



GI Dynamics, Inc. - ASX Announcement

**GI Dynamics, Inc. Announces the Appointment of Medical Device Industry Veteran
Michael D. Dale as President & Chief Executive Officer**

Stuart A. Randle to Step Down from CEO Role

LEXINGTON, Massachusetts & SYDNEY, Australia – 28 August 2014 – [GI Dynamics, Inc.](http://www.gidynamics.com) (ASX: GID) today announced the appointment of Michael D. Dale as President, CEO and member of the Board of Directors of GI Dynamics, effective September 18, 2014. Mr. Dale will replace Stuart A. Randle, who will be stepping down as President and CEO, but will remain on the Board and available as a consultant during a transition period. Mr. Dale brings more than 25 years of executive experience successfully driving growth and delivering financial results in dynamic, innovative public and private medical device organizations.

“On behalf of the entire GI Dynamics organization, I want to thank Stu for his significant contributions to the company over the last decade,” stated Jack Meyer, Chairman of the Board of Directors for GI Dynamics. “Stu was instrumental in securing the CE Mark for EndoBarrier®, gaining Food and Drug Administration approval for initiating the pivotal clinical study for EndoBarrier in the United States and successfully completing critical financings, including the Company’s initial public offering on the Australian Securities Exchange. We appreciate Stu’s leadership through these important milestones and his continued support during this CEO transition period.”

Mr. Dale brings nearly three decades of operational leadership and global commercialization experience to GI Dynamics, spanning multiple high technology, transformative medical device companies in the cardiovascular, neuromodulation and electrophysiology markets. Previously, Mr. Dale served as Chairman, President and CEO of publicly traded ATS Medical until its acquisition in 2010 by Medtronic. During his eight-year tenure, ATS established itself as a leader in the surgical treatment of heart valve disease and atrial fibrillation resulting in significant expansion in market capitalization, from \$7.5 million to more than \$375 million. Most recently, Mr. Dale served as President and CEO of Helical Solutions, an early stage venture capital funded business dedicated to development of the Tornado™ system for treatment of atrial fibrillation. In addition to Helical Solutions and ATS Medical, Mr. Dale has held executive leadership roles with Endocardial Solutions, Cyberonics, St. Jude Medical and Edwards Life Sciences. He brings extensive international experience including serving as the Business Unit Director of Heart Valves in Europe for St. Jude Medical, responsible for Europe, Scandinavia, Russia, the Middle East and Africa, as well as in his roles at Cyberonics, as Vice President of Global Sales and Managing Director of Cyberonics Europe S.A. Mr. Dale holds a Bachelor of Science degree from California Polytechnic State University in San Luis Obispo, California.

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GI Dynamics, Inc., is a corporation incorporated in Delaware, USA, whose stockholders have limited liability. ARBN 151 239 388

“Mike is an exceptional leader with an impressive track record in the medical device sector,” said Mr. Randle. “Building GI Dynamics has been an incredible journey over the last 10 years, and we are fortunate to have a leader of Mike’s caliber to drive the future success of the company. I look forward to making this a seamless transition for him and the rest of our organization.”

“I am delighted and honored by the opportunity to lead GI Dynamics,” commented Mr. Dale. “When every stakeholder stands to benefit in meaningful ways from the application of a better solution to a significant problem, you have the basis for a great business. With the focus on better treatment of type 2 diabetes and obesity, I believe GI Dynamics offers this potential. The growing body of clinical evidence in support of EndoBarrier is compelling and provides a strong foundation upon which to build. I look forward to working with the management team and the Board to develop the strategies required to fulfill our business purpose.”

A copy of the employment agreement that GI Dynamics has entered into with Mr. Dale is attached as Annexure A to this announcement and a copy of the separation agreement (including the consultancy terms) entered into between GI Dynamics and Mr. Randle with respect to his resignation as CEO of GI Dynamics is attached as Annexure B to this announcement.

About GI Dynamics

GI Dynamics, Inc. (ASX: GID) is the developer of EndoBarrier®, the first endoscopically-delivered device therapy approved for the treatment of type 2 diabetes and/or obesity. EndoBarrier is approved and commercially available in multiple countries outside the U.S. EndoBarrier is not approved for sale in the U.S. and is limited by federal law to investigational use only in the United States. GI Dynamics is conducting a pivotal clinical trial of EndoBarrier in the U.S. for the treatment of patients who have uncontrolled type 2 diabetes and are obese. Founded in 2003, GI Dynamics is headquartered in Lexington, Massachusetts. For more information, please visit www.gidynamics.com.

Forward-Looking Statements

This announcement contains forward-looking statements concerning: our development and commercialization plans; our potential revenues, costs, profitability and financial performance; our ability to obtain reimbursement for our products; our clinical trials, and associated regulatory submissions and approvals; the number and location of commercial centres offering the EndoBarrier®; and our intellectual property position. These forward-looking statements are based on the current estimates and expectations of future events by the management of GI Dynamics, Inc. as of the date of this announcement and are subject to a number of risks and uncertainties that could cause actual results to differ materially and adversely from those indicated in or implied by such forward-looking statements, including those described in in our filings with the U.S. Securities and Exchange Commission.

These risks and uncertainties include, but are not limited to: risks associated with the possibility that clinical trials will not be successful or confirm earlier results; risks associated with obtaining funding from third parties; risks relating to the timing and costs of clinical trials, results of clinical trials, the timing of regulatory submissions, the timing and receipt of regulatory approvals, the timing and amount of other expenses; execution risks; competition; risks related to market acceptance of products; intellectual property risks; and assumptions regarding the size of the available market, benefits of our products, product pricing, timing of product launches, future financial results and other factors. Given these uncertainties, you should not place undue reliance on these forward-looking statements. We do not assume any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

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Annexure A

August 28, 2014

Michael Dale
1450 Hunter Drive
Wayzata, MN 55391-9658

Re: Offer of Employment

Dear Mr. Dale:

GI Dynamics, Inc. (the "Company") is pleased to offer you employment as the Company's President and Chief Executive Officer on the terms and conditions set forth in this letter agreement (the "Agreement").

