(267)	—
Inventory provision	621	55
Bargain purchase gain	—	(3,634)
Foreign currency translation gain	5	(154)
Gain on sales of fixed assets	(35)	—
Changes in operating assets and liabilities:		
Inventory	(339)	434
Accounts receivable	552	(3,930)
Other current assets	521	(855)
Accounts payable	(899)	(69)
Accrued expenses	(1,109)	1,071
Verigen liability payment	—	3,158
Restructuring reserve	—	1,004
Other non-current assets and liabilities, net	(43)	—
Net cash used for operating activities	(9,309)	(19,166)
Investing activities:		
Acquisition of CTRM business, net of cash acquired	—	(1,450)
Expenditures for property, plant and equipment	(2,330)	(82)
Other	35	—
Net cash (used for) provided by investing activities	(2,295)	(1,532)
Financing activities:		
Net proceeds from issuance of common stock and warrants	11	50,236
Payments on long-term debt	(26)	(6)
Net cash provided by (used in) financing activities	(15)	50,230
Effect of exchange rate changes on cash	—	(13)
Net (decrease) increase in cash	(11,619)	29,519
Cash at beginning of period	30,343	8,059
Cash at end of period	$ 18,724	$ 37,578
Supplemental cash flow information (non-cash):		
Acquisition of business through issuance of promissory note	$ —	$ 2,500
Additions to equipment in process included in accounts payable	$ 65	$ —
Warrants exchanged for common stock	$ —	$ 965
Equipment acquired under capital lease obligations	$ —	$ 153

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2015 (UNAUDITED)

1. Organization

Vericel Corporation a Michigan corporation, which was formerly known as Aastrom Biosciences, Inc. (the Company, Vericel, we, us or our), was incorporated in March 1989 and began employee-based operations in 1991. On May 30, 2014, Vericel completed the acquisition of certain assets and assumed certain liabilities of Sanofi, a French société anonyme (Sanofi), including all of the outstanding equity interests of Genzyme Biosurgery ApS (Genzyme Denmark or the Danish subsidiary) (now known as Vericel Denmark ApS), a wholly-owned subsidiary of Sanofi, and over 250 patents and patent applications of Sanofi and certain of its subsidiaries for purposes of acquiring the portion of the cell therapy and regenerative medicine business (the CTRM Business), which researches, develops, manufactures, markets and sells the Carticel®, MACI™, and Epicel® products. The Company is a fully integrated, commercial-stage biopharmaceutical company dedicated to the identification, development and commercialization of innovative therapies that enable the body to repair and regenerate damaged tissues and organs to restore normal structure and function. Vericel has marketed products as well as developmental stage product candidates and the Company's goal is to become the leader in cell therapy and regenerative medicine by developing, manufacturing and marketing best-in-class therapies for patients with significant unmet medical needs.

The Company operates its business primarily in the U.S. in one reportable segment — the research, product development, manufacture and distribution of patient-specific, expanded cellular therapies for use in the treatment of specific diseases.

Successful future operations are subject to several technical hurdles and risk factors, including satisfactory product development, timely initiation and completion of clinical trials, regulatory approval and market acceptance of the Company's products.

2. Basis of Presentation

The condensed consolidated financial statements included herein 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 generally accepted accounting principles in the United States of America (U.S. GAAP) requires management to make estimates, judgments, and assumptions that may affect the reported amounts of assets, liabilities, equity, revenues 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 results of operations for the three and nine months ended September 30, 2015, are not necessarily indicative of the results to be expected for the full year or for any other period. The December 31, 2014 condensed consolidated balance sheet data was derived from the Company's audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP.

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, 2014, as filed with the SEC on March 25, 2015 (Annual Report).

The condensed consolidated financial statements include the accounts of Vericel and its wholly-owned subsidiaries, Marrow Donation, LLC, located in San Diego, California, and Vericel Denmark ApS, in Kastrup, Demark (collectively, the Company). All inter-company transactions and accounts have been eliminated in consolidation. Aastrom Biosciences GmbH ceased operations in 2014.

3. Recent Accounting Pronouncements

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued authoritative guidance requiring entities to apply a new model for recognizing revenue from contracts with customers. The guidance will supersede the current revenue recognition guidance and require entities to evaluate their revenue recognition arrangements using a five step model to determine when a customer obtains control of a transferred good or service. The guidance is currently effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted for annual reporting periods beginning after December 15, 2016, and may be adopted using a full or modified retrospective application. The Company is currently in the process of evaluating its revenue arrangements under the issued guidance and has not yet determined the impact to its consolidated financial statements.

4. Acquisitions

CTRM Business acquisition

On May 30, 2014, Vericel completed its acquisition of certain assets of Sanofi, including all of the outstanding equity interests of Genzyme Denmark, a wholly-owned subsidiary of Sanofi, and over 250 patents and patent applications and assumed certain liabilities for purposes of acquiring portions of the CTRM Business. Vericel is a leader in developing patient-specific expanded cellular therapies for use in the treatment of patients with severe diseases and conditions. The CTRM Business, also a leader in developing patient-specific expanded cellular therapies, expands the Company's portfolio of cellular therapies to include products which treat severe burns and as well as cartilage defects. The CTRM Business is a commercial business, with manufacturing, marketing and sales capabilities. Pursuant to the terms of the asset purchase agreement, the Company paid a total purchase price of $6.5 million, including $4.0 million in cash and a $2.5 million promissory note which was repaid on July 30, 2014.

The total purchase price consideration was as follows:

Acquisition consideration (In thousands):		Fair Value
Cash payment	$	4,000
Promissory note		2,500
Total acquisition consideration	$	6,500

The Company recognized tangible and intangible assets and liabilities acquired based upon their respective estimated fair values as of the acquisition date. The table below shows the fair values assigned to the assets acquired and liabilities assumed. Based on this analysis, the transaction resulted in a bargain purchase gain.

The final purchase price allocation is as follows:

Purchase price allocation (In thousands):		Fair Value
Cash	$	5,050
Accounts receivable		53
Inventory		2,039
Other current assets		192
Accounts payable and accrued expenses		(939)
Asset retirement obligation		(1,600)
Property and equipment		1,818
Intangible assets		3,360
Bargain purchase gain		(3,473)
Total consideration	$	6,500

As part of the acquisition, $5.0 million in cash was received from Sanofi in order to fund the restructuring of the Denmark operations and close the facility. In 2014, the Company implemented its restructuring plans for the Danish subsidiary after the consummation of the acquisition of the CTRM Business and recorded restructuring charges in the US and Denmark of $3.0 million and do not expect to incur additional costs. See Note 7 "Restructuring" below for additional information.

The intangible assets acquired represent commercial use rights for certain products acquired in the transaction. This fair value of $3.4 million was determined using the income approach based on projected cash flows attributed to the commercial rights. The calculated value of the commercial rights intangible assets are amortized using the straight line method over an estimated useful life of 12 years.

5. Selected Balance Sheet Components

Inventory as of September 30, 2015 and December 31, 2014:

(In thousands)	September 30, 2015	December 31, 2014
Raw materials	$ 1,273	$ 1,078
Work-in-process	202	458
Finished goods	164	384
	$ 1,639	$ 1,920

Property and equipment, net as of September 30, 2015 and December 31, 2014:

(In thousands)	September 30, 2015	December 31, 2014
Machinery and equipment	$ 3,280	$ 3,135
Furniture, fixtures and office equipment	931	777
Computer equipment and software	2,631	667
Leasehold improvements	2,380	1,691
Construction in process	391	1,019
Total property and equipment, gross	9,613	7,289
Less: Accumulated depreciation	(5,298)	(4,397)
	$ 4,315	$ 2,892

Depreciation expense for the three and nine months ended September 30, 2015 was $0.4 million and $1.0 million, respectively, compared to $0.2 million and $0.4 million, respectively, for the same periods in 2014.

Intangible assets, net as of September 30, 2015 and December 31, 2014:

(In thousands)	September 30, 2015	December 31, 2014
Commercial rights	$ 3,360	$ 3,360
Less: Accumulated amortization	(373)	(163)
	$ 2,987	$ 3,197

Amortization expense was $0.1 million and $0.2 million for the three and nine months ended September 30, 2015, respectively, compared to less than $0.1 million and $0.1 million for the three and nine months ended September 30, 2014, respectively.

Estimated future amortization expense is as follows:

Calendar Years Ending December 31, (In thousands)	
2015	$ 70
2016	280
2017	280
2018	280
2019	280
Thereafter	1,797
Total	$ 2,987

Accrued expenses as of September 30, 2015 and December 31, 2014:

(In thousands)	September 30, 2015	December 31, 2014
Bonus	$ 1,483	$ 2,044
Employee related accruals	1,340	1,281
Accrued expenses	85	605
Asset retirement obligation[(a)]	53	348
Other	350	436
	$ 3,311	$ 4,714

(a) The reduction in the asset retirement obligation is based on final estimate of the obligation to restore the Denmark facility to its original state.

Accumulated other comprehensive loss in 2014 consisted entirely of foreign currency translation activity. Foreign currency translation loss recorded in 2014 was the result of the weakening U.S. dollar and its impact on intercompany balances with the Denmark subsidiary. No changes related to unrealized gains or losses in foreign currency translation were recorded during the three and nine months ended September 30, 2015 due to a change in the functional currency of the Denmark subsidiary from the Danish Krone to the U.S. dollar.

6. Stock-based Compensation

The Company can issue nonqualified and incentive stock options as well as other equity awards pursuant to its Amended and Restated 2009 Omnibus Incentive Plan, (Option Plan). Such awards pursuant to the Option Plan may be granted by the Company's Board of Directors to certain of the Company's employees, directors and consultants.

During the three and nine months ended September 30, 2015, the Company granted 162,250 and 2,181,100 service-based options to purchase common stock, respectively. The options were granted with exercise prices equal to the fair market value of the Company's stock at the grant date; and other than those granted to non-employee directors, generally vest over four years, under a graded-vesting methodology, following the date of grant, and expire after ten years. The Company issues new shares upon the exercise of stock options. The weighted average grant-date fair value of service-based options granted under the Option Plan during the three months ended September 30, 2015 was $2.26. There were no service-based options granted for the three months ended September 30, 2014. The weighted average grant-date fair value of service-based options granted under the Option Plan during the nine months ended September 30, 2015 and 2014 was $2.23 and $2.85, respectively.

The net compensation expense recorded for the service-based stock options related to employees and directors was $0.6 million and $2.2 million for the three and nine months ended September 30, 2015 and $0.2 million and $0.7 million for the three and nine months ended September 30, 2014, respectively. The compensation cost includes forfeiture adjustments.

The fair value of each service-based stock option grant for the reported periods is estimated on the date of the grant using the Black-Scholes option-pricing model using the weighted average assumptions noted in the following table.

	Nine Months Ended September 30,	
Service-Based Stock Options	2015	2014
Expected dividend yield	—%	—%
Expected stock price volatility	77.6 – 88.1%	82.4 – 88.2%
Risk-free interest rate	1.5 – 2.0%	1.7 – 2.2%
Expected life (years)	5.5 – 6.3	5.5 – 6.3

The following table summarizes the activity for service-based stock options for the indicated periods:

Service-Based Stock Options	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2014	477,530	$ 21.74	8.0	$ —
Granted	2,181,100	$ 3.12		
Exercised	3,566	$ 3.02		$ 1,343
Expired	13,217	$ 40.89		
Forfeited	125,326	$ 3.41		
Outstanding at September 30, 2015	2,516,521	$ 6.44	9.0	$ 240
Exercisable at September 30, 2015	537,756	$ 16.72	8.0	$ —

As of September 30, 2015 there was approximately $3.2 million of total unrecognized compensation cost related to non-vested service-based stock options granted under the Option Plan. That cost is expected to be recognized over a weighted-average period of 3.2 years.

The total fair value of options vested during the nine months ended September 30, 2015 and 2014 was $1.3 million for both periods.

In addition, our board of directors and shareholders approved the Vericel Corporation Employee Stock Purchase Plan (ESPP), which we implemented effective October 1, 2015 for the first offering period. The ESPP allows for the issuance of an aggregate of 1,000,000 shares of our common stock. Participation in this plan is available to substantially all full-time employees.

7. Restructuring

In June 2014, the Company announced a strategic plan to maximize the profitability and growth potential of the CTRM Business (the Plan). Under the Plan, the Company discontinued manufacturing MACI in Denmark, temporarily suspended sales of MACI in Europe, and significantly reduced research and development expenses associated with MACI. Furthermore, the Company eliminated approximately 80 full time employee positions, which represented approximately 30% of the Company's current total workforce. Employees terminated as part the Plan were provided with severance payments and outplacement assistance.

As a result of the Plan, the Company recorded a restructuring charge of $0.1 million and $3.1 million for the three and nine months ended September 30, 2014, related to the operations in the United States and Denmark, primarily representing cash payments for severance and other personnel-related expenses. Of the total restructuring charge, $2.5 million was recorded in cost of product sales, and $0.6 million was recorded in selling, general and administrative expenses. There was no restructuring reserve as of September 30, 2015 as a result of cash payments made for severance and other personnel-related expenses.

