

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015

OR

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

For the transition period from ____ to ____

Commission File Number 001-33351

NEUROMETRIX, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

04-3308180

(I.R.S. Employer Identification No.)

1000 Winter Street, Waltham, Massachusetts

(Address of principal executive offices)

02451

(Zip Code)

(781) 890-9989

(Registrant's telephone number, including area code)

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 No

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting
company

(Do not check if a smaller
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
11,040,959 shares of common stock, par value \$0.0001 per share, were outstanding as of July 22, 2015.

NeuroMetrix, Inc.
Form 10-Q
Quarterly Period Ended June 30, 2015

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

NeuroMetrix, Inc.
Balance Sheets
(Unaudited)

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,638,982	\$ 9,221,985
Accounts receivable, net	588,686	580,240
Inventories	1,221,600	679,740
Prepaid expenses and other current assets	550,072	608,160
Total current assets	<u>14,999,340</u>	<u>11,090,125</u>
Fixed assets, net	809,519	311,520
Other long-term assets	224,127	585
Total assets	<u>\$ 16,032,986</u>	<u>\$ 11,402,230</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 875,519	\$ 522,871
Accrued compensation	632,347	885,353
Accrued expenses	1,241,157	1,264,876
Current portion of deferred revenue	612,090	25,048
Total current liabilities	<u>3,361,113</u>	<u>2,698,148</u>
Deferred revenue, net of current portion	9,732	9,635
Common stock warrants	1,041,911	5,307,332
Total liabilities	<u>4,412,756</u>	<u>8,015,115</u>
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized at June 30, 2015 and December 31, 2014; no shares issued and outstanding at June 30, 2015 and December 31, 2014	—	—
Series A convertible preferred stock, 11,083 and 4,438 shares designated at June 30, 2015 and December 31, 2014, respectively, and zero and 3,614.357 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	—	4
Series B convertible preferred stock, 147,000 and zero shares designated at June 30, 2015 and December 31, 2014, respectively, and 122,316 and zero shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	122	—
Common stock, \$0.0001 par value; 50,000,000 shares authorized; 10,996,408 and 8,152,746 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	1,100	815
Additional paid-in capital	169,271,744	157,764,598
Accumulated deficit	(157,652,736)	(154,378,302)
Total stockholders' equity	<u>11,620,230</u>	<u>3,387,115</u>
Total liabilities and stockholders' equity	<u>\$ 16,032,986</u>	<u>\$ 11,402,230</u>

The accompanying notes are an integral part of these interim financial statements.

NeuroMetrix, Inc.
Statements of Operations
(Unaudited)

	Quarters Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues	\$ 1,224,987	\$ 1,343,770	\$ 2,507,947	\$ 2,675,307
Cost of revenues	<u>595,032</u>	<u>655,337</u>	<u>1,232,293</u>	<u>1,270,418</u>
Gross profit	629,955	688,433	1,275,654	1,404,889
Operating expenses:				
Research and development	982,253	1,464,834	1,884,795	2,328,551
Sales and marketing	1,762,282	694,664	3,217,968	1,140,880
General and administrative	<u>1,224,822</u>	<u>1,148,278</u>	<u>2,770,912</u>	<u>2,295,035</u>
Total operating expenses	<u>3,969,357</u>	<u>3,307,776</u>	<u>7,873,675</u>	<u>5,764,466</u>
Loss from operations	(3,339,402)	(2,619,343)	(6,598,021)	(4,359,577)
Interest income	500	990	1,589	2,026
Warrants offering costs	—	(27,618)	—	(27,618)
Change in fair value of warrant liability	<u>2,135,696</u>	<u>475,261</u>	<u>3,321,998</u>	<u>989,861</u>
Net loss	<u>\$ (1,203,206)</u>	<u>\$ (2,170,710)</u>	<u>\$ (3,274,434)</u>	<u>\$ (3,395,308)</u>
Net loss per common share applicable to common stockholders, basic and diluted (See Note 3, Net Loss per Common Share)	<u>\$ (0.52)</u>	<u>\$ (0.85)</u>	<u>\$ (0.78)</u>	<u>\$ (1.06)</u>
Weighted average number of common shares outstanding, basic and diluted	<u>9,189,231</u>	<u>6,002,330</u>	<u>8,734,185</u>	<u>5,966,929</u>

The accompanying notes are an integral part of these interim financial statements.

NeuroMetrix, Inc.
Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$ (3,274,434)	\$ (3,395,308)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	95,486	66,293
Stock-based compensation	172,402	137,164
Warrant offering cost	—	27,618
Change in fair value of warrant liability	(3,321,998)	(989,861)
Changes in operating assets and liabilities:		
Accounts receivable	(8,446)	(141,915)
Inventories	(541,860)	(41,030)
Prepaid expenses and other current and long-term assets	(165,454)	65,028
Accounts payable	262,191	211,636
Accrued expenses and compensation	5,032	636,551
Deferred revenue	587,139	(21,028)
Net cash used in operating activities	<u>(6,189,942)</u>	<u>(3,444,852)</u>
Cash flows from investing activities:		
Purchases of fixed assets	(503,028)	(17,392)
Net cash used in investing activities	<u>(503,028)</u>	<u>(17,392)</u>
Cash flows from financing activities:		
Proceeds from issuance of stock and warrants, net of offering costs	13,316,324	7,960,283
Repurchase of Series A-4 preferred stock and warrants	(3,206,357)	—
Net cash provided by financing activities	<u>10,109,967</u>	<u>7,960,283</u>
Net increase in cash and cash equivalents	3,416,997	4,498,039
Cash and cash equivalents, beginning of period	9,221,985	9,195,753
Cash and cash equivalents, end of period	<u>\$ 12,638,982</u>	<u>\$ 13,693,792</u>
Supplemental disclosure of cash flow information:		
Common stock issued to settle employee incentive compensation obligation	\$ 281,757	\$ 104,405
Warrants issued under Securities Purchase Agreement recorded as a non-current liability	\$ —	\$ 4,418,824

The accompanying notes are an integral part of these interim financial statements.

NeuroMetrix, Inc.
Notes to Unaudited Financial Statements
June 30, 2015

1. Business and Basis of Presentation

Our Business—An Overview

NeuroMetrix, Inc., or the Company, a Delaware corporation, was founded in June 1996. The Company develops wearable medical technology and point-of-care tests that help patients and physicians better manage chronic pain, nerve diseases, and sleep disorders. The Company markets the SENSUS™ Pain Management System, or SENSUS, which is a wearable therapeutic device designed for relief of chronic, intractable pain. The Company also markets DPNCheck®, which is a quantitative nerve conduction test that is used by physicians and health care professionals to evaluate systemic neuropathies such as diabetic peripheral neuropathy, or DPN. The Company's historical neurodiagnostic business is based on the ADVANCE™ NCS