1. Commencement of Employment; Board Membership. Your employment with the Company as President and Chief Executive Officer will start no later than September 18, 2014 (the "Start Date"). You also will serve as a member of the Company's Board of Directors (the "Board") during your employment hereunder, subject to any required approval. You will resign from the Board effective immediately upon the termination of your employment with the Company for any reason.

2. Duties. You will devote your best efforts and full business time, skill and attention to the performance of your duties, subject to the direction of the Board. You will perform such executive, managerial, administrative and professional duties as are normally associated with those positions and customarily performed by those holding such offices at businesses similar to the Company. You will also be expected to adhere to the written employment policies and practices of the Company that may be in effect from time to time, except that when the terms of this Agreement conflict with the Company's written employment policies or practices, this Agreement will control. You will also be expected to comply with the Company's corporate governance policies and charters that may be in effect from time to time.

3. Salary. You will be paid an annual base salary (the "Base Salary") of four hundred fifty thousand dollars (\$450,000), less applicable deductions and withholdings, to be paid each month in accordance with the Company's payroll practices, as may be in effect from time to time. Your performance and Base Salary will be reviewed on an at least an annual basis by the Board upon the recommendation of the Compensation Committee of the Board (the "Compensation Committee"). You will be entitled to such increases in Base Salary during your employment as will be determined by the Board, taking into account your performance and that of the Company, and other factors considered relevant by the Board.

4. Performance Bonus. Each calendar year, you will be eligible to earn an annual incentive bonus equal to forty five percent (45%) of your annual Base Salary (the "Performance Bonus"). Whether you receive such a bonus, and the amount of any such bonus ("Earned Performance Bonus"), will be determined by recommendations from the Compensation Committee and approval from the Board, and will be based upon achievement of performance objectives (the "Performance Objectives") to be mutually agreed upon between you and the Compensation Committee. The amount, if any, of such Earned Performance Bonus will be paid

to you within forty five (45) days following the close of the fiscal year to which it relates, and in no event later than March 15th of the calendar year immediately following the calendar year in which it was earned. You must be employed on the last day of the fiscal year to which it relates in order to earn the Earned Performance Bonus. However, if your employment is terminated either by you without Good Reason or the Company for Cause prior to any Earned Performance Bonus being paid, you will not have earned the Earned Performance Bonus and no partial or prorated Earned Performance Bonus will be paid.

5. Benefits.

(a) You will be eligible to participate in the Company's standard benefit programs made available to senior executives, subject to the terms and conditions of such plans. The Company may, from time to time, change these benefits in its discretion. Additional information regarding these benefits is available for your review upon request.

(b) The Company will reimburse you for all normal, usual and necessary expenses incurred by you in furtherance of the business and affairs of the Company, including reasonable travel and entertainment, upon timely receipt by the Company of appropriate vouchers or other proof of your expenditures and in accordance with the Company's policies with respect thereto as in effect from time to time. You must submit any request for reimbursement no later than ninety (90) days following the date that such business expense is incurred. All reimbursements provided under this Agreement will be made or provided in accordance with the requirements of Section 409A of the Internal Revenue Code ("Code Section 409A") including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during your lifetime (or during a shorter period of time specified in this Agreement); (ii) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year; (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred; and (iv) the right to reimbursement or in kind benefits is not subject to liquidation or exchange for another benefit.

(c) You will be designated as a named insured on the directors' and officers' liability insurance of the Company.

(d) You will, during each calendar year of your employment, be entitled to four (4) weeks of vacation per annum, in addition to nationally recognized holidays.

(e) The Company expects that you will relocate your principal residence to the Boston, MA vicinity within six (6) months following the Start Date. In 2015, the Company will reimburse you up to one hundred thousand dollars (\$100,000) for documented reasonable and customary costs to include moving expenses, costs to sell your existing residence, costs of searching for a new residence and closing costs incurred in connection with the purchase of your new residence (collectively, "Relocation Expenses") incurred by you in calendar year 2014 or 2015. Those Relocation Expenses will be paid within 30 days of your submission of documentation of those expenses. You and the Company will work with a relocation firm to attempt to reduce the tax implications of the reimbursed amounts. The Company will pay you an additional amount to compensate you for federal and state income taxes incurred in connection

with the reimbursement of the Relocation Expenses (the “Gross-Up Payment”) such that the amount of the Gross-Up Payment plus the net after-tax amount of the reimbursed Relocation Expenses is equal to the amount you would have received had the reimbursed Relocation Expenses not been subject to federal and state taxation, provided that the gross total payment of reimbursed Relocation Expenses and Gross-Up Payments made by the Company hereunder shall not exceed one hundred twenty five thousand dollars (\$125,000) in the aggregate. The Company also will pay for the documented reasonable costs of temporary housing (e.g., extended stay hotel or similar) in the vicinity of Boston, MA and rental transportation for a period of up to a maximum period of six (6) months following the Start Date, and up to a maximum payment of five thousand dollars (\$5,000) per month (such temporary housing and rental transportation costs, together with the reimbursed Relocation Expenses and Gross-Up Payment, collectively referred to herein as the “Total Relocation Benefit”). You expressly acknowledge and agree that: (i) in the event that you voluntarily terminate your employment with the Company for any reason within the twelve (12) months following the Start Date, one hundred percent (100%) of the gross amount of the Total Relocation Benefit under this Section 5(e) must be repaid to the Company, and you agree to make such repayment within thirty (30) days following such voluntary termination, and (ii) in the event that you voluntarily terminate your employment with the Company for any reason following the conclusion of the twelfth (12th) month following the Start Date and before the conclusion of the twenty third (23rd) month following the Start Date, fifty percent (50%) of the gross amount of the Total Relocation Benefit under this Section 5(e) must be repaid to the Company, and you agree to make such repayment within thirty (30) days following such voluntary termination. Reimbursements provided under this Section 5(e) shall be subject to Section 5(b) of this Agreement and applicable Company policy.