8. Stock Purchase Warrants

The Company has historically issued warrants to purchase shares of the Company's common stock in connection with certain of its common stock offerings. The following warrants were outstanding at September 30, 2015, and include provisions that could require cash settlement of the warrants or have anti-dilution price protection provisions requiring each to be recorded as liabilities of the Company at the estimated fair value at the date of issuance, with changes in estimated fair value recorded as other income or expense (non-cash) in the Company's statement of operations in each subsequent period:

	December 2010 Warrants	August 2013 Warrants
Exercise price	$ 2.55	$ 4.80
Expiration date	December 15, 2015	August 16, 2018
Total shares issuable on exercise	15,405	724,950

In July 2015, the January 2010 Class A warrants convertible into 226,299 shares of common stock expired unexercised. The fair values of the remaining two classes of warrants are measured using the Black-Scholes valuation model. Inherent in the Black-Scholes valuation model are assumptions related to expected stock-price volatility, expected life, risk-free interest rate and dividend

yield. The Company estimates the volatility of its common stock based on historical volatility that matches the expected remaining life of the warrants. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve on the grant date for a maturity similar to the expected remaining life of the warrants. The expected life of the warrants is assumed to be equivalent to their remaining contractual term. The dividend yield is based on the historical rate, which the Company anticipates to remain at zero.

The assumptions used by the Company are summarized in the following tables:

December 2010 Warrants	September 30, 2015	December 31, 2014
Closing stock price	$ 2.71	$ 3.04
Expected dividend yield	—	—
Expected stock price volatility	32.8%	99.7%
Risk-free interest rate	—%	0.2%
Expected life (years)	0.21	0.96

August 2013 Warrants	September 30, 2015	December 31, 2014
Closing stock price	$ 2.71	$ 3.04
Expected dividend yield	—	—
Expected stock price volatility	87.9%	83.2%
Risk-free interest rate	0.9%	1.2%
Expected life (years)	2.88	3.63

9. 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; and
- 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).

For the nine months ended September 30, 2015 and year-ended December 31, 2014, there were no transfers between levels. The following table summarizes the valuation of the Company's investments and financial instruments that are measured at fair value on a recurring basis:

	September 30, 2015				December 31, 2014			
		Fair value measurement category				Fair value measurement category		
(In thousands)	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Liabilities:								
Warrant liabilities	$ 825	$ —	$ 821	$ 4	$ 1,081	$ —	$ 1,061	$ 20

The following table summarizes the change in the estimated fair value of the Company's warrant liabilities:

Warrant Liabilities (In thousands)	
Balance at December 31, 2014	$ 1,081
Decrease in fair value	(256)
Balance at September 30, 2015	$ 825

A reconciliation of beginning and ending balances for the Company's fair value measurements using Level 3 inputs is as follows:

(In thousands)	September 30, 2015
Balance at December 31, 2014	$ 20
Decrease in fair value	(16)
Balance at September 30, 2015	$ 4

10. Preferred Stock

On March 9, 2012, the Company completed the sale of 12,308 shares of Series B-1 Non-Voting Convertible Preferred Stock (Series B-1 preferred stock) at an offering price of $3,250 per share. In addition to the Series B-1 preferred stock, which was issued at the closing, the Company also authorized Series B-2 Voting Convertible Preferred Stock (Series B-2 preferred stock). The Series B-1 preferred stock and Series B-2 preferred stock collectively are referred to as the Series B preferred stock. The Series B preferred stock is convertible, at the option of the holder thereof at any time after the 5 years anniversary of the closing of the offering, (the Conversion date) into shares of common stock at a conversion price of $3.25 per share of common stock. At any time after the Conversion date, the Company may elect to convert any or all outstanding shares of Series B preferred stock into shares of common stock, subject to certain limitations. Stock dividends on the Series B preferred stock will be cumulative and compound daily, at a rate of 11.5% per annum, payable upon conversion, liquidation, redemption or other similar events, and payable in cash or Series B-1 preferred stock until the Conversion date. As of September 30, 2015, there are approximately 311,455 shares of accumulated but undeclared Series B-1 Stock dividends. This increases the net loss attributable to common shareholders in the net loss per common share for the three and nine months ended September 30, 2015 by $1.7 million and $5.0 million, respectively. Unless prohibited by Michigan law governing distributions to shareholders, the Series B-1 preferred stock shall be redeemable at the option of holder of the Series B-1 preferred stock commencing at any time after the Conversion date, liquidation, winding up, dissolution or other similar events, subject to certain terms and limitations.

The Series B preferred stock does not, in its entirety, require liability classification and was evaluated for embedded features to determine if those features require bifurcation and separate classification as derivative liabilities. The Series B preferred stock host contract was evaluated for equity or mezzanine classification based upon the nature of the redemption and conversion features. Generally, any feature that could require cash redemption for matters not within the Company's control, irrespective of probability of the event occurring, requires classification outside of shareholders' equity. The Series B preferred stock was initially recorded as mezzanine in the Condensed Consolidated Balance Sheets and was accreted to its redemption value through charges to accumulated deficit using the effective interest method.

On August 12, 2013, the Company amended the Series B preferred stock agreement to remove the cash redemption provision, modify the liquidation preferences for the Series B-2 preferred stock and to increase the redemption price for the Series B-1 preferred stock. The redemption price, prior to the five years anniversary, is now equal to $7,430 multiplied by the number of Series B-1 preferred shares redeemed minus the Company's closing stock price multiplied by the number of common shares into which the outstanding Series B-2 preferred stock are convertible. The redemption price, after the five years anniversary, is the amount equal to the greater of the Series B offering price plus accrued dividends or the conversion value in common stock. As a result of the amendment to the agreement, the total amount of $38.4 million Series B preferred stock was reclassified from mezzanine into shareholders' equity.

11. Net Loss Per Common Share

Basic earnings (loss) per share is calculated using the two-class method, which is an earnings allocation formula that determines earnings (loss) per share for the holders of the Company's common shares and holders of the Series B preferred stock. The Series B preferred stock shares contain participation rights in undistributed earnings, but do not share in the losses of the Company. The dividends on the Series B preferred stock are treated as a reduction of earnings attributable to common shareholders.

The following reflects the net loss attributable to common shareholders and share data used in the basic and diluted earnings per share computations using the two class method:

(Amounts In thousands except per share amounts)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Numerator:				
Net loss	$ (4,416)	$ (6,917)	$ (11,430)	$ (17,550)
Less: dividends accumulated on convertible preferred stock	1,721	1,534	4,965	4,426
Numerator of basic and diluted EPS	$ (6,137)	$ (8,451)	$ (16,395)	$ (21,976)
Denominator:				
Denominator for basic and diluted EPS:				
Weighted-average common shares outstanding	23,788	10,273	23,786	7,569
Net loss per share attributable to common shareholders (basic and diluted)	$ (0.26)	$ (0.82)	$ (0.69)	$ (2.90)

Common equivalent shares are not included in the diluted per share calculation where the effect of their inclusion would be anti-dilutive. The aggregate number of common equivalent shares (related to options, warrants and preferred stock) that have been excluded from the computations of diluted net loss per common share at September 30, 2015 and 2014 were 4.2 million and 2.3 million, respectively.

12. Shareholders' Equity

On January 21, 2014, the Company entered into a purchase agreement (Purchase Agreement), together with a registration rights agreement, for the sale of up to $15.0 million of shares of its common stock to Lincoln Park, subject to certain limitations, from time to time over a 30 months period, which began on April 3, 2014 and ends on October 3, 2016.

The Company may direct Lincoln Park, at its sole discretion, to purchase up to 50,000 shares of common stock in regular purchases, increasing to amounts of up to 100,000 shares depending upon the closing sale price of the common stock. In addition, the Company may direct Lincoln Park to purchase additional amounts as accelerated purchases if on the date of a regular purchase the closing sale price of the common stock equals or exceeds $3.00 per share. The purchase price of shares of common stock related to the future funding will be based on the prevailing market prices of such shares at the time of sales (or over a period of up to 10 business days leading up to such time), but in no event will shares be sold to Lincoln Park on a day the common stock closing price is less than the floor price of $2.50, subject to adjustment. The Company controls the timing and amount of any sales of common stock to Lincoln Park. The Company's sales of shares of common stock to Lincoln Park under the Purchase Agreement are limited to no more than the number of shares that would result in the beneficial ownership by Lincoln Park and its affiliates, at any single point in time, of more than 9.99% of the then outstanding shares of the common stock. The remaining capacity under this agreement is $11.3 million.

At September 30, 2015 there was approximately $7.8 million of net capacity remaining on the At-the-Market Sales Agreement with MLV & Co. LLC (formerly McNicoll, Lewis & Vlak) which allowed us to sell shares of our common stock from time to time under a registration statement on Form S-3 filed in June 2011, pursuant to which we registered $100 million of our securities for public sale. The Form S-3 registration statement filed in June 2011 expired in July 2014.

13. Concentration of Credit Risk

Revenue from one customer, a distributor in the U.S., represented approximately 66% and 75% of total revenue during the nine months ended September 30, 2015 and 2014, respectively, and 67% and 75% for the three months ended September 30, 2015 and 2014, respectively. Accounts receivable from the same customer accounted for 66% and 70% of the outstanding accounts receivable as of September 30, 2015 and December 31, 2014, respectively. The next largest customer represented approximately 14% of revenue for the nine months ended September 30, 2015. No other customer accounted for more than 10% of revenue for the three months ended September 30, 2015 or for any period in 2014.

14. Commitments and Contingencies

The Company leases facilities in Ann Arbor, Michigan; Cambridge, Massachusetts and Kastrup, Denmark. In March 2015, the Company amended a portion of the property lease in Ann Arbor which is reflected in the future minimum payments below. In addition to the property leases, the Company also leases various vehicles and computer equipment.

As of September 30, 2015, future minimum payments related to leases are as follows:

(In thousands)	Total	2015	2016	2017	2018	More than 5 Years
Operating leases	$ 6,916	$ 1,006	$ 4,113	$ 1,450	$ 347	$ —
Capital leases	129	11	43	43	32	—
Total	$ 7,045	$ 1,017	$ 4,156	$ 1,493	$ 379	$ —

Rent expense for the three and nine months ended September 30, 2015 was $1.3 million and $3.8 million, respectively, compared to $1.4 million and $2.2 million for the same periods in 2014.

15. Subsequent Events

On October 26, 2015, the Company signed a long-term supply agreement with Matricel GmbH for the ACI-Maix collagen membrane used in the manufacture of MACI™. Matricel supplied ACI-Maix membranes used in the production of MACI when it was previously marketed outside the U.S. by Genzyme Corporation, a Sanofi company. Under the agreement, the Company has committed to purchase $0.3 million of material in 2016. In the event that the Biologics License Application is approved for MACI, annual purchase commitments would equal approximately $0.6 million per year. The agreement is effective until December 31, 2022 and contains a 5-year renewal option by the Company and an additional 5-year automatic renewal, unless otherwise terminated.

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

Overview

Vericel Corporation is a leader in developing patient-specific expanded cellular therapies for use in the treatment of patients with severe diseases and conditions. We market two autologous cell therapy products in the United States: Carticel® (autologous cultured chondrocytes), an autologous chondrocyte implant for the treatment of cartilage defects in the knee, and Epicel® (cultured epidermal autografts), a permanent skin replacement for the treatment of patients with deep-dermal or full-thickness burns comprising greater than or equal to 30 percent of total body surface area. We are also developing MACI™, a third-generation autologous chondrocyte implant for the treatment of cartilage defects in the knee, and ixmyelocel-T, a patient-specific multicellular therapy for the treatment of advanced heart failure due to ischemic dilated cardiomyopathy.

Acquisition of Sanofi's CTRM Business

On May 30, 2014, we completed the acquisition of the Cell Therapy and Regenerative Medicine (CTRM) business of Sanofi, a French *société anonyme* (Sanofi), certain assets, including all of the outstanding equity interests of Genzyme Biosurgery ApS (Genzyme Denmark or the Danish subsidiary) (now known as Vericel Denmark Aps), a wholly-owned subsidiary of Sanofi and over 250 patents and patent applications of Sanofi and certain of its subsidiaries and assumed certain liabilities for purposes of acquiring a portion of the CTRM business, which researches, develops, manufactures, markets and sells Carticel, MACI and Epicel (the CTRM Transaction). In consideration for the acquisition of the CTRM business, we paid a total purchase price of approximately $6.5 million, as follows: (a) $4 million was paid in cash on the closing date of the CTRM Transaction, and (b) a $2.5 million promissory note which was paid on July 30, 2014.

Concurrent with the closing of the CTRM Transaction, we and Sanofi entered into (i) certain IP assignment and license agreements to effect the transfer and license of the intellectual property related to the CTRM Business assigned and/or licensed to us, (ii) certain assignment and assumption of lease agreements for each of the real property leases being assigned to us, and (iii) transition services and transition supply agreements.

In consideration for the acquisition of the CTRM business, we paid a total purchase price of approximately $6.5 million, as follows: (a) $4.0 million was paid in cash on the closing date of the CTRM Transaction, and (b) a $2.5 million promissory note which we repaid on July 30, 2014. In accordance with generally accepted accounting principles in the United States of America (U.S. GAAP), we recorded the assets and liabilities of the CTRM business at fair value. The net assets of the CTRM business were valued at $10.0 million, which is in excess of the $6.5 million purchase price, which resulted in a $3.5 million bargain purchase gain. The primary driving factor for the bargain purchase gain was the structure of the CTRM Transaction. As part of the CTRM Transaction, Sanofi funded the Danish subsidiary with $5.0 million in cash in order to fund the restructuring of the Denmark operations and close the facility. Under U.S. GAAP, no restructuring actions were taken by Sanofi prior to our purchase

of the CTRM business, and accordingly, there were no restructuring related accruals in the opening balance sheet. Additionally, there were no restrictions on the use of the cash in the Danish subsidiary. In 2014, we implemented our restructuring plans for the Danish subsidiary after the consummation of the CTRM Transaction and recorded restructuring charges in the US and Denmark of $3.0 million and all restructuring expenses were paid by September 30, 2015.