6. Equity.

Option Grant. On the Start Date, the Company will grant you an option to purchase shares of the Company’s common stock equal to three and one-quarter percent (3.25)% of the Company’s Fully Diluted Stock (as defined below) as of the grant date (the “Options”), at a per share exercise price equal to the Fair Market Value (as defined in the Company’s 2011 Employee, Director and Consultant Equity Incentive Plan (the “2011 Plan”) of the Company’s common stock on the date of grant. The Options will vest over a four (4) year period, with one quarter (1/4) of the shares subject to the Options vesting on the one (1) year anniversary of the date of grant, and the remaining shares vesting equally over the following thirty-six (36) months of continuous service, provided that you are providing services to the Company as an employee or consultant on such vesting dates (no vesting will occur following the termination of employment or consulting services). The Options will be, to the maximum extent permissible, treated as “incentive stock options” within the meaning of Section 422 of the Internal Revenue Code. The Options will be evidenced in writing by, and subject to the terms and conditions of, the 2011 Plan and the Company’s standard form of stock option agreement, which agreement shall expire ten (10) years from the date of grant except as otherwise provided in the stock option agreement or the Plan.

(a) Restricted Stock Unit Grant. On the Start Date, the Company will grant you restricted stock units in the Company equal to three-quarters of one percent (.75)% of the Company’s Fully Diluted Stock (as defined below) as of the grant date (the “RSUs”). The RSUs will provide for the issuance of shares over a four (4) year period, with one quarter (1/4) of

the subject shares issued on the one (1) year anniversary of the date of grant, and the remaining subject shares issued equally over the following three (3) years of continuous service, provided that you are providing services to the Company as an employee or consultant on such issuance dates (no vesting will occur following the termination of employment or consulting services). The RSUs will be evidenced in writing by, and subject to the terms and conditions of, the 2011 Plan and the Company's standard form of restricted stock unit agreement, which agreement shall expire ten (10) years from the date of grant except as otherwise provided in the restricted stock unit agreement or the Plan.

(b) Performance Stock Unit Grant. On the Start Date, the Company will grant you performance stock units in the Company equal to one percent (1.0)% of the Company's Fully Diluted Stock (as defined below) as of the grant date (the "PSUs"). The PSUs will provide for the issuance of: (1) fifty percent (50%) of the shares upon the Company's first achievement of product revenue which equals or exceeds six million U.S. dollars (\$6,000,000) over any twelve (12) consecutive month period ("Revenue PSUs") and (2) fifty percent (50%) of the shares upon submission of the full EndoBarrier pre-market approval application to the U.S. Food and Drug Administration for the Company's pivotal trial ("PMA PSUs"), provided that you are providing services to the Company as an employee or consultant on such issuance dates (no vesting will occur following the termination of employment or consulting services). The Revenue PSUs that have not vested by January 22, 2017 will lapse on that date. The PMA PSUs that have not vested by January 22, 2018 will lapse on that date. The PSUs will be evidenced in writing by, and subject to the terms and conditions of, the 2011 Plan and the Company's standard form of restricted stock unit agreement, which agreement shall expire ten (10) years from the date of grant except as otherwise provided in the restricted stock unit agreement or the Plan.

(c) Change of Control. As described in the applicable stock option or restricted stock unit agreement(s) and subject to the terms and conditions thereof, if there is a Change of Control (as defined in each such agreement) involving the Company, then one hundred percent (100%) of all of your unvested options, performance stock units and restricted stock units shall vest and become immediately exercisable as of the consummation of the Change of Control. The parties acknowledge and agree that to the extent that this Section 6(c) conflicts with any term of an option agreement or grant document listed above (including but not limited to any term of such option agreement or grant document that permits or requires that a termination without "Cause" or as a result of a "Good Reason" occur following a Change of Control in order for unvested options to become vested and fully exercisable) then the terms of this Section 6(c) shall govern.

As used herein "Fully Diluted Stock" means, as of the date of measurement, the sum of (a) all outstanding shares of the Company's common stock, (b) all outstanding shares of the Company's preferred stock on an as-converted to common stock basis and (c) all shares of common stock issuable pursuant to exercise or conversion of all outstanding options, warrants or convertible securities, including all shares of common stock reserved for grant pursuant to any stock option plans.

7. Severance.

(a) Termination For Cause; Resignation without Good Reason. If, at any time, the Company terminates your employment for Cause (as defined herein), or you resign without Good Reason (as defined herein), you will receive your Base Salary accrued through your last day of employment, as well as any unused vacation (if applicable) accrued through your last day of employment (subject to any repayment obligations described in Section 5). Under these circumstances, you will not be entitled to any other form of compensation from the Company, including any severance benefits.

(b) Termination without Cause; Resignation for Good Reason; Death or Disability. If your employment is terminated by the Company without Cause, or by you for Good Reason, or due to your death or disability (disability meaning your failure to perform your normal required services hereunder for a period of three (3) consecutive months during any calendar year by reason of your mental or physical disability, as determined by an independent physician reasonably satisfactory to you and the Company) (collectively, such reasons for separation, an “Involuntary Termination”), and provided such Involuntary Termination constitutes a “separation from service” (as defined under Treasury Regulation Section 1.409A-1(h), without regard to any alternative definition thereunder, a “Separation from Service”), then subject to the conditions set forth in Section 7(d), you will be entitled to receive the following severance benefits (collectively, the “Severance Benefits”):

(i) an amount equal to twelve (12) months of your then current Base Salary, less all applicable withholdings and deductions, paid over such twelve (12) month period, on the schedule described below (the “Salary Continuation”);

(ii) if you timely elect continued coverage under COBRA for yourself and your covered dependents under the Company’s group health plans following such termination or resignation of employment, then the Company will pay the COBRA premiums necessary to continue your health insurance coverage in effect for yourself and your eligible dependents on the termination date until the earliest of (A) the close of the twelve (12) month period following the termination of your employment, (B) the expiration of your eligibility for the continuation coverage under COBRA, or (C) the date when you become eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment (such period from the termination date through the earliest of (A) through (C), the “COBRA Payment Period”). Notwithstanding the foregoing, if the Company determines, in its sole but good faith discretion, that the payment of the COBRA premiums could result in a violation of the nondiscrimination rules of Section 105(h)(2) of the Code or any statute or regulation of similar effect (including but not limited to the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act), then in lieu of providing the COBRA premiums, the Company, in its sole discretion, may elect to instead pay you on the first day of each month of the COBRA Payment Period, a fully taxable cash payment equal to the COBRA premiums for that month, subject to applicable tax withholdings (such amount, the “Special Severance Payment”), for the remainder of the COBRA Payment Period. You may, but are not obligated to, use such Special Severance Payment toward the cost of COBRA premiums. On the sixtieth (60th) day following your Separation from Service, the Company will make the first payment under this clause equal to the aggregate

amount of payments that the Company would have paid through such date had such payments commenced on the Separation from Service through such sixtieth (60th) day, with the balance of the payments paid thereafter on the schedule described above. If you become eligible for coverage under another employer's group health plan or otherwise cease to be eligible for COBRA during the period provided in this clause, you must immediately notify the Company of such event, and all payments and obligations under this clause will cease;

(c) Conditions to Receive Severance Benefits. The Severance Benefits are conditional upon (i) your continuing to comply with your obligations under your Nondisclosure, Nonsolicitation and Noncompete Agreement; (ii) your delivering to the Company of an effective, general release of claims in favor of the Company in a form acceptable to the Company within sixty (60) days following your termination date; (iii) if you are a member of the Board, your resignation from the Board, to be effective no later than the date of your termination date (or such other date as requested by the Board); and (iv) your compliance with all reasonable requests for transition assistance from the Company. The Salary Continuation will be paid in equal installments on the Company's regular payroll schedule and will be subject to applicable tax withholdings over the period outlined above following the date of your termination date; provided, however, that no payments will be made prior to the sixtieth (60th) day following your Separation from Service. On the 60th day following your Separation from Service, the Company will pay you in a lump sum the Salary Continuation and other Severance Benefits that you would have received on or prior to such date under the original schedule but for the delay while waiting for the 60th day in compliance with Code Section 409A and the effectiveness of the release, with the balance of the Salary Continuation and other Severance Benefits being paid as originally scheduled.

(d) Definition of Cause. For purposes of this Agreement, "Cause" will mean one or more of the following: (i) your deliberate willful failure or refusal by you to abide by in all material respects specific significant lawful directions received by you in writing constituting an action of the Board and, within forty five (45) days after written notice from the Company of such failure or refusal specifically referencing this Section 7(d), you have not corrected such failure or refusal; (ii) your commission of any act of fraud, embezzlement or any other willful misconduct that has caused or is reasonably expected to result in material injury to the Company; (iii) your unauthorized use or disclosure of any proprietary information or trade secrets of the Company or any other party to whom you owe an obligation of nondisclosure as a result of your relationship with the Company; or (iv) your willful breach of any of your material obligations under any written agreement or written covenant with the Company. Cause will not exist under this Agreement unless the Company gives written notice to you where such notice describes with particularity the alleged act(s) at issue. The foregoing definition does not in any way limit the Company's ability to terminate your employment at any time.

(e) Definition of Good Reason. For purposes of this Agreement, "Good Reason" will mean your resignation from all positions you then hold with the Company, effective within ninety (90) days after the occurrence of any of the following events without your written consent, provided you give written notice of such event within forty five (45) days after the first occurrence of such event and that you assert that grounds for a resignation for Good Reason exists as a result, and provided such event is not corrected within thirty (30) days after the Company (or any successor thereto) receives written notice from you of (i) a material

reduction in your base compensation or target annual bonus eligibility (unless you are treated proportionately similarly to all other employees); (ii) a change in your position with the Company that materially reduces your title, level of authority, responsibilities and/or duties; (iii) a requirement that you relocate more than fifty (50) miles from the Company's principal place of business; or (iv) any material breach of this Agreement by the Company.

8. Section 409A. It is intended that all of the severance benefits and other payments payable under this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Code Section 409A provided under Treasury Regulations 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9), and this letter will be construed to the greatest extent possible as consistent with those provisions. For purposes of Code Section 409A (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), your right to receive any installment payments under this Agreement (whether severance payments, reimbursements or otherwise) will be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder will at all times be considered a separate and distinct payment. Notwithstanding any provision to the contrary in this Agreement, if you are deemed by the Company at the time of your Separation from Service to be a "specified employee" for purposes of Code Section 409A(a)(2)(B)(i), and if any of the payments upon Separation from Service set forth herein and/or under any other agreement with the Company are deemed to be "deferred compensation", then to the extent delayed commencement of any portion of such payments is required in order to avoid a prohibited distribution under Code Section 409A(a)(2)(B)(i) and the related adverse taxation under Section 409A, such payments will not be provided to you prior to the earliest of (i) the expiration of the six-month period measured from the date of your Separation from Service with the Company, (ii) the date of your death or (iii) such earlier date as permitted under Section 409A without the imposition of adverse taxation. Upon the first business day following the expiration of such applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this paragraph will be paid in a lump sum to you, and any remaining payments due will be paid as otherwise provided herein or in the applicable agreement. No interest will be due on any amounts so deferred. Notwithstanding any other provision herein to the contrary, in the event of any ambiguity in the terms of this Agreement, such term(s) will be interpreted and at all times administered in a manner that avoids the inclusion of compensation in income under Section 409A, or the payment of increased taxes, excise taxes or other penalties under Section 409A. The parties intend all payments and benefits hereunder to be in compliance with Section 409A; however, you acknowledge and agree that the Company does not guarantee the tax treatment or tax consequences associated with any payment or benefit arising under this Agreement, including but not limited to consequences related to Section 409A.

9. Confidentiality Obligations. As condition of your employment, you must sign and abide by the Company's standard form of Nondisclosure, Nonsolicitation and Noncompete Agreement, a copy of which is attached hereto as **Exhibit A**.