Manufacturing

We acquired two cell-manufacturing facilities as part of the acquisition of the CTRM business in Cambridge, Massachusetts and Copenhagen, Denmark. The Cambridge facility, which is approved by the U.S. Food and Drug Administration (FDA), is used for U.S. manufacturing and distribution of Carticel, Epicel manufacturing and also manufactured MACI for the SUMMIT study conducted for approval in Europe. The Copenhagen manufacturing facility, which was approved by the Danish Medicines Agency (DKMA), was responsible for MACI manufacturing and distribution in Europe. As part of the June 2014 restructuring, we discontinued MACI manufacturing at the Copenhagen manufacturing facility. Going forward, we expect that any clinical and commercial production of MACI will occur at our Cambridge facility.

We also operate a centralized cell manufacturing facility in Ann Arbor, Michigan. The facility supports the current ixCELL-DCM clinical trial being conducted in the United States and Canada and we believe we have sufficient capacity, with minor modifications, to supply our early commercialization requirements.

Product Portfolio

Our approved and marketed products were acquired through the CTRM Transaction and include three approved autologous cell therapy products, each of which are further described below: Carticel (autologous cultured chondrocytes), a first-generation product for autologous chondrocyte implantation (ACI) currently marketed in the U.S., MACI (matrix-applied characterized autologous cultured chondrocytes), a third-generation ACI product that was approved in Europe where we have temporarily suspended sales, and Epicel (cultured epidermal autografts), a permanent skin replacement for full thickness burns greater than or equal to 30% of total body surface area. Our product candidate portfolio also includes ixmyelocel-T, a patient-specific multicellular therapy currently in development for the treatment of advanced heart failure due to ischemic dilated cardiomyopathy (DCM).

Carticel

Carticel, a first-generation ACI product for the treatment and repair of cartilage defects in the knee, is the first and only FDA-approved autologous cartilage repair product. Carticel is indicated for the repair of symptomatic cartilage defects of the femoral condyle (medial, lateral or trochlea) caused by acute or repetitive trauma, in patients who have had an inadequate response to a prior arthroscopic or other surgical repair procedure such as debridement, microfracture, drilling/abrasion arthroplasty, or osteochondral allograft/autograft. Carticel received a Biologics License Application (BLA) approval in 1997 and is currently marketed in the U.S. It is generally used on patients with larger lesions (greater than 3 cm^2).

In the U.S., we focus our sales of Carticel on the sports-injury-targeted orthopedic physician target audience, which is very concentrated, with 60% of the current Carticel business originating from 25% of this audience, or approximately 110 physicians. We currently have a 21-person field force calling on this sports-injury targeted orthopedic physician audience.

Epicel

Epicel is a permanent skin replacement for full thickness burns greater than or equal to 30% of total body surface area (TBSA). Epicel is regulated by the Center for Biologics Evaluation and Research (CBER) under medical device authorities, and is the only FDA-approved autologous epidermal product available for large total surface area burns. Epicel was designed as a Humanitarian Use Device (HUD in 1998 and a Humanitarian Device Exemption (HDE) application for the product was submitted in 1999. HUDs are devices that are intended for diseases or conditions that affect or are manifested in fewer than 4,000 individuals annually in the United States. Currently, approximately less than 100 patients are treated with Epicel in the U.S. each year. For the three and nine months ended September 30, 2015, net revenues were $3.2 million and $11.2 million for Epicel, respectively.

Under the HDE approval of 2007, Epicel cannot not be sold for an amount that exceeds the cost of research and development, fabrication and distribution. However, pursuant to the Pediatric Medical Device Safety and Improvement Act of 2007 and the FDA Safety and Innovation Act of 2012 (FDASIA), a HUD can be sold for profit if certain conditions are met. Under current law as amended by FDASIA, an HDE holder can make a profit on its HUD after receiving HDE approval if the device is intended for the treatment or diagnosis of a disease or condition that occurs in pediatric patients or in a pediatric subpopulation, and such device is labeled for use in pediatric patients or in a pediatric subpopulation in which the disease or condition occurs; or is intended for

the treatment or diagnosis of a disease or condition that does not occur in pediatric patients or that occurs in pediatric patients in such numbers that the development of the device for such patients is impossible, highly impracticable, or unsafe. If the FDA makes a determination that a HUD meets the eligibility criteria, the HUD is permitted to be sold for profit after receiving HDE approval as long as the number of devices distributed in any calendar year does not exceed the Annual Distribution Number (ADN) for the device. The ADN is determined by FDA when it approves the original HDE application, or when the agency approves an HDE supplement for an HDE approved before the enactment of FDASIA, if the HDE holder seeks a determination for the HUD in an HDE supplement based upon the profit-making eligibility criteria, and FDA determines that the HUD meets the eligibility criteria.

We are currently investigating Epicel's eligibility for an exemption from the profit prohibition and held a pre-submission meeting with the FDA to discuss the process and required data for submitting an HDE supplement to obtain an exemption from the profit prohibition. We plan to submit an HDE supplement to the FDA in the fourth quarter of 2015 to revise the labeled indications for use of Epicel to specifically include pediatric patients and to add pediatric labeling for Epicel. Epicel is currently being sold at a price that reflects the cost of research and development, fabrication and distribution.

We currently have a 4-person field force calling upon dedicated burn centers.

MACI

MACI is a third-generation ACI product for the treatment of focal chondral cartilage defects in the knee. MACI received marketing authorization in Europe in July 2013 by meeting the requirements of the Advanced Therapy and Medicinal Product (ATMP) guidelines. MACI had been commercially available in the European Union (EU) since 1998. As part of the June 2014 restructuring we temporarily suspended sales of MACI in August 2014, primarily due to low utilization and an unfavorable pricing environment. We believe that MACI has significant revenue potential in the U.S., if approved and reimbursed. We plan to submit a BLA to the FDA by the end of 2015 for MACI. The timing and strategy for a possible reintroduction in select EU countries have not yet been determined.

MACI was obtained by Sanofi by acquiring Verigen AG (Verigen) in 2005. As part of Sanofi's acquisition of Verigen, Sanofi agreed to make cash payments to Verigen upon the achievement of developmental milestones relating to regulatory and commercialization of MACI in the United States. In connection with our acquisition of the CTRM business, we agreed that if we further developed MACI in the U.S., we would be obligated to pay these milestone payments. During the third quarter of 2014, at our request, Sanofi entered into a settlement agreement with the former shareholders of Verigen whereby these shareholders agreed to discharge all obligations related to these MACI milestone payments in exchange for a one-time cash payment of €2.5 million (approximately $3.2 million). We paid this amount in full in October 2014.

Ixmyelocel-T

Our preapproval stage portfolio also includes ixmyelocel-T, a unique patient-specific multicellular therapy derived from an adult patient's own bone marrow which utilizes our proprietary, highly automated and scalable manufacturing system. Our proprietary cell manufacturing process significantly expands the mesenchymal stromal cells (MSCS) and M2-like anti-inflammatory macrophages in the patient's bone marrow mononuclear cells while retaining many of the hematopoietic cells. These cell types are known to regulate the immune response and play a key role in tissue repair and regeneration by resolving pathologic inflammation, promoting angiogenesis, and remodeling ischemic tissue. The novelty and advantage of using ixmyelocel-T is the expansion of a unique combination of cell populations, including MSCS and M2-like macrophages, which secrete a distinct combination of angiogenic and regenerative factors, and possess the ability to remain anti-inflammatory in the face of inflammatory challenge.

Our lead clinical development program for ixmyelocel-T is focused on severe, chronic ischemic cardiovascular diseases. We are currently conducting the Phase 2b ixCELL-DCM study, which is a randomized, double-blind, placebo-controlled clinical trial for patients with advanced heart failure due to ischemic DCM. Ixmyelocel-T has been granted a U.S. Orphan Drug designation by the FDA for the treatment of DCM. We also have an ongoing ixmyelocel-T clinical program for the treatment of craniofacial reconstruction and have conducted clinical studies for the treatment of critical limb ischemia.

The ongoing Phase 2b ixCELL-DCM clinical study has treated 114 patients at 28 sites in the U.S. and Canada. Patients will be followed for 12 months for the primary efficacy endpoint of major adverse cardiovascular events, defined as all-cause deaths, all-cause hospitalizations, and unplanned outpatient or emergency department visits for IV treatment of acute worsening heart failure. Secondary endpoints include clinical, functional, structural, symptomatic, quality of life, and biomarker measures at 3, 6 and 9 months. Patients will be followed for an additional 12 months for safety. We completed enrollment of the ixCELL-DCM study in January 2015, and expect to have top-line efficacy results around the end of the first quarter of 2016.

Results of Operations

Net Loss

Our net loss for the three and nine months ended September 30, 2015 totaled $4.4 million or $0.26 per share and $11.4 million or $0.69 per share, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2015**	**2014**	**2015**	**2014**
Total revenues	$ 11,309	$ 9,658	$ 35,748	$ 14,090
Cost of product sales	6,772	5,532	19,241	10,541
Gross profit	4,537	4,126	16,507	3,549
Total operating expenses	9,414	12,148	28,221	24,737
Loss from operations	(4,877)	(8,022)	(11,714)	(21,188)
Other income (expense)	461	1,105	284	3,638
Net loss	$ (4,416)	$ (6,917)	$ (11,430)	$ (17,550)

Net Revenues

	Three Months Ended September 30,		Nine Months Ended September 30,	
Revenue by product (in thousands)	**2015**	**2014**	**2015**	**2014**
Carticel	$ 7,736	$ 7,459	$ 23,917	$ 10,904
Epicel	3,246	1,769	11,159	2,697
Bone Marrow	327	244	672	303
MACI	—	186	—	186
	$ 11,309	$ 9,658	$ 35,748	$ 14,090

Net revenues increased for the three months ended September 30, 2015 compared to the same period the previous year due primarily to increased Epicel implants and increases in the prices we charge for our products that took effect in the current period.

Period comparisons for net revenues by product for the nine months ended are not yet meaningful due to the timing of the acquisition of the CTRM Business in May 2014.

Seasonality. Carticel revenue is subject to seasonal fluctuations with stronger sales occurring in the fourth quarter and second quarter due to a number of factors including insurance copay limits and the time of year patients prefer to start rehabilitation. During 2014, the percentage of annual sales by quarter was as follows: 21.6% in the first quarter, 23.7% in the second quarter, 21.8% in the third quarter, and 32.9% in the fourth quarter. Epicel revenue is also subject to seasonal fluctuations mostly associated with the use of heating elements during the colder months, with stronger sales occurring in the winter months of the first and fourth quarters, and weaker sales occurring in the hot summer months of the third quarter. However, in any single year, this trend can be absent due to the extreme variability inherent with Epicel's low patient volume of fewer than 100 patients per year. Over the last four years, the percentage of annual sales by quarter was as follows: first quarter, 28%; second quarter, 24%; third quarter, 20%; and fourth quarter, 28%. The variability between the same quarters in consecutive years has been as high as 10% of the annual volume. While the number of patients treated per year remains low, we expect these large swings in revenue in some quarters to continue. These seasonal trends have caused and will likely continue to cause, fluctuations in our quarterly results, including fluctuations in sequential revenue growth rates.

Gross Profit and Gross Profit Ratio

Period comparison for gross profit for the nine months ended September 30, 2015 and 2014 is not yet meaningful due to the timing of the acquisition of the CTRM Business.

	Three Months Ended September 30,		Nine Months Ended September 30, 2015
(In thousands)	**2015**	**2014**	
Gross profit	$ 4,537	$ 4,126	$ 16,507
Gross profit %	40.1%	42.7%	46.2%

Gross profit ratio decreased for the three months ended September 30, 2015 compared to the same period the previous year due to an increase in cost of goods sold due to an increase in software and equipment purchases and facility modifications of $0.6 million as a result of the integration of the CTRM business and above normal inventory write-offs of $0.4 million which we do not expect to reoccur.