10. At-Will Employment. Your employment with Company will be "at-will." This means that either you or the Company may terminate your employment at any time, with or without Cause, and with or without advance notice. Notwithstanding the foregoing, you will be entitled to receive the Severance Benefits under this Agreement pursuant to the terms hereof.

11. External Board Memberships. The Company agrees that you may serve as a member of the Board of Directors of up to two (2) external companies, provided that: (a) the Board approves your continued service as a member of such Boards of Directors; (b) such Board memberships are not with companies engaged in any business that is competitive with the Company's business, (c) such Board memberships do not interfere with the performance of your duties and responsibilities hereunder, and (d) you shall have six months from the Start Date in order to reduce your Board of Directors memberships to comply with this paragraph.

12. Arbitration. To ensure the rapid and economical resolution of disputes that may arise in connection with your employment with the Company, you and the Company agree that any and all disputes, claims, or causes of action, in law or equity, arising from or relating to the enforcement, breach, performance, or interpretation of this Agreement, your employment with the Company, or the termination of your employment, will be resolved, to the fullest extent permitted by law, by final, binding and confidential arbitration in Boston, Massachusetts by JAMS, Inc. ("JAMS") or its successor, under JAMS' then applicable rules and procedures. **You acknowledge that by agreeing to this arbitration procedure, both you and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.** You will have the right to be represented by legal counsel at any arbitration proceeding. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written statement signed by the arbitrator regarding the disposition of each claim and the relief, if any, awarded as to each claim, the reasons for the award, and the arbitrator's essential findings and conclusions on which the award is based. Each party will bear its own attorneys' fees and litigation costs, except to the extent the underlying law upon which any claim is based provides for the award of attorneys' fees, in which case such fees will be recoverable as provided by law. The arbitrator will be authorized to award all relief that you or the Company would be entitled to seek in a court of law, including, but not limited to, allocating in the arbitrator's discretion, between the parties, all costs of the arbitration, including facility fees and the fees and expenses of the arbitrator and reasonable attorneys' fees, costs and expert witness fees of the parties, if permitted by applicable law. Nothing in this Agreement is intended to prevent either you or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. The parties further agree that this Section 12 may be specifically enforced in court.

13. Indemnification. The Company acknowledges and agrees that you will be entitled to indemnification under the Company's standard form of indemnification agreement.

14. Notices. Any notice to be given hereunder will be in writing and delivered or sent by certified mail, postage prepaid, return receipt requested, addressed to the party concerned at the address indicated below or at such other address as such party may subsequently be designated by like notice:

If to the Company:

GI Dynamics, Inc.
25 Hartwell Avenue
Lexington, MA 02421

Attention: Chairman of the Board

With a copy to:

Daniel Follansbee, Esq.
Mintz, Levin, Cohn, Ferris, Glovsky & Popeo, P.C.
One Financial Center
Boston, MA 02111

If to Michael Dale:

Michael Dale
1450 Hunter Drive
Wayzata, MN 55391-9658

With a copy to:

Christopher J Harristhal
Larkin Hoffman Daly & Lindgren Ltd.
1500 Wells Fargo Plaza
7900 Xerxes Avenue South
Minneapolis, MN 55431

15. Survivorship. The respective rights and obligations of the parties hereunder will survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations.

16. Miscellaneous. This Agreement and the other agreements specifically mentioned herein are the complete and exclusive statement of all of the terms and conditions of your employment with the Company, and supersede and replace any and all prior agreements or representations with regard to the subject matter hereof and thereof, whether written or oral. This Agreement is entered into without reliance on any promise or representation other than those expressly contained herein, and it cannot be modified, amended or extended except in a writing signed by you and a duly authorized member of the Board. This Agreement is intended to bind and inure to the benefit of and be enforceable by you and the Company, and our respective successors, assigns, heirs, executors and administrators, except that you may not assign any of your duties or rights hereunder without the express written consent of the Company. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced as if such invalid, illegal or unenforceable provisions had never been contained herein. This Agreement and the terms of your employment with the Company will be governed in all aspects by the laws of the Commonwealth of Massachusetts.

This offer is subject to satisfactory proof of your right to work in the United States and satisfactory completion of a Company-required background check. Please sign and date this Agreement, and the enclosed Nondisclosure, Nonsolicitation and Noncompete Agreement and return them to me by August 28, 2014, if you wish to accept employment at the Company under the terms described above.

We look forward to having you join us. If you have any questions about this Agreement, please do not hesitate to call me.

[Signature Page Follows]

Best regards,

GI DYNAMICS, INC.

/s/ Michael Carusi

Michael Carusi

Director

Accepted and agreed:

MICHAEL DALE

/s/ Michael Dale

Date: August 28, 2014

EXHIBIT A

[Nondisclosure, Nonsolicitation and Noncompete Agreement]

Annexure B

August 28, 2014

Stuart A. Randle
359 Pope Road
Concord, MA

Re: Termination of Employment

Dear Stuart:

As we discussed, your employment with GI Dynamics, Inc. will end effective September 18, 2014. Pursuant to your termination, please note the following important information:

- You will be paid through your final day of work of September 18, 2014. On your last day of work, you will be paid accrued but unused vacation, through your final day of work.
- Also enclosed, please find a pamphlet published by the Massachusetts Division of Unemployment Assistance, which provides information on applying for unemployment compensation.
- Also enclosed, please find two copies of the Separation Agreement that we have discussed. If you decide to execute the Agreement, please do so and return one fully executed original to me within **twenty one (21) days**. After that time, the offer will lapse.
- Under separate cover, we also will provide you with information and forms relating to your ability to continue your medical benefits pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).
- I remind you that the obligations set forth in your Nondisclosure, Non-Solicitation and Non-Compete Agreement remain in effect despite the termination of your employment, and we trust that you will honor them. We also ask that following the end of your consulting engagement you promptly return to GI Dynamics all of its property presently in your possession (which may include software, hardware, equipment, cell phones, documents, electronic data or files, or any copies thereof).

I ask that you contact me if you have any questions or comments regarding this process. We certainly wish you well in your future endeavors.