Research and Development Costs

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2015**	**2014**	**2015**	**2014**
Research and development costs	$ 3,740	$ 7,835	$ 11,486	$ 15,470

Research and development expenses for the three months ended September 30, 2015 were $3.7 million versus $7.8 million for the same period a year ago and were $11.5 million versus $15.5 million for the nine months ended September 30, 2015 versus the same period a year ago. The decrease in research and development expenses is a result of the ixCELL-DCM study, which completed enrollment in January 2015 and incurred minimal expenses in 2015 versus 2014 in addition to the canceled Critical Limb Ischemia study. In addition, during the three months ended September 30, 2014, at our request, Sanofi entered into a settlement agreement with the former shareholders of Verigen whereby these shareholders agreed to discharge all obligations related to these MACI milestone payments in exchange for a one-time cash payment of €2.5 million (approximately $3.2 million) due within two months from the date when all parties sign the settlement agreement. We are a third-party beneficiary of the settlement agreement and, as agreed in connection with the acquisition of the CTRM Business, we were responsible for reimbursing Sanofi for this €2.5 million payment. The decrease was partially offset by additional research, development and regulatory costs incurred for Carticel and Epicel.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2015**	**2014**	**2015**	**2014**
Dilated Cardiomyopathy	$ 1,930	$ 3,634	$ 7,229	$ 10,232
Critical Limb Ischemia	—	261	—	805
MACI - Verigen	903	3,158	1,509	3,158
Carticel	409	212	1,409	318
Epicel	498	105	1,339	180
MACI	—	465	—	777
Total research and development expenses	$ 3,740	$ 7,835	$ 11,486	$ 15,470

Selling, General and Administrative Costs

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2015**	**2014**	**2015**	**2014**
Selling, general and administrative costs	$ 5,674	$ 4,313	$ 16,735	$ 9,267

Selling, general and administrative expenses for the three months ended September 30, 2015 were $5.7 million compared to $4.3 million for the same period in the previous year. The increase in selling, general and administrative expenses is primarily due to an increase of $1.3 million in sales and marketing expenses associated with Carticel and Epicel as well as strategic planning activities for MACI, and approximately $0.6 million of increased personnel costs to manage the expanded business. These increases were partially offset by a decrease in professional service fees which were incurred in 2014 related to the acquisition of the CTRM business.

Selling, general and administrative expenses for the nine months ended September 30, 2015 were $16.7 million compared to $9.3 million for the same period the previous year. The increase in selling, general and administrative expenses is due to approximately $6.4 million in sales and marketing expenses from the CTRM business and approximately $1.8 million in increased information technology, legal, consulting and personnel costs related to integrating and managing the CTRM business in the U.S.

Other Income (Expense)

(In thousands)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Decrease (increase) in fair value of warrants	$ 461	$ 949	$ 256	$ (155)
Bargain purchase gain	—	—	—	3,634
Foreign currency translation gain (loss)	(5)	154	5	154
Net interest income	5	2	23	5
Total other income (expense)	$ 461	$ 1,105	$ 284	$ 3,638

The change in the fair value of warrants for the three and nine months ended September 30, 2015 was primarily due to the decrease in our stock price, the reduction in the time to maturity and the expiration of the January 2010 Class A warrants which were unexercised. Fluctuations in the fair value of the warrants in future periods could result in significant non-cash adjustments to the condensed consolidated financial statements, however, any income or expense recorded will not impact our cash, operating expenses or cash flow.

The bargain purchase gain of $3.6 million for the nine months ended September 30, 2014 represents the gain associated with the acquisition of the CTRM Business on May 30, 2014.

Stock Compensation

Non-cash stock-based compensation expense included in cost of goods sold, research and development expenses and selling, general and administrative expenses is summarized in the following table:

(In thousands)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Cost of goods sold	$ 59	$ —	$ 245	$ —
Research and development	109	64	467	129
Selling, general and administrative	406	138	1,476	524
Total non-cash stock-based compensation expense	$ 574	$ 202	$ 2,188	$ 653

The increase in stock-based compensation expense is due primarily to an increase in options granted in the three and nine months ended September 30, 2015 compared to the same period in 2014 as a result of an increase in the number of employees as a result of the acquisition of the CTRM business.

Liquidity and Capital Resources

We are currently focused on utilizing our technology to identify, develop and commercialize innovative therapies that enable the body to repair and regenerate damaged tissues and organs to restore normal structure and function. Until such time as we satisfy, if at all, applicable regulatory approval requirements for ixmyelocel-T and MACI, we expect the sales of Carticel and Epicel therapies to constitute nearly all of our product sales revenues. Additionally, we are focusing significant resources to successfully integrate and grow our CTRM business.

While we believe we have adequate cash to achieve a positive cash flow, we do not expect to generate positive cash flows from our consolidated operations for at least a year and then only if we achieve a combination of product sales growth, improved product margins, and lower selling, general and administrative expenses and research and development expenses.

We have raised significant funds in order to complete our product development programs, and complete clinical trials needed to market and commercialize our products. To date, we have financed our operations primarily through public and private sales of our equity securities. The current cash on hand will be sufficient to sustain operations until we become cash flow positive, however, if actual results differ from our projections, we may need to access additional capital. We have access to certain amounts of financing through an agreement with Lincoln Park Capital Fund, LLC (Lincoln Park). We may direct Lincoln Park to purchase up to $15.0 million worth of shares of our common stock over a 30-month period generally in amounts up to 50,000 shares of our common stock on certain business days under a Purchase Agreement. However, there are certain factors, such as volume of trading

in our common stock and our stock price, which limit the amount that can be raised in a short period of time. The extent to which we rely on the Lincoln Park Equity Line as a source of funding will depend on a number of factors, including the prevailing market price of our common stock and the extent to which we are able to secure working capital from other sources. The remaining capacity under this agreement is $11.3 million.

At September 30, 2015 there was approximately $7.8 million of net capacity remaining on the At-the-Market Sales Agreement with MLV & Co. LLC (formerly McNicoll, Lewis & Vlak), which allowed us to sell our common stock from time to time under a registration statement on Form S-3 filed in June 2011, pursuant to which we registered $100 million of our securities for public sale. The Form S-3 registration statement filed in June 2011 expired in July 2014. If we choose to access the remaining capacity, we will file an updated Form S-3 registration statement.

Our cash totaled $18.7 million at September 30, 2015. During the nine months ended September 30, 2015, the primary uses of cash included $9.3 million for our operations and working capital requirements. This use of funds was fueled largely by our operating loss reduced by stock compensation expense of $2.2 million as a result of an increase in personnel, depreciation and amortization expense of $1.2 million as a result of required capital expenditures in conjunction with the purchase of the CTRM business and inventory provision of $0.6 million. The reductions were offset by an increase in accrued expenses of $1.1 million due primarily to an increase in employee related expenses as a result of the additional employees, an increase in accounts payable of $0.9 million primarily related to timing of payments and expenses incurred since the CTRM business has been fully integrated, and a decrease in fair value of warrants of $0.3 million.

The change in cash used for investing activities is the result of material property plant and equipment purchases as a result of integration of the CTRM business through September 30, 2015 offset by the acquisition of the CTRM business in 2014.

The change in cash provided from financing activities is the result of the September 2014 equity raise as well as Lincoln Park and ATM activity in 2014, all of which did not occur as of September 30, 2015.

As of September 30, 2015 we had $13.5 million of cash deposited into an Insured Cash Sweep (ICS) program which is administered by Bank of New York Mellon. This program maximizes our Federal Deposit Insurance Company (FDIC) coverage by dividing our ICS funds into amounts under the standard FDIC maximum and places these amounts with other ICS Network member banks (each an FDIC-insured institute). These funds are placed in savings accounts at the member banks earning interest while still maintaining insurance coverage.

While we believe that our current cash will be sufficient to sustain operations until the business becomes cash flow positive, actual cash requirements may differ from projections and will depend on many factors, including continued scientific progress in our research and development programs, the scope and results of clinical trials, the time and costs involved in obtaining regulatory approvals, the costs involved in filing, prosecuting and enforcing patents, competing technological and market developments, costs of possible acquisition or development of complementary business activities, and the cost of product launch and commercialization of newly approved products. If MACI receives the required FDA approvals, we may need to raise additional capital in anticipation of introduction of MACI in the U.S. markets.

Off-Balance Sheet Arrangements

At September 30, 2015, we were not party to any off-balance sheet arrangements.

Significant Accounting Policies

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The preparation of these condensed consolidated financial statements requires the application of appropriate technical accounting rules and guidance, as well as the use of estimates. The application of these policies necessarily involves judgments regarding future events. These estimates and judgments, in and of themselves, could materially impact the condensed consolidated financial statements and disclosures based on varying assumptions. The accounting policies discussed in our Form 10-K for the fiscal year ended December 31, 2014 are considered by management to be the most important to an understanding of the consolidated financial statements because of their significance to the portrayal of our financial condition and results of operations. There have been no material changes to that information disclosed in our Form 10-K for the fiscal year ended December 31, 2014.

Forward-Looking Statements

This report, including the documents that we incorporate by reference, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but are not always, made through the use of words or phrases such as "anticipates," "estimates," "plans," "projects," "trends," "opportunity," "comfortable," "current," "intention," "position," "assume," "potential," "outlook," "remain," "continue," "maintain," "sustain," "seek," "achieve," "continuing," "ongoing," "expects," "management believes," "we believe," "we intend" and similar words or phrases, or future or conditional verbs such as "will," "would," "should," "could," "may," or similar expressions. Accordingly, these statements involve estimates, assumptions and uncertainties which could cause actual results to differ materially from those expressed in them. The factors described in our Annual Report on Form 10-K filed with the SEC on March 25, 2015, among others, could have a material adverse effect upon our business, results of operations and financial conditions.

Because the factors referred to in the preceding paragraph could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements we make, you should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. These forward-looking statements include statements regarding:

- potential strategic collaborations with others;
- future capital needs and financing sources;
- adequacy of existing capital to support operations for a specified time;
- product development and marketing plan;
- regulatory filing plans;
- features and successes of our cellular therapies;
- manufacturing and facility capabilities;
- clinical trial plans and anticipated results, including publication thereof:
- anticipation of future losses;
- replacement of manufacturing sources;
- integration of the CTRM business and assets;
- commercialization plans; or
- revenue expectations and operating results.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of September 30, 2015, we would not expect our operating results or cash flows to be affected to any significant degree by the effect of a sudden change in market interest rates or credit conditions on our securities portfolio.

We operate in the United States of America and have closed operations in Denmark. We are primarily exposed to foreign exchange risk with respect to recognized assets and liabilities. Our vendors in countries outside the United States are typically paid in Euro and/or Danish Krone. We do not enter into hedging transactions and do not purchase derivative instruments.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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 SEC rules and forms and that such information is accumulated and communicated to management of the Company, with the participation of its Chief Executive Officer and Chief Financial Officer (its "Certifying Officers"), as appropriate, to allow timely decisions regarding required disclosure.

The Company carried out an evaluation, under the supervision and with the participation of its management, including the Certifying Officers of the effectiveness of the Company's disclosure controls and procedures as defined in Rules l3a-15(e) and

l5d-15(e) under the Exchange Act. Based on the evaluation as of September 30, 2015, our Certifying Officers concluded that the Company's disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting during the quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we receive threats or may be subject to litigation matters incidental to our business. However, we are not currently a party to any material pending legal proceedings.

Item 1A. Risk Factors

Information regarding our risk factors is set forth in Part 1, Item 1A, "Risk Factors," on our Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 25, 2015. There have been no material changes in our risk factors from those disclosed in Part 1, Item 1A, "Risk Factors" on our Annual Report on Form 10-K.

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

The Company did not repurchase any of its equity securities during the quarter ended September 30, 2015.

Item 6. Exhibits

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

SIGNATURE

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: November 13, 2015

VERICEL CORPORATION

/s/ DOMINICK C. COLANGELO

Dominick C. Colangelo

President and Chief Executive Officer

(Principal Executive Officer)

/s/ GERARD MICHEL

Gerard Michel

Chief Financial Officer and Vice President, Corporate Development

(Principal Financial Officer)

EXHIBIT INDEX

Exhibit No.	Description
10.1†*	ACI-Maix Supply Agreement, dated October 20, 2015, by and between the Company and Matricel GmbH.
31.1*	Certification by Chief Executive Officer required by Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934 (furnished herewith).
31.2*	Certification by Chief Accounting Officer required by Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934 (furnished herewith).
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2*	Certification of Chief Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

† Confidential treatment requested as to portions of the exhibit. Confidential materials omitted and filed separately with the Securities and Exchange Commission.

* Filed herewith.