Sincerely,

/s/ Jack Meyer

Jack Meyer, Chairman
GI Dynamics, Inc.

Enclosures

August 28, 2014

Stuart A. Randle
359 Pope Road
Concord, MA 01742

Re: Separation Agreement

Dear Stuart:

The purpose of this letter agreement (the “Agreement”) is to set forth the terms of your separation from GI Dynamics, Inc. (the “Company”). Payment of the Separation Benefit described below is contingent on your agreement to and compliance with the terms of this Agreement. This Agreement shall become effective on the **eighth (8th) day** following your acceptance of it as provided below (the “Effective Date”).

1. Separation of Employment. Your employment with the Company shall end on September 18, 2014 (the “Separation Date”). From and after the Separation Date, you shall have no authority to, and shall not, represent yourself as an employee or agent of the Company.

2. Resignation from Board of Directors. You shall resign from your position as a member of the Board of Directors of the Company (the “Board”) and any other positions on which you served with respect to the Company and its subsidiaries and affiliates on November 5, 2014 (the “Board Resignation Date”). Following the Board Resignation Date, you shall not represent yourself or perform services as a director of the Company or any such subsidiary or affiliate.

3. Consulting Arrangement.

(a) Consulting Term. You shall make yourself available to perform the Consulting Services (as defined in Section 3(b) below) on the terms and conditions described herein, from the Separation Date until the earlier of (i) the first anniversary of the Separation Date, or (ii) the date on which either party terminates the Consulting Services, with or without cause, upon five (5) days advance written notice to the other, which termination shall be without any further obligation other than as provided herein (such period referred to herein as the “Consulting Term”).

(b) Consulting Services. During the Consulting Term you agree to personally provide the consulting services described on **Exhibit A** hereto as reasonably requested (the “Consulting Services”).

(c) Consulting Fee. The Company shall pay you a fee of \$18,000.00 per month for Consulting Services during the Consulting Term (the “Consulting Fee”); provided that subject to the discretion of the CEO, you shall provide up to forty-eight (48) days of Consulting Services during the Consulting Term. The Consulting Fee shall be payable within fifteen (15) days following the conclusion of each month in the Consulting Term. Upon termination of the Consulting Term, you

shall be entitled to no further payment or benefit other than the Consulting Fee that is due but unpaid for Consulting Services prior to the conclusion of the Consulting Term.

(d) Reporting/Recording Requirements. You shall provide Consulting Services at the reasonable request of the CEO or the Board upon reasonable prior notice, and you shall communicate with the CEO and/or Board via telephone or email regarding the status of the Consulting Services upon request.

(e) Independent Contractor Status. You shall act solely as an independent contractor hereunder and conduct your operations as an independent contractor, and nothing in this Agreement shall be construed to render you as an employee of the Company. You shall not be considered an employee for purposes of any Company employment policy or any employment benefit plan, and shall not be entitled to any benefits under any such policy or benefit plan. The Company has no right to control or direct the details, manner or means by which you perform the Consulting Services. You understand and recognize that you shall not be an agent of the Company or have authority to bind, represent or speak for the Company for any purpose. The Company shall record payments to you on, and provide to you, an IRS Form 1099, and the Company shall not withhold any federal, state or local employment taxes on your behalf. You agree to pay all such taxes in a timely manner and as prescribed by law, and accept exclusive liability for complying with all applicable state and federal laws governing self-employed individuals, including obligations such as payment of taxes, social security, disability and other contributions based on the Consulting Fee paid to you hereunder. The Company shall reimburse you for business related expenses incurred by you in providing the Consulting Services, pursuant to the terms and conditions of applicable Company policy.

(f) Other Work by You. You shall be free to provide professional consulting services to entities or individuals other than the Company, provided that you meet your service obligations to the Company as described herein, and further provided that you may not render services in a manner that violates your Nondisclosure, Non-Solicitation and Non-Compete Agreement, which shall survive the signing of this Agreement and remain in effect pursuant to its terms.

4. Separation Benefit. In exchange for the mutual covenants set forth in this agreement, the Company agrees to provide you with the following (the “Separation Benefit”):

(a) Payment of severance in an amount equal to the last twelve (12) months of your gross monthly base salary (i.e., \$446,465.75), less all applicable federal, state, local and other employment-related deductions, such payments to be made in approximately equal installments on the Company’s regularly scheduled paydays beginning on the first such payday following the Effective Date.

(b) In the event that you choose to exercise your right under COBRA^{1/} to continue your participation in the Company’s health insurance plan (which you may do, to the extent permitted by COBRA, regardless of whether you accept this Agreement), the Company shall pay its normal share of the costs for such coverage for a period of twelve (12) months beginning on the Separation Date to the same extent that such insurance is provided to persons then currently employed by the Company.

^{1/} “COBRA” is the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

Your co-pay, if any, shall be deducted from your severance payments described in Section 2(a) above or, if no such payments remain to be paid, shall be paid by you directly to the Company pursuant to the terms of the COBRA notice provided to you on your last day of employment. Notwithstanding any other provision of this Agreement, this obligation shall cease on the date you become eligible to receive health insurance benefits through any other employer, and you agree to provide the Company with written notice immediately upon becoming eligible for such benefits. Your acceptance of any payment on your behalf or coverage provided hereunder shall be an express representation to the Company that you have no such eligibility.

You acknowledge and agree that except for the Separation Benefit, your final wages, and any accrued but unused vacation, which shall be paid to you in accordance with the Company's regular payroll practices and applicable law, you are not now and shall not in the future be entitled to any other compensation from the Company including, without limitation, other wages, commissions, bonuses, vacation pay, holiday pay, paid time off or any other form of compensation or benefit.

5. Equity. The terms and conditions of the Company's 2003 Omnibus Stock Plan and 2011 Employee, Director and Consultant Equity Incentive Plan (the "Stock Plans"), any option agreements executed by you pursuant thereto (the "Option Agreements"), and any restricted stock unit agreements executed by you pursuant thereto (the "RSU Agreements") are incorporated herein by reference and shall survive the signing of this Agreement. Attached as **Exhibit B** is a true and accurate description of the status of your stock option grants and restricted stock unit grants under the Stock Plans, Option Agreements and RSU Agreements as of the date hereof. Pursuant to the Stock Plans, Option Agreements and RSU Agreements, the Company agrees to the following, and each Option Agreement and RSU Agreement is hereby amended as necessary and appropriate effective as of the Effective Date (and without any further action by the Company, the Board, the Company's stockholders, or you) to effectuate the following:

(a) You request, and the Company agrees to take such action as shall cause, each stock option issued to you under either Stock Plan that is designated as an "incentive stock option" (each an "ISO"), except with respect to any part of such ISO that is or has been exercised in accordance with applicable law and the terms of the applicable Stock Plan and Option Agreement, to be converted into a non-qualified option pursuant to the provisions of the applicable Stock Plan (each a "Converted Option"); provided, however, that each such Converted Option shall continue to vest and be exercisable in accordance with their terms only for so long as you continue to provide services as an employee, director or consultant to the Company and any post-termination period (60 or 90 days) permitted pursuant to the applicable Stock Plan and Option Agreement; provided, that in the event of a termination of the Consulting Term by the Company, you shall be entitled to exercise all vested options at least through September 18, 2015.

(b) The options and restricted stock units underlying each of the Option Agreements and RSU Agreements shall continue to vest or issue during the Consulting Term on the same schedule as they vested or issued during the period of your employment with the Company; provided that following the Consulting Term (regardless of when or how terminated) you shall not have any right to vest in or be issued any stock, stock options or restricted stock units under the Stock Plans, Option Agreements, RSU Agreements or any other Company stock, stock option, restricted stock unit, or

other equity plan (of whatever name or kind) that you may have participated in or were eligible to participate in during your employment.

Notwithstanding your separation, you shall remain subject to the Company's insider trading rules and United States federal and state and Australian securities laws, including but not limited to restrictions regarding trading securities while in possession of material non-public information regarding the Company.

6. **Your Confidentiality, Non-Disparagement and Related Obligations.** You expressly acknowledge and agree to the following:

(a) You shall adhere to the terms of your Nondisclosure, Non-Solicitation and Non-Compete Agreement with the Company, which is expressly incorporated herein and survives the signing of this Agreement.

(b) Following the expiration or termination of the Consulting Term, you promptly shall return to the Company all Company documents, files and property (and any copies or electronic representations thereof), and shall otherwise abide by any and all common law and/or statutory obligations relating to protection of the Company's trade secrets and/or confidential and proprietary information.

(c) All information relating in any way to the negotiation of this Agreement, including the terms and amount of financial consideration provided for in this Agreement, shall be held confidential by you and shall not be publicized or disclosed to any person (other than an immediate family member, legal counsel or financial advisor, provided that any such individual to whom disclosure is made agrees to be bound by these confidentiality obligations), business entity or government agency (except as mandated by state or federal law), except that nothing in this section shall prohibit you from participating in an investigation with a state or federal agency if requested by the agency to do so.

(d) You shall not make any statements that are professionally or personally disparaging about, or adverse to, the interests of the Company (including its officers, directors, employees and consultants) including, but not limited to, any statements that disparage any person, product, service, finances, financial condition, capability or any other aspect of the business of the Company, and you shall not engage in any conduct which could reasonably be expected to harm professionally or personally the reputation of the Company (including its officers, directors, employees and consultants).

(e) A breach of this section shall constitute a material breach of this Agreement and, in addition to any other legal or equitable remedy available to the Company, shall entitle the Company to recover any Separation Benefit paid to you under this Agreement.

7. **Cooperation.** You agree that during the twelve (12) month period following the Separation Date, you shall cooperate fully with the Company in connection with any matter or event relating to your employment or events that occurred during your employment, including, without

limitation: **(a)** cooperating in the defense or prosecution of any claims or actions now in existence or which may be brought or threatened in the future against or on behalf of the Company (including any claims or actions against its affiliates and its and their officers and employees); **(b)** being available, upon reasonable notice, to meet with the Company regarding matters in which you have been involved (including but not limited to contract matters and audits); **(c)** preparing for, attending and participating in any legal proceeding (including but not limited to depositions, consultation, discovery, trial, acting as a witness, and providing affidavits); **(d)** assisting with any audit, inspection, proceeding or other inquiry; and **(e)** transferring your work knowledge to the Company (including but not limited to providing a description of your job functions and any information required to perform the same, such as contact information, passwords, scheduling requirements, deadlines and the like). You further agree that should you be contacted (directly or indirectly) by any person or entity adverse to the Company, you shall promptly notify the Chairman of the Board at the Company, or solely following the Separation Date, the CEO. You shall be reimbursed for any reasonable out-of-pocket costs approved in advance by the Company and incurred in connection with providing such cooperation under this section.

8. Your Release of Claims.

(a) Release. Without limiting the generality of the foregoing, you specifically waive and release the Company from any waivable claim arising from or related to your employment relationship with the Company up through the Effective Date including, without limitation: **(i)** claims under any Massachusetts (or any other state) or federal discrimination, fair employment practices, or other employment related statute, regulation or executive order (as they may have been amended through the Effective Date), including but not limited to the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Civil Rights Acts of 1866 and 1871, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Equal Pay Act, the Americans With Disabilities Act, the Massachusetts Fair Employment Practices Statute, and any similar Massachusetts or other state or federal statute; **(ii)** claims under any other Massachusetts (or any other state) or federal employment related statute, regulation or executive order (as they may have been amended through the Effective Date) relating to wages, hours or any other terms and conditions of employment, including but not limited to the National Labor Relations Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act of 1974, COBRA, the Massachusetts Wage Act, and any similar Massachusetts or other state or federal statute; **(iii)** claims under any Massachusetts (or any other state) or federal common law theory, including, without limitation, wrongful discharge, breach of express or implied contract, promissory estoppel, unjust enrichment, breach of a covenant of good faith and fair dealing, violation of public policy, defamation, interference with contractual relations, intentional or negligent infliction of emotional distress, invasion of privacy, misrepresentation, deceit, fraud or negligence or any claim to attorneys' fees under any applicable statute or common law theory of recovery; and **(iv)** any other claim arising under other state or federal law.