GLOSSARY

TERM	DEFINITION
Adverse Event	Any adverse change in health or "side-effect" that occurs in a person participating in a clinical trial, from the time they consent to joining the trial until a pre-specified period of time after their treatment has been completed.
Autologous (Patient Specific)	Originating from the patient receiving treatment. (Vericel uses only autologous cells).
BLA — Biologics License Application	An application containing product safety, efficacy and manufacturing information required by the FDA to market biologics products in the U.S.
CLI — Critical Limb Ischemia	An atherosclerotic vascular disease characterized by insufficient blood flow in the lower extremities that causes severe pain, tissue loss or both.
Controlled Clinical Trial	A clinical study that compares patients receiving a specific treatment to patients receiving an alternate treatment for the condition of interest. The alternate treatment may be another active treatment, standard of care for the condition and/or a placebo (inactive) treatment.
DCM — Dilated Cardiomyopathy	A chronic cardiac disease where expansion of the patient's heart reduces the pumping function to a point that the normal circulation of blood cannot be maintained.
Double-Blind Clinical Trial	Clinical trials in which neither the patient nor the physician know if the patient received the experimental treatment or a control/placebo.
FDA — Food & Drug Administration	The U.S. FDA ensures that medicines, medical devices, and radiation-emitting consumer products are safe and effective. Authorized by Congress to enforce the Federal Food, Drug, and Cosmetic Act and several other public health laws, the agency monitors the manufacture, import, transport, storage, and sale of $1 trillion worth of goods annually.
GMP — Good Manufacturing Practice	GMP regulations require that manufacturers, processors, and packagers of drugs, medical devices, some food, and blood take proactive steps to ensure that their products are safe, pure, and effective. GMP regulations require a quality approach to manufacturing, enabling companies to minimize or eliminate instances of contamination, mix-ups, and errors.
Hematopoietic Cells	All of the cells in the blood system including myeloid (monocytes and macrophages, neutrophils, basophils, eosinophils, erythrocytes, megakaryocytes/platelets, dendritic cells), and lymphoid lineages (T-cells, B-cells, NK-cells).
Ischemia	A shortage or inadequate flow of blood to a body part (commonly an organ or tissue) caused by a constriction or obstruction of the blood vessels supplying it.
LVEF — Left Ventricular Ejection Fraction	The fraction of blood pumped out of the left ventricle with each heartbeat.
Mesenchymal stromal cells	Connective tissue cells that, in the case of bone marrow derived MSC, function to support blood forming cells and secrete anti-inflammatory factors.
M2 anti-inflammatory macrophages	Specialized blood cells that remove damaged tissue and bacteria and secrete anti-inflammatory factors.
Open-label Clinical Trial	A trial in which both the treating physician and the patient know whether they are receiving the experimental treatment or control/placebo treatment.
Orphan Drug Designation	"Orphan drug" refers to a drug or biologic that is intended for use in the treatment of a rare disease or condition. Orphan drug designation from the U.S. Food and Drug Association (FDA) qualifies the sponsor to receive certain benefits from the Government in exchange for developing the drug for a rare disease or condition. The drug must then go through the FDA marketing approval process like any other drug or biologic which evaluates for safety and efficacy. Usually a sponsor receives a quicker review time and lower application fees for an orphan product.
Phase 1 Clinical Trial	A Phase 1 trial represents an initial study in a small group of patients to test for safety and other relevant factors.
Phase 2 Clinical Trial	A Phase 2 trial represents a study in a moderate number of patients to assess the safety and efficacy of a product.
Phase 2b Clinical Trial	A Phase 2b trial is a moderately-sized Phase 2 trial that is more specifically designed assess the efficacy of a product than a Phase 2a trial.

Phase 3 Clinical Trial	Phase 3 studies are initiated to establish safety and efficacy in an expanded patient population at multiple clinical trial sites and are generally larger than trials in earlier phases of development.
Prospective Clinical Trial	A clinical trial in which participants are identified and then followed throughout the study going forward in time.
Randomized Clinical Trial	A clinical trial in which the participants are assigned randomly to different treatment groups.

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT WERE OMITTED AND REPLACED WITH "[***]". A COMPLETE VERSION OF THIS EXHIBIT HAS BEEN FILED SEPARATELY WITH THE SECRETARY OF THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO AN APPLICATION REQUESTING CONFIDENTIAL TREATMENT PURSUANT TO RULE 24B-2 PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

ACI-MAIX SUPPLY AGREEMENT

between

Matricel GmbH, a company duly incorporated in Germany (registered under HR B 8628 in the Commercial Register of the Lower Court of Aachen) having its registered office located at Kaiserstrasse 100, 52134 Herzogenrath, Germany ("**Matricel**")

and

Vericel Corporation, a company incorporated under the laws of Michigan, having its registered office located at 64 Sidney Street, Cambridge, MA 02139, U.S.A. (**"Vericel"**).

RECITALS

WHEREAS, Matricel and Vericel wish to enter this ACI-Maix Supply Agreement ("**Agreement**"), in order to define the terms of their business relationship for the term of this agreement.

NOW, THEREFORE, Vericel and Matricel, intending to be legally bound, agree as follows:

1. DEFINITIONS

For the purposes of this Agreement, the following terms shall have the following meanings:

ACI-Maix-Membrane Product shall mean the sterile ACI-Maix-Membrane, a bilayered collagen membrane product derived from an animal source, as described more closely in the Quality Service Agreement (**Annex 1** to this Agreement).

Effective Date shall mean the date of the last signature of this agreement.

Final Product shall mean Vericel's autologous chondrocyte implant incorporating the ACI-Maix-Membrane Product.

Forecast shall have the meaning as defined in Section 3.3 of this Agreement.

Quality Service Agreement shall be the Agreement which forms **Annex 1** to this Agreement.

Party shall mean Vericel or Matricel, and **Parties** shall mean Vericel and Matricel.

Specifications shall have the meaning as defined in Section 2.1 of this Agreement.

Unit Price shall have the meaning as defined in Section 3.6 of the Agreement.

2. SUPPLY & RELEASE PROCESS

2.1 Specifications

During the term of this Agreement, Matricel shall supply to Vericel ACI-Maix-Membrane Products that conform to the specifications set forth in the Quality Service Agreement attached as **Annex 1** ("**Specifications**") and incorporated herein by reference according to the terms as defined herein. All ACI-Maix-Membrane Products sold hereunder shall meet the

Specifications and no changes to the Specifications shall be made by Matricel without prior written approval of Vericel.

2.2 Change in Specifications

In the event that a regulatory authority requires any changes in the Specifications as a condition to authorizing the marketing of the Final Product, or any other product that incorporates the ACI-Maix-Membrane Product, the Parties shall negotiate in good faith to amend **Annex 1** as appropriate.

2.3 Shrinkage

The Parties hereby agree to the minimum acceptable surface area of ACI-Maix-Membrane Products after hydration and before cell seeding and to jointly develop a work plan related thereto as further described in **Annex 2** (incorporated herein by this reference).

2.4 [***].

(a) [***].

(b) [***].

(c) [***].

(d) [***].

(e) [***].

3.0 TERMS OF SALE

3.1 Matricel shall make the ACI-Maix-Membrane Products for the exclusive use and benefit of Vericel. Matricel shall supply to Vericel the ACI-Maix-Membrane Products on an exclusive basis and in such quantities as may be ordered by Vericel by way of binding purchase orders as set forth in Section 3.3.

3.2 Title to, and risk of damage or loss of, the ACI-Maix-Membrane Products shall pass to Vericel upon delivery to Vericel. Matricel shall be responsible for freight, transportation, transport insurance, shipping, storage, handling, customs duty, demurrage, taxes and other similar

charges using carriers, warehouses and handlers as expressly directed by Vericel, subject to reimbursement by Vericel upon being invoiced by Matricel.

3.3 Upon execution of the Agreement Vericel will submit an initial non-binding forecast substantially in the form of **Annex 4 ("Initial Forecast")**. Every [***], starting with [***], Vericel shall provide Matricel with an updated non-binding realistic forecast of its supply requirements for ACI-Maix-Membrane Products in the [***] following the submission of the respective forecast ("**Forecast**"), which shall be substantially in the form of **Annex 4**. Generally, the Forecasts shall not constitute an obligation of the Parties of any nature. All purchases shall be made by way of binding purchase orders only. For the first calendar year following the Effective Date, the minimum purchase volume shall be [***] units of ACI-Maix-Membrane Product. For any calendar year periods subsequent to the BLA approval of the Final Product, the minimum purchase volumes shall be [***] of ACI-Maix-Membrane Product per [***]. The purchase volumes for the first calendar year following the BLA approval of the Final Product shall be pro-rated based on the timing of the BLA approval of the Final Product. In the event that the Final Product is approved and then is not commercially available in the U.S. for reasons of product recall [***], regulatory action, or facility closure by the FDA, any minimum purchase commitments shall be suspended until Vericel is authorized again to market the Final Product in the U.S.

Vericel will accept full lots and it is anticipated that the actual number of units in a lot will vary. For planning purposes, it is anticipated that an average lot will contain [***] units. Matricel shall inform Vericel in writing of the actual number of units of ACI-Maix Membrane Product contained in each lot and shall generally ship full ACI-Maix Membrane Product lots to Vericel. Credits can be taken by Vericel for a full lot against the minimum purchase volume of ACI-Maix Membrane Products based on the number of units in each lot [***]. Subject to Section 9.5, if greater quantities of ACI-Maix-Membrane Products are requested than the amount in the Forecast for the applicable period, Matricel shall use commercially reasonable efforts to meet the increased order.

3.4 All full ACI-Maix-Membrane Product lots delivered to Vericel shall have a minimum of [***] of shelf life remaining prior to expiration. Smaller ACI-Maix-Membrane Product deliveries to Vericel [***] due to reasons described in Section 3.3 shall have a minimum of [***] of shelf life remaining prior to expiration. The Parties will cooperate with each other to use diligent efforts to extend the shelf life of the ACI-Maix-Membrane Product.

3.5 Matricel shall ship the ordered full ACI-Maix-Membrane Product lot to the following address: 64 Sidney Street, Cambridge, MA 02139, USA within [***] days of receipt of each binding purchase order. If more than one full ACI-Maix-Membrane Product lot is ordered in the binding purchase order, then each additional lot will be delivered [***] days after shipment of the previous ACI-Maix-Membrane Product lot to the address listed above. Matricel shall package the ACI-Maix-Membrane Product in a manner suitable for shipment and sufficient to withstand the effects of shipping, and consistent with Vericel's shipping requirements and instructions, including handling during loading and unloading. Matricel shall include the following with each shipment: (i) the Vericel purchase order number, and (ii) Matricel's lot and batch numbers.

3.6 All sales of the ACI-Maix-Membrane Product shall be at a net price per ACI-Maix-Membrane Product (the "**Unit Price**") plus Value Added Tax (if applicable) according to the staggered table below:

Volume threshold per calendar year	**Unit Price**
[***]	[***]
[***]	[***]
[***]	[***]

In the event that Vericel extends the term pursuant to Section 9.1, Matricel may adjust the prices on an annual basis for calendar years [***] and beyond. Upon the first extension of this Agreement, the Unit Prices as set out in this Section 3.6 will be adjusted according to the following principle: [***].

3.7 Vericel shall pay the ordered ACI-Maix-Membrane Products within [***] days from the date of respective shipment to a bank account designated by Matricel. No cash discounts are allowed and the bank transfer costs shall be paid by Vericel.

4. REGULATORY APPROVAL & SUPPORT, AUDITS, CONSULTANCY

4.1 All costs (internal & external) for maintaining regulatory approval of the medical device ACI-Maix-Membrane Product in Europe (CE mark) shall be paid for by Vericel, as a pass through cost, without markup. All costs (internal & external) for achieving or maintaining regulatory approval of Matricel´s quality system for the supply of the ACI-Maix-Membrane Product to countries designated by Vericel [***] shall be paid by Vericel (internal costs [***]). Vericel will also reimburse Matricel for additional insurance costs for the supply of the ACI-Maix-Membrane Product to countries that are not covered by Matricel´s current insurance policy. If additional service providers are needed (e.g. regulatory consultants, publishers for FDA) or if additional internal or external studies are required for the registration or approval of the Product outside the EU, for instance to demonstrate compliance with national regulations, the Parties will agree on the performance of such studies and the costs for the studies will be covered by Vericel. [***]. For any costs exceeding [***], an estimate of the costs shall be first provided to Vericel by Matricel prior to the initiation of work or payment of fees.

4.2 Matricel shall support the filing and approval of Vericel´s BLA for the Final Product with the United States Food and Drug Administration ("**FDA**"). Vericel may request that Matricel disclose certain Confidential Information directly to the FDA that Vericel believes will be required or that is required by FDA to be provided in the Device Master File ("**MAF**) or by direct correspondence with the FDA. Vericel confirms that Matricel will not be obligated to make available directly to Vericel any manufacturing process information for the ACI-Maix-Membrane Product that is considered Confidential Information by Matricel. In order to support the BLA filing and approval, the Parties have agreed [***].

4.3 Regulatory and compliance support by Matricel personnel, shall be provided [***] in case that it is related to either the ACI-Maix-Membrane Product in Europe or the submissions to the FDA as it relates to the ACI-Maix-Membrane Product information in the BLA and/or open and closed

sections of the MAF. [***]. If additional regulatory and compliance support is requested for other countries designated by Vericel or for other purposes [***] then Matricel shall [***] for consulting services. No consulting services will be performed by Matricel without a prior written request from Vericel detailing the nature and scope of the services to be provided and approval by Vericel of the approximate costs of the consulting services.

4.4 Matricel shall keep current with FDA medical device guidelines and standards, [***].

4.5 Matricel will keep complete and accurate records related to the ACI-Maix-Membrane Product ("**Records**"). All original Records on the development and manufacture of ACI-Maix-Membrane Product will be retained and archived by Matricel in accordance with 21 CFR 820 medical device regulations and applicable law, but in no case for less than a period of [***] (the "**Retention Period**"). Following the Retention Period, Matricel will not destroy the Records without first giving Vericel written notice and the opportunity to further store the Records at Vericel's expense. Matricel agrees to quality audits by Vericel [***] (as described in the Quality Service Agreement) in order to ascertain the quality of ACI-Maix-Membrane Products and compliance with all applicable rules, regulations and Specifications (and related Records) during the term of this Agreement. [***].

4.6 [***].

4.7 Matricel shall provide Vericel with a current (as and when executed by the product's manufacturer) Certificate of Analysis, Certificate of Compliance and Letter of Origin relating to the ACI-Maix-Membrane Product within [***] after Vericel's request. Such Certificate of Compliance shall be a certified statement that [***]. Matricel shall notify Vericel in writing of any changes to the Certificate of Analysis, Certificate of Compliance and Letter of Origin relating to the ACI-Maix-Membrane Product [***] upon becoming aware of any such changes from the manufacturer and shall provide an updated copy of the Certificate of Analysis, Certificate of Compliance and Letter of Origin relating to the ACI-Maix-Membrane Product [***]. Matricel shall provide Vericel with a Certificate of Analysis [***].