(b) Release Limitations; Participation in Agency Proceedings. Notwithstanding the foregoing, this section does not: **(i)** release the Company from any obligation expressly set forth in this Agreement; **(ii)** waive or release any legal Claims which you may not waive or release by law, including without limitation obligations under workers compensation laws; or **(iii)** prohibit you from

challenging the validity of this release under federal law, from filing a charge or complaint of employment related discrimination with the Equal Employment Opportunity Commission (“EEOC”) or similar state agency, or from participating in any investigation or proceeding conducted by the EEOC or similar state agency. Your waiver and release, however, are intended to be a complete bar to any recovery or personal benefit by or to you with respect to any Claim (except those which cannot be released under law), including those raised through a charge with the EEOC. Accordingly, nothing in this section shall be deemed to limit the Company’s right to seek immediate dismissal of such charge or complaint on the basis that your signing of this Agreement constitutes a full release of any individual rights under the federal discrimination laws, or to seek restitution to the extent permitted by law of the economic benefits provided to you under this Agreement in the event you successfully challenge the validity of this release and prevail in any Claim under the federal discrimination laws.

(c) **Acknowledgement.** You acknowledge and agree that, but for providing the waiver and release in this section, you would not be receiving the economic benefits being provided to you under the terms of this Agreement.

9. ADEA/OWBPA Review and Revocation Period. You and the Company acknowledge that you are over the age of 40 and that you, therefore, have specific rights under the Age Discrimination in Employment Act (“ADEA”) and the Older Workers Benefit Protection Act (the “OWBPA”), which prohibit discrimination on the basis of age. It is the Company’s desire and intent to make certain that you fully understand the provisions and effects of this Agreement, which includes a release of claims under the ADEA and OWBPA. To that end, you have been encouraged and given the opportunity to consult with legal counsel for the purpose of reviewing the terms of this Agreement. In addition, consistent with the provisions of the ADEA and OWBPA, the Company also is providing you with **twenty one (21) days** in which to consider and accept the terms of this Agreement by signing below and returning it to Joan Resnicow, GI Dynamics, Inc., 25 Hartwell Avenue Lexington, MA 02421. Additionally, you may rescind your assent to this Agreement if, within **seven (7) days** after you sign this Agreement, you deliver by hand or send by mail (certified, return receipt and postmarked within such 7 day period) a notice of rescission to Joan Resnicow at the above-referenced address.

10. Waiver of Employment. You hereby waive and release forever any right or rights you may have to employment with the Company and any affiliate thereof at any time in the future and agree not to seek or make application for employment with the Company or any affiliate thereof.

11. Taxes. The Company does not guarantee the tax treatment or tax consequences associated with any payment or benefit arising under this Agreement, including but not limited to consequences related to Section 409A of the Internal Revenue Code of 1986, as amended (“Code Section 409A”).

12. Entire Agreement; Modification; Waiver; Choice of Law; Enforceability; Assignment. You acknowledge and agree that, other than the agreements expressly incorporated herein and stated as surviving this Agreement, this Agreement supersedes any and all prior or contemporaneous oral and/or written agreements between you and the Company, and sets forth the

entire agreement between you and the Company. No variations or modifications hereof shall be deemed valid unless reduced to writing and signed by the parties hereto. The failure of the Company to seek enforcement of any provision of this Agreement in any instance or for any period of time shall not be construed as a waiver of such provision or of the Company's right to seek enforcement of such provision in the future. This Agreement shall be deemed to have been made in Massachusetts, shall take effect as an instrument under seal within Massachusetts, and shall be governed by and construed in accordance with the laws of Massachusetts, without giving effect to conflict of law principles. You agree that any action, demand, claim or counterclaim relating to the terms and provisions of this Agreement, or to its breach, shall be commenced in Massachusetts in a court of competent jurisdiction, and you further acknowledge that venue for such actions shall lie exclusively in Massachusetts and that material witnesses and documents would be located in Massachusetts. Both parties hereby waive and renounce in advance any right to a trial by jury in connection with such legal action. The provisions of this Agreement are severable, and if for any reason any part hereof shall be found to be unenforceable, the remaining provisions shall be enforced in full. This Agreement is binding upon, and shall inure to the benefit of, the parties and their respective heirs, executors, administrators, successors and assigns, provided that you may not assign your rights and obligations hereunder without the prior written consent of the Company.

13. Knowing and Voluntary Agreement. By executing this Agreement, you are acknowledging that you have been afforded sufficient time to understand the terms and effects of this Agreement, that your agreements and obligations hereunder are made voluntarily, knowingly and without duress, and that neither the Company nor its agents or representatives have made any representations inconsistent with the provisions of this Agreement.

[Signature Page Follows]

This Agreement may be signed on one or more copies, each of which when signed shall be deemed to be an original, and all of which together shall constitute one and the same Agreement. If the foregoing correctly sets forth our understanding, please sign, date and return the enclosed copy of this Agreement to Joan Resnicow within **twenty one (21) days**. If we do not receive your acceptance on or before this date, the Agreement shall terminate and be of no further force or effect.

Sincerely,

GI Dynamics, Inc.

By: /s/ Jack Meyer

Date: August 28, 2014

Acknowledged and Agreed:

/s/ Stuart Randle
Signed Name

Stuart Randle
Printed Name

August 28, 2014
Date

EXHIBIT A

Consulting Services

- Assistance and cooperation with the efficient transfer to the Company of all goodwill related to the Company's business;
- Assistance and cooperation with the efficient transfer to the Company and its ongoing management team of your institutional knowledge and understanding, (including without limitation in the areas of regulatory strategy and marketing plans) and relationships with former, current and prospective employees, suppliers, customers, consultants, physicians, and investors; and
- Such other matters as shall be reasonably requested upon reasonable prior notice.

EXHIBIT B

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