4.8 In the performance of its obligations under this Agreement, Matricel and its employees and agents (i) shall not offer to make, make, promise, authorize or accept any payment or giving anything of value, including, without limitation, bribes, either directly or indirectly to any public official, regulatory authority or anyone else for the purpose of influencing, inducing or rewarding any act, omission or decision in order to secure an improper advantage, or obtain or retain business and (ii) shall comply with all applicable anti-corruption and anti-bribery laws and regulations. Matricel and its employees and agents shall not make any payment or provide any gift to a third party in connection with Matricel's performance of this Agreement except as may be expressly permitted in this Agreement or a purchase order without first identifying the intended third party recipient to Vericel and obtaining Vericel's prior written approval. Matricel shall notify Vericel immediately upon becoming aware of any breach of Matricel's obligations under this Section 4.8.

5. REPRESENTATIONS, WARRANTIES AND NON-CONFORMING PRODUCTS

5.1 Representations and Warranties

Matricel hereby represents and warrants (selbständiges Garantieversprechen) to Vericel that

(a) it has obtained and shall, for the term of this Agreement, maintain a CE Marking for the ACI-Maix-Membrane Product in the European Union;

(b) any submission to Vericel or to any regulatory body in connection with the ACI-Maix-Membrane Product was made or will be made in good faith and to the best of Matricel´s knowledge contained or will contain accurate and complete data and information as required by applicable laws, rules and regulations at the registered offices of the Parties;

(c) Matricel shall transfer good title to all ACI-Maix-Membrane Product sold to Vericel, and that the ACI-Maix-Membrane Product supplied to Vericel shall (i) have been manufactured in accordance with all applicable laws, rules and regulations, including, without limitation, 21 CFR 820 medical device regulations as well as the Quality Service Agreement, and the Specifications, (ii) be of satisfactory quality and free from defects in material and workmanship, (iii) not be adulterated or misbranded under the United States Federal Food, Drug, and Cosmetic Act or other law; and

(d) as of the date hereof, Matricel has not been debarred or is subject to debarment and will not use in any capacity in connection with the manufacture of ACI-Maix-Membrane Product, any person who has been debarred pursuant to Section 306 of the United States Federal Food, Drug, and Cosmetic Act, or who is the subject of a conviction described in such section. Matricel agrees to inform Vericel in writing immediately if it or any person who is performing services hereunder is debarred or is the subject of a conviction described in Section 306, or if any action, suit, claim, investigation or legal or administrative proceeding is pending or, to the best of Matricel's knowledge, is threatened, relating to the debarment or conviction of Matricel or any person used in any capacity by Matricel in connection with the manufacture of the ACI-Maix-Membrane Product.

5.2 Non-Conforming Products

(a) Vericel may reject any ACI-Maix-Membrane Product that is not in compliance with cGMP or fails to conform to the Specifications ("**Rejected Products**") (i) for "apparent defects," meaning those non-conformities that are capable of detection upon a reasonable visual inspection, within [***] days after receipt of the ACI-Maix-Membrane Products; or (ii) for "latent defects," meaning those that are not capable of detection upon a reasonable visual inspection, within [***] days from the date of discovery of such non-conformity. Vericel shall inform Matricel of such rejection by providing notice in writing (including via email) and shall return the Rejected Product to Matricel in accordance with Matricel's instructions. In case of a supply by Matricel of any ACI-Maix-Membrane Products that is not in compliance with cGMP or fails to conform to the Specifications, then Vericel may choose that [***]. Matricel shall not be liable for (I) any incorrect use of the ACI-Maix-Membrane

Product or (II) any use of the ACI-Maix-Membrane Product without the legally required approval of the Final Product by Vericel, or a Vericel customer. ACI-Maix-Membrane Products that comply with the Specifications but do not comply with the Minimum Acceptable Surface Area After Hydration shall not be regarded as a material defect.

(b) Section 377 of the German Commercial Code (Handelsgesetzbuch) is expressly excluded and replaced by the provisions of this Agreement and the Quality Service Agreement.

6. RISK MANAGEMENT

6.1 In the event Vericel receives information indicative of a risk relating to the use of one of its products which incorporates the ACI-Maix-Membrane Product, or of any injury or impairment of health or death of a patient, coincidental with or relating to the use of one of its products which incorporates the ACI-Maix-Membrane Product, and to the extent such risk, injury, impairment or death may be attributable to the ACI-Maix-Membrane Product, Vericel shall report within [***] days of receipt of that information by Vericel first by telephone and followed by facsimile to Matricel, any such report of risk, injury, impairment, or death. Matricel shall have a reciprocal obligation to inform Vericel upon its receipt of any information indicative of risk, injury, impairment of health or death associated with use of the ACI-Maix-Membrane Product or similar products of Matricel.

6.2 The Parties agree to [***] notify each other in the event either Party is the subject of any governmental or regulatory action, investigation, or sanction, or in the event any litigation is threatened or instituted against either Party [***].

7. **INDEMNIFICATION AND INSURANCE**

7.1 Vericel shall indemnify and hold Matricel harmless against all claims injuries, disabilities, losses, fines, penalties, costs, expenses (including reasonable attorneys' fees), damages or liabilities ("**Claims**") arising out of (i) any breach by Vericel or any of its representatives of any obligation, representation, or warranty of Vericel under this Agreement, or (ii) any negligence, error, or omission by Vericel or any of its representatives with respect to its or their obligations under or by reason of this Agreement.

7.2 Matricel shall indemnify and hold Vericel harmless against any and all Claims arising out of (i) any breach by Matricel or any of its representatives of any obligation, representation, or warranty of Matricel under this Agreement, (ii) any negligence, error, or omission by Matricel or any of its representatives with respect to its or their obligations under or by reason of this Agreement.

7.3 Vericel and Matricel shall each procure and maintain in full force and effect during the term of this Agreement valid and collectible insurance policies in connection with their respective obligations in the supply of the ACI-Maix-Membrane Product under this Agreement. Such insurances shall each have a coverage of at least [***] in case of damage to property and [***] in case of damage to a person arising out of or relating to the ACI-Maix-Membrane Product and use thereof in Vericel's products. Upon request, the Parties shall provide to each other a

certificate of coverage or other written evidence reasonably satisfactory to demonstrate the continuing existence of such insurance coverage. Each Party's maximum liability to the other under this Agreement shall be limited to the amount of insurance coverage such indemnifying Party is obliged to maintain.

7.4 The Parties shall, within [***] days from the date of receipt of notice of any claims, furnish to the other Party a copy of such notice and inform the other Party of all known facts relating to such claims. The indemnifying Party shall, at its cost and expense, to defend, negotiate, and otherwise resolve any claim [***]. Each Party shall provide all information in its possession and all reasonable assistance to the other Party as necessary to enable the other Party to defend any claims.

8. CONFIDENTIALITY, NON-DISCLOSURE

8.1 Definition

During the term of this Agreement and subject to the terms and conditions of this Agreement, a Party ("**Disclosing Party**") may communicate to the other Party ("**Receiving Party**") information in connection with this Agreement or the performance of its obligations under this Agreement [***] (collectively, "**Confidential Information**"). The Parties acknowledge that Vericel has certain Confidential Information of Matricel in its possession that was provided to Vericel in connection with Vericel's purchase of the cartilage repair and regenerative medicine business (including, without limitation, the Final Product) from Genzyme Corporation, and that Vericel agrees to treat such information as Confidential Information under this Agreement. Matricel permits Vericel to disclose such Confidential Information to FDA or other regulatory authorities for purposes of the BLA and other regulatory submissions, audits and related interactions with regulatory authorities.

8.2 Exclusions

Notwithstanding the foregoing, any information of a Party will not be deemed Confidential Information with respect to the Receiving Party for purposes of this Agreement if, and from such point in time, where, such information:

is already known or available to the Receiving Party or any of its affiliates, other than under an obligation of confidentiality or non-use, at the time of disclosure to the Receiving Party;

is generally available or known to a third party reasonably skilled in the field to which such information pertains, or is otherwise part of the public domain, at the time of its disclosure to the Receiving Party;

becomes generally available or known to a third party reasonably skilled in the field to which such information pertains, or otherwise becomes part of the public domain, after its disclosure to the Receiving Party through no fault of or breach of its obligations under this Section 8 by the Receiving Party;

is disclosed to the Receiving Party, other than under an obligation of confidentiality or non-use, by a third party who has no obligation not to disclose such information to others; or

is independently discovered or developed by the Receiving Party, its affiliates or permitted sublicensees, as evidenced by their written records, without the use of, Confidential Information.

8.3 **Disclosure and Use Restriction**

Except as expressly provided herein, the Parties agree that, during the term and for [***] thereafter, each Party and any of its affiliates and sublicensees will keep completely confidential and will not publish or otherwise disclose any Confidential Information of the other Party, its affiliates or sublicensees. Neither Party will use any Confidential Information of the other Party without such other Party's consent, except in connection with performance of this Agreement.

8.4 **Authorized Disclosure**

Each Party may use and disclose Confidential Information of the other Party to the extent that such use and disclosure is:

(i) made in response to a valid order of a court of competent jurisdiction or other governmental or regulatory body of competent jurisdiction; *provided*, *however*, that such Party will first have given notice to such other Party and given such other Party a reasonable opportunity to quash such order and to obtain a protective order requiring that the Confidential Information that is the subject of such order be held in confidence by such court or governmental or regulatory body or, if disclosed, be used only for the purposes for which the order was issued; and *provided*, *further, however*, that if a disclosure order is not quashed or a protective order is not obtained, the Confidential Information disclosed in response to such court or governmental order will be limited to that information which is legally required to be disclosed in response to such court or governmental order;

(a) otherwise required by applicable law; *provided*, *however*, that the Disclosing Party will provide such other Party with written notice of such disclosure in advance thereof to the extent practicable;

(b) made by such Party, in connection with the performance of this Agreement, to affiliates, permitted sublicensees, employees or consultants, each of whom prior to disclosure must be bound by obligations of confidentiality and non-use at least equivalent in scope to those set forth in this Section 8.

9. **TERM AND TERMINATION**

9.1 The Agreement shall have effect as of the Effective Date and, unless terminated earlier pursuant to any provisions of this Agreement, will end on December 31, 2022.So long as Matricel has not delivered written notice of its decision not to renew this Agreement to Vericel by June 30, 2021, Vericel has the option to extend the term of the Agreement by five (5) additional calendar

years under the same terms defined in this Agreement by sending a written confirmation of the extension to Matricel before June 30, 2022. Following such initial term and term extension by Vericel, this Agreement shall automatically renew for one additional five-year period unless otherwise terminated by Matricel or by Vericel in accordance with Section 9.2.

9.2 At any time on or after the fifth anniversary of the Effective Date, Vericel shall have the right to terminate this Agreement, for any reason, upon nine months' prior written notice to Matricel. At any time on or after July 1, 2021, Matricel shall have the right to terminate this Agreement for any reason upon eighteen (18) months' prior written notice to Vericel.

9.3 Either Party may, at its option, terminate this Agreement in the event the other Party breaches any material obligation under this Agreement and fails to remedy or otherwise cure such breach within [***] days from the date of receipt of notice of such breach given by the non-breaching Party; *provided, however,* that if the other Party cures such breach within such [***] day period, then there shall be no termination of this Agreement for such breach pursuant to this Section 9.3.

9.4 Either Party shall have the right to terminate this Agreement immediately by written notice to the other Party in the event the other Party presents, or has presented, a petition for its voluntary winding up or dissolution, makes an assignment for the benefit of creditors, becomes subject to an attachment of, execution upon, or other judicial seizure of all or substantially all of its assets, or becomes subject to involuntary proceedings under any bankruptcy or insolvency law which proceedings are not dismissed within sixty (60) days.

9.5 Upon expiration or termination of this Agreement pursuant to Section 9.1 or 9.2, Vericel shall have the option [***].

9.6 Upon termination of this Agreement Vericel shall have the right to use any inventory of the ACI-Maix-Membrane Product which it then has, in accordance with its normal course of business.

9.7 Notwithstanding the termination of this Agreement for any reason, each Party shall be entitled to recover any and all damages that such Party shall have sustained by reason of the breach by the other Party hereto of any of the terms of this Agreement.

9.8 Any rights and obligations of the Parties that by their terms survive termination or expiration of this Agreement or of any purchase order will survive termination or expiration, including, without limitation, Sections 2.4 (including Annex 3, if applicable), 3.2, 3.4, 4.5, 5, 6, 7, 8, 9.5, 9.6, 9.7, 9.8, and 10.

10. GENERAL PROVISIONS

10.1 Force Majeure

Neither Party shall be liable for any delay or failure of performance of any obligation hereunder by reason of any act or circumstance beyond the control of such Party, including, without limitation, an act of God, fire, flood, war, terrorist act, public disaster, strike or labour dispute, or governmental enactment, rule or regulation; *provided, however,* that a Party asserting any excuse for delay or failure of performance shall immediately notify the other Party, be excused

from such performance only to the extent of such delay or failure, take good-faith efforts to resume performance hereunder and do all things commercially reasonably possible to remove the cause of such delay or failure and mitigate its effect, and continues performance hereunder with the utmost dispatch as soon as the cause for such delay or failure is removed. In the event a force majeure event exists for more than [***] days, the Parties shall meet to negotiate in good faith a mutually satisfactory solution.

10.2 **Non-Waiver**

Neither a Party's ongoing performance of this Agreement, nor a Party's failure to exercise or enforce, or delay in exercising or enforcing, any right conferred upon it hereunder, shall be deemed to be a waiver of any such right or any other right or operate to bar the exercise or performance thereof at any time or times thereafter. A Party's waiver of any right hereunder at any time, including right to any payment, shall not be deemed a waiver thereof for any other time.

10.3 **Governing Law, Jurisdiction; Arbitration**

(a) This Agreement and all issues arising under or relating to this Agreement, including, without limitation, its construction, interpretation, breach, and damages for breach, shall be governed by and construed in accordance with the laws of Germany, excluding any conflicts or choice of law rule or principles and further excluding the UN Convention for the International Sale of Goods. The Parties agree to attempt to resolve amicably any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof.

(b) Unless specifically reserved for the competent courts of Cologne, Germany under German law, all disputes, controversies or claims arising out of or relating to the operation or interpretation of this Agreement, the Parties shall seek arbitration under the Rules of Arbitration of the International Chamber of Commerce by three (3) arbitrators. Each Party appoints one arbitrator and the Chamber appoints a third arbitrator who is to be the chairman of the arbitration tribunal. If a Party fails to appoint an arbitrator within thirty (30) days of having filed or received a request for arbitration, the Chamber shall appoint such arbitrator. The award rendered shall be final and binding upon both Parties. Such arbitration shall be held in Geneva, Switzerland, and be conducted in the English language. This arbitration agreement set forth herein shall be without prejudice to the right of a Party to seek any interim or conservatory measure as it deems appropriate to enforce Section 8. Each Party shall pay for the arbitrator it selects with the cost of the third arbitrator being split equally between the Parties. All other costs shall also be split equally between the Parties.

10.4 **Assignment**

Neither this Agreement nor any of the rights and obligations of a Party under this Agreement shall be assigned, delegated, sold, transferred, sub-contracted, sublicensed (except as otherwise provided in this Agreement), or otherwise disposed of, by operation of law or otherwise, to any Person, without the prior written consent of the other Party, and any attempted assignment, delegation, sale, transfer, sub-contract, sublicense, or other disposition, by

operation of law or otherwise, of this Agreement or of any rights or obligations under this Agreement contrary to this Section 10.4 shall be deemed a material breach of this Agreement by the attempting Party, and shall be void and without force or effect. Notwithstanding the foregoing, either party may assign this Agreement in whole to a third party who acquires all or substantially all of the assets of the business to which this Agreement relates.

10.5 **Amendment**

Neither this Agreement nor any provision hereof may be amended, supplemented, waived, or modified, except by a specific writing, entitled as an amendment and specifically referring to this Agreement and this Section 0. This Agreement may not be amended or waived by any course of conduct.

10.6 **Severability**

If any provision of this Agreement shall be finally determined by a court of competent jurisdiction to be illegal, invalid or unenforceable in whole or in part, then such provision shall not invalidate or render unenforceable any other provision of this Agreement. The Parties shall negotiate in good faith to replace such provision with an appropriate, legal provision and, to the extent permitted by law, hereby waive any provision of law that renders any provision of this Agreement invalid or unenforceable in any respect.

10.7 **Notices**

All notices required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given when delivered by hand, courier, or express mail service (with written confirmation of receipt), or mailed by registered or special delivery mail, return receipt requested, at the address set forth below (or to such other person or address as a Party may, from time to time, designate by written notice):

(a) if to Vericel:

Vericel Corporation
64 Sidney Street
Cambridge, MA 02139, U.S.A.
Attn: [***]

With a copy to:
Attn: Vice President, Legal Affairs

if to Matricel:

Matricel GmbH
Kaiserstrasse 100
52134 Herzogenrath
Attention: [***]

10.8 **Further Assurances**

Each of the Parties shall perform such acts, execute and deliver such instruments and documents, and do all such other things as may be reasonably necessary to accomplish the transactions contemplated under this Agreement.

10.9 **Independent Contractor**

Nothing contained in this Agreement shall be construed to constitute either Party as a partner or agent of the other Party or to create any other form of legal association that would impose liability upon a Party for any act or omission of the other Party or provide a Party with the right, power, or authority to create or impose any duty or obligation on the other Party, it being intended that each Party shall remain an independent contractor acting in its own name and for its own account.

10.10 **Entire Agreement**

This Agreement (including its Exhibits and Annexes) represents and contains the full and complete understanding and agreement of the Parties with respect to the subject matter hereof and supersedes and replaces all prior and contemporaneous agreements, understandings, statements, clauses, and conditions (both oral and written) with respect to the transactions contemplated by this Agreement or which may be contained in any other form or document.

10.11 **Language**

This Agreement is executed in the English language and shall be deemed to comprise the language mutually chosen by the Parties and no rule of strict construction shall be applied against either Party.

* * * * *

IN WITNESS THEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

Signed for and on behalf of **Vericel Corporation**

By: /s/ Gerard Michel
Name: Gerard Michel
Title: Chief Financial Officer

Date: 20 October 2015

Signed for and on behalf of **Matricel GmbH**

By: /s/ Ingo Heschel
Name: Ingo Heschel
Title: Managing Director, Matricel GmbH

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT WERE OMITTED AND REPLACED WITH "[***]". A COMPLETE VERSION OF THIS EXHIBIT HAS BEEN FILED SEPARATELY WITH THE SECRETARY OF THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO AN APPLICATION REQUESTING CONFIDENTIAL TREATMENT PURSUANT TO RULE 24B-2 PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

Date: 19 October 2015

Annex 1: Quality Service Agreement

Annex 2: Shrinkage

Annex 3: [***]

Annex 4: Initial Forecast

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT WERE OMITTED AND REPLACED WITH "[***]". A COMPLETE VERSION OF THIS EXHIBIT HAS BEEN FILED SEPARATELY WITH THE SECRETARY OF THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO AN APPLICATION REQUESTING CONFIDENTIAL TREATMENT PURSUANT TO RULE 24B-2 PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

Annex 1: Quality Service Agreement

Quality Service Agreement

between

Vericel Corporation
64 Sidney Street, Cambridge, MA 02139, USA

and

Matricel GmbH
Kaiserstrasse 100, 52134 Herzogenrath, Germany

KEY: M = Matricel, V = Vericel

1.0 Quality Service Agreement Signatures

Contract Giver

Vericel Corporation ("Vericel")
64 Sidney Street
Cambridge, MA 02139
USA

Name: Cynthia Entstrasser Date: 20 Oct 15

/s/ Cynthia Entstrasser

Title: Senior Director

Contract Acceptor

Matricel GmbH ("Matricel")
Kaiserstrasse 100
D-52134 Herzogenrath, Germany

Name: Leon Olde Damink Date: 19 Oct 15

/s/ Leon Olde Damink

Title: Head of Regulatory Affairs and Quality Management

Name: Ingo Heschel Date: 19 Oct 15

/s/ Ingo Heschel

Title: Managing Director

2.0 Date of Issue

2.1 This Quality Service Agreement ("Quality Agreement") is Annex 1 to the ACI-Maix Supply Agreement between Vericel and Matricel, dated October 20, 2015 ("ACI-Maix Supply Agreement"), and is valid as long as this ACI-Maix Supply Agreement is in place.

Date of issue: October 20, 2015

Version: 01 Date: Name: Date:

3.0 Scope

3.1 This Quality Agreement constitutes the technical agreement required under European Good Manufacturing Practice (GMP) legislation 2003/94/EC Article 12, and FDA Good Manufacturing Practices 21CFR210, 211 to cover the final packaged ACI-Maix-Membrane Product manufactured by Matricel.

3.2 This Quality Agreement fulfills the requirements of 21 CFR 820.50 Purchasing Controls.

3.3 This Quality Agreement defines the individual responsibilities of Vericel and Matricel.

4.0 Procedures for Revision

4.1 Updates and changes will be addressed in collaboration with Vericel and Matricel.

5.0 Document Revision History

KEY: M = Matricel, V = Vericel

6.0 Definitions

6.1	ACI-Maix-Membrane Product	[***]
6.2	Final Product	Vericel´s autologous chondrocyte implant incorporating the ACI-Maix-Membrane Product
6.3	For Cause Audit	An audit that is initiated for a particular reason [***]
6.4	ISO 11137, Parts 1,2,3 [in the current version(s)]	Sterilization of Health Care Products - Requirements for Validation and Routine Control - Radiation Sterilization for Medical Devices
6.5	ISO 13485 [in the current version(s)]	Medical Devices -Quality Management Systems - Requirements for Regulatory Purposes
6.6	ISO 14644 Parts 1-5 [in the current version(s)]	Cleanrooms and associated controlled environments
6.7	Product Recall	[***]
6.8	Product Withdrawal	[***]

7.0 **QUALITY REQUIREMENTS**

7.1 The obligations set out in this Quality Agreement shall apply to Matricel with respect to the ACI-Maix-Membrane Products manufactured by Matricel or any of its affiliates.

[***], Matricel shall supply the ACI-Maix Membrane Product, [***] in accordance with the Specifications set forth in the applicable approved applications and such other Specifications as may from time to time be established by the applicable regulatory authorities [***].

7.2 Manufacture

7.2.1 Premises. All ACI-Maix-Membrane Products supplied to Vericel shall be manufactured at [***].

The premises and equipment used for manufacture must be in compliance with current device GMPs as described in Section 7.2.2, current regulatory requirements, and in accordance with the documentation approved by FDA (including without limitation calibration and maintenance in a controlled state).

7.2.2 GMP Regulations. The current device GMP regulations to be applied are the United States cGMPs listed in Title 21 Code of Federal Regulations ("CFR") Part 820 and associated Compliance Guidances.

7.2.3 Materials. Matricel is responsible for ensuring that all materials procured for use in the ACI-Maix-Membrane Products are in full compliance with the registered Specifications.

7.2.4 Manufacturing Documentation. Matricel will maintain original manufacturing documentation according to record retention procedure consistent with FDA requirements.

7.2.5 Methods. The ACI-Maix-Membrane Products shall be manufactured and tested in accordance current device GMP regulations and the information contained in the FDA Device Master File (MAF).

7.2.6 Batch Numbering. Matricel's batch numbering system will be used for numbering each batch of the ACI-Maix-Membrane Products made for sale. This identification will appear on all documents relating to the particular batch of the ACI-Maix-Membrane Products. The code for batch numbering identification will be supplied to Vericel.

7.2.7 Expiration Dating. The expiration date shall be established from [***].

7.2.8 Particulates and Size. The ACI-Maix-Membrane Product must be [***].

7.3 Quality Assurance

7.3.1 Testing. Matricel is responsible for ensuring that all required in-process testing is carried out and documented.

7.3.2 Certificate of Analysis (COA) and Certificate of Compliance (COC). Matricel will issue a Certificate of Analysis (COA) substantially in the form of Attachment 2, confirming that the ACI-Maix-Membrane Product has been tested, and meets the Specifications. Test specifications and test results must be included for each test. Matricel will provide a Certificate of Compliance (COC) substantially in the form of Attachment 2, stating that the finished ACI-Maix-Membrane Product has been manufactured in accordance with the approved MAF. The COA and COC shall accompany each batch of finished ACI-Maix-Membrane Product shipped from Matricel. The COA and COC may be combined into a single document provided all required information is combined therein.

7.3.3 Products Refusal. All regulations regarding handling of product refusals of the ACI-Maix-Membrane Product are covered in the ACI-Maix Supply Agreement. Written notification will be supplied to Matricel detailing the reason(s) for the refusal of the ACI-Maix-Membrane Product.

7.3.4 Documentation/Validation Batches. Matricel is responsible for generating a validation package that includes: (1) the validation protocol, (2) full batch document packages, (3) all validation data, and (4) validation report for all validation batches of the ACI-Maix-Membrane Product manufactured.

KEY: M = Matricel, V = Vericel

7.3.5 Retained Samples. Matricel will retain sufficient samples of the product to carry out [***] full specification test of the ACI-Maix-Membrane Product.

7.3.6 Inspections. In the event that Matricel's Facilities used in the manufacturing of ACI-Maix-Membrane Product hereunder are inspected [***], for the specific purpose of inspecting Matricel's manufacture of the ACI-Maix-Membrane Product for Vericel, Matricel shall notify Vericel [***], upon learning of such inspection, and shall inform Vericel [***]. In the event that any such inspection relates to other products manufactured in Matricel's Facilities, Matricel shall inform Vericel [***]. Matricel may ask for Vericel´s regulatory and QA support during an FDA inspection related to the ACI-Maix-Membrane Product in connection with the BLA review in order to assist in responding to FDA questions related to the open sections of the MAF. [***]. Matricel will notify Vericel, within [***] days, of any request made by a regulatory authority for ACI-Maix-Membrane Product samples or batches.

7.3.7 Audits
Matricel agrees to quality audits by Vericel [***].

After the conclusion of any audit Matricel will be informed in writing of the specific audit results, and will develop and execute a corrective action plan within [***] in response to any audit finding. This plan and follow-up corrective actions are subject to mutual agreement of the parties.

7.3.8 Corrective Actions from Audits
Critical defects (Substantial cGMP deficiency). In the event "Critical" defects are discovered during audits by either Vericel or a regulatory authority [***].

Other defects. In the case of other defects (minor cGMP issues) arising during audits by Vericel or regulatory authorities [***].

7.3.9 Recalls/Complaints/Adverse Events

Recalls. [***] shall initiate and implement a recall of the Final Product, whether such recall is voluntarily or requested by the regulatory authorities in accordance with the approved SOP. [***].

Complaints. Vericel will forward all the complaints related to the ACI-Maix-Membrane Product to Matricel within [***] days from the date received by Vericel's Quality Assurance Department. Matricel will initiate an investigation according to its standard operating procedure. A written report of the investigation shall be sent to Vericel within [***] days of the forwarded complaint. Vericel shall respond directly to all complaints.

Adverse Events. All adverse events will be handled in accordance with Attachment 1 of the Quality Agreement.

7.3.10 Change Control and Deviations
Change Control. Matricel shall comply with GMP regulations in its change control procedures. Matricel shall provide prior written notice to Vericel of proposed changes to the ACI-Maix-Membrane Product [***].

Deviations.
Matricel shall notify Vericel [***] of any planned deviations from the manufacturing process. In such a case the provisions of Attachment 1, Section 5.4 shall apply.

Matricel will record any unplanned deviations from the manufacturing process and/or testing of the ACI-Maix-Membrane Product in the batch/testing records. Matricel shall notify Vericel [***]

KEY: M = Matricel, V = Vericel

of any confirmed quality-relevant deviations from the manufacturing process. [***]. In such a case the provisions of Attachment 1, Section 5.2 shall apply.

7.3.11 Failures Investigation. Matricel shall investigate any test result or in-process test which fails to meet specification and use [***] to determine the root cause. In case the failure results in a quality-relevant deviation [***].

The investigation must determine [***]. Additional, sampling, testing and checks may be performed in accordance with Matricel procedures and FDA guidance.

7.3.12 Annual Management Reviews. Matricel is responsible for [***] preparing the management review of the ACI-Maix-Membrane Product manufactured at Matricel. A copy shall be provided to Vericel.

7.4 Validation

7.4.1 Process. Matricel is responsible for ensuring that the manufacturing process is validated before any routine production can start. The validation should ensure that the process is capable of consistently meeting the ACI-Maix-Membrane Product Specifications. Validation protocols and reports shall be available for Vericel's review upon request. Prior to a request for document inspection by Vericel, Matricel may redact any sensitive confidential information contained in the relevant document.

7.4.2 Equipment Cleaning. Matricel is responsible for ensuring that adequate cleaning is carried out for each manufactured ACI-Maix-Membrane Product. The cleaning process will be validated before the first ACI-Maix-Membrane Product batches are made for Vericel. All analytical methods for testing of the cleaning samples, including recovery studies shall be validated per documented protocols and reports which comply with ICH and USP guidelines, as applicable. Validation protocols and reports shall be available for Vericel's review upon request. Prior to a request for document inspection by Vericel, Matricel may redact any sensitive confidential information contained in the relevant document.

7.4.3 Computer System. Any electronic records will be stored in such a manner as to maintain their traceability, reliability and integrity throughout the required record keeping timeframes established in the applicable regulations.

7.5 Storage and Shipping

Matricel will ensure that during packaging, storage and shipment of the Product that there is [***]. Matricel will also notify Vericel [***] months prior to bringing additional products into the same area of Matricel's Facilities where the ACI-Maix-Membrane is produced [***]. Matricel will only ship goods to facilities designated by Vericel.

7.6 Termination

The term of this Quality Agreement shall be for the period beginning with the Effective Date and shall remain in effect for the term of the ACI-Maix Supply Agreement between the parties. At any time on or after the fifth anniversary of the Effective Date, Vericel shall have the right to terminate the ACI-Maix Supply Agreement, for any reason, upon nine months' prior written notice to Matricel. At any time on or after July 1, 2021, Matricel shall have the right to terminate the ACI-Maix Supply Agreement for any reason upon eighteen months' prior written notice to Vericel. Upon such termination or expiration of the ACI-Maix Supply Agreement, this Quality Agreement will terminate automatically.

KEY: M = Matricel, V = Vericel

7.7 Miscellaneous

7.7.1 Amendment. This Quality Agreement may only be amended or modified by a written instrument executed by both parties hereto.

7.7.2 Assignment. This Quality Agreement shall inure to the benefit of, and shall be binding upon each of, the parties hereto and their respective successors and permitted assigns; provided, and only in accordance with the provisions and restrictions on assignment contained therein which are hereby incorporated by reference.

7.7.3. Severability. In the event that any one or more of the Quality Agreement's provisions or terms contained herein shall be declared invalid, illegal or unenforceable in any respect, the validity of the remaining provisions herein shall in no way be affected, prejudiced or invalidated thereby.

7.7.4 Entire Agreement. This Quality Agreement, together with the Appendix hereto contains the entire agreement between the parties hereto and supersedes any agreements between them with respect to the subject matter hereof.

7.7.5 Section Headings. The section headings contained in this Quality Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Quality Agreement.

7.7.6 Counterparts. This Quality Agreement may be executed in any number of separate counterparts, each of which shall be deemed to be an original, but which together shall constitute one and the same instrument.

7.7.7 Governing Law, Jurisdiction. This Quality Agreement and all issues arising under or relating to this Quality Agreement, including, without limitation, its construction, interpretation, breach, and damages for breach, shall be governed by and construed in accordance with the laws of Germany, excluding any conflicts or choice of law rule or principles and further excluding the UN Convention for the International Sale of Goods. The parties agree to attempt to resolve amicably any dispute, claim or controversy arising out of or relating to this Quality Agreement or the breach, termination, enforcement, interpretation or validity thereof.

7.7.8 Arbitration. Unless specifically reserved for the competent courts of Cologne, Germany under German law, all disputes, controversies or claims arising out of or relating to the operation or interpretation of this Quality Agreement, the parties shall seek arbitration under the Rules of Arbitration of the International Chamber of Commerce by three (3) arbitrators. Each party appoints one arbitrator and the Chamber appoints a third arbitrator who is to be the chairman of the arbitration tribunal. If a party fails to appoint an arbitrator within thirty (30) days of having filed or received a request for arbitration, the Chamber shall appoint such arbitrator. The award rendered shall be final and binding upon both parties. Such arbitration shall be held in Geneva, Switzerland, and be conducted in the English language. This arbitration agreement set forth herein shall be without prejudice to the right of a party to seek any interim or conservatory measure as it deems appropriate to enforce Section 8 of the ACI-Maix Supply Agreement. Each party shall pay for the arbitrator it selects with the cost of the third arbitrator being split equally between the parties. All other costs shall also be split equally between the parties.

KEY: M = Matricel, V = Vericel

8.0 Table of Contents

KEY: M = Matricel, V = Vericel

Attachment 1

1.0 Quality System Requirements

Both Parties agree to the following listed responsibilities for all the operations that are marked with "√ " in the respective column that bears their name.

Ref	Description of Activity	M	V
1.1	[***]		
1.2	[***]		
1.3	[***]		
1.4	[***]		

2.0 Regulatory Affairs (Actions, and Inspections)

Ref	Description of Activity	M	V
2.1	[***]		
2.2	[***]		
2.3	[***]		
2.4	[***]		

3.0 Production and Validation

Ref	Description of Activity	M	V
3.1	[***]		
3.2	[***]		
3.3	[***]		
3.4	[***]		
3.5	[***]		
3.6	[***]		
3.7	[***]		
3.8	[***]		
3.9	[***]		
3.10	[***]		
3.11	[***]		

4.0 Design/Change Control

Ref	Description of Activity	M	V
4.1	[***]		
4.2	[***]		

5.0 Deviations and Out of Specification Management

KEY: M = Matricel, V = Vericel

Ref	Description of Activity	M	V
5.1	[***]		
5.2	[***]		
5.3	[***]		
5.4	[***]		
5.5	[***]		

6.0 Materials

Ref	Description of Activity	M	V
6.1	[***]		
6.2	[***]		
6.3	[***]		
6.4	[***]		
6.5	[***]		

7.0 Lot Number Assignment & Expiration Dating Assignment

Ref	Description of Activity	M	V
7.1	[***]		
7.2	[***]		
7.3	[***]		

8.0 Testing, Analysis and Assay Validation

Ref	Description of Activity	M	V
8.1	[***]		
8.2	[***]		
8.3	[***]		
8.4	[***]		
8.5	[***]		

9.0 Product Release

Ref	Description of Activity	M	V
9.1	[***]		
9.2	[***]		
9.3	[***]		
9.4	[***]		
9.5	[***]		
9.6	[***]		

10.0 Records Required for Release and submitted to Vericel

KEY: M = Matricel, V = Vericel

Ref	Description of Activity	M	V
10.1	[***]		
10.2	[***]		

11.0 Product Complaints and Adverse Events

Ref	Description of Activity	M	V
11.1	[***]		
11.2	[***]		
11.3	[***]		
11.4	[***]		
11.5	[***]		

12.0 Product Recall and Withdrawal

Ref	Description of Activity	M	V
12.1	[***]		
12.2	[***]		
12.3	[***]		

13.0 Storage, Transportation, and Distribution

Ref	Description of Activity	M	V
13.1	[***]		
13.2	[***]		
13.3	[***]		

14.0 Contract Manufacturing/Testing

Ref	Description of Activity	M	V
14.1	[***]		
14.2	[***]		
14.3	[***]		
14.4	[***]		

KEY: M = Matricel, V = Vericel

Attachment 2

Certificate of Analysis
[to be attached]

KEY: M = Matricel, V = Vericel

ACI-Maix
collagen membrane

Certificate of Analysis

Lot number: Expiration date:

BULK MATERIAL TESTING

Test	Specification	Result
[***]	[***]	
[***]	[***]	
[***]	[***]	
[***]	[***]	
[***]	[***]	
[***]	[***]	
[***]	[***]	
[***]	[***]	
[***]	[***]	

KEY: M = Matricel, V = Vericel

FINISHED PRODUCT TESTING

Test	Specification	Result
[***]	[***]	
[***]	[***]	
[***]	[***]	
[***]	[***]	
[***]	[***]	
[***]	[***]	
[***]	[***]	
[***]	[***]	
[***]	[***]	

[***]

Manufacturing Manager: _ Date:

Quality Assurance Manager: _ Date:

KEY: M = Matricel, V = Vericel

Certificate of Compliance
[to be attached]

KEY: M = Matricel, V = Vericel

Certificate of Compliance

Lot number: Expiration date:

[***]

[***]

[***]

[***]

[***]

[***]

[***]

Manufacturing Manager: Date:

Quality Assurance Manager: Date:

KEY: M = Matricel, V = Vericel

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT WERE OMITTED AND REPLACED WITH "[***]". A COMPLETE VERSION OF THIS EXHIBIT HAS BEEN FILED SEPARATELY WITH THE SECRETARY OF THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO AN APPLICATION REQUESTING CONFIDENTIAL TREATMENT PURSUANT TO RULE 24B-2 PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

Appendix 1 - List of Contacts

Vericel				
	Name	**Telephone Number**	**e-mail**	**Title**
1				[***]
2				[***]

Matricel				
	Name	**Telephone Number**	**e-mail**	**Title**
1				[***]
2				[***]
3				[***]

KEY: M = Matricel, V = Vericel

Annex 2: Shrinkage

The Parties hereby agree to the following provisions regarding shrinkage:

(a) Dry ACI-Maix-Membrane Products are [***]. To be acceptable for use in the Final Product ("**Usable ACI-Maix-Membrane Product**"), the minimum acceptable surface area of ACI-Maix-Membrane Products after hydration and before cell seeding is [***] ("**Minimum Acceptable Surface Area After Hydration**"). [***] cannot be utilized in Final Product and will need to be discarded ("**Unusable ACI-Maix-Membrane Product**").

(b) At the time of execution of this Agreement, an appropriate shrinkage specification for inclusion in the Quality Service Agreement has not been determined by the Parties.

(c) Vericel and Matricel will jointly develop a work plan [***]. At the successful completion of this work, the Specifications and Quality Service Agreement shall be amended to include the jointly defined shrinkage release criterion.

(d) For the time period between the execution of this Agreement and the execution of the amendment to the Specifications and Quality Service Agreement [***] the following provisions shall apply:

(ii) [***].

(iii) [***].

(iv) [***].

a. [***].

b. [***].

[***].

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT WERE OMITTED AND REPLACED WITH "[***]". A COMPLETE VERSION OF THIS EXHIBIT HAS BEEN FILED SEPARATELY WITH THE SECRETARY OF THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO AN APPLICATION REQUESTING CONFIDENTIAL TREATMENT PURSUANT TO RULE 24B-2 PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

Annex 3: [***]

[***].

Annex 4: Initial Forecast

[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]

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.

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: November 13, 2015

/s/ DOMINICK C. COLANGELO

Dominick C. Colangelo

President and Chief Executive Officer

(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Gerard Michel, 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.

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: November 13, 2015

/s/ GERARD MICHEL

Gerard Michel

Chief Financial Officer and Vice President, Corporate Development

(*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 September 30, 2015, 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: November 13, 2015

/s/ DOMINICK C. COLANGELO

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

EXHIBIT 32.2

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 September 30, 2015, 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: November 13, 2015

/s/ GERARD MICHEL

Gerard Michel

Chief Financial Officer and Vice President, Corporate Development

(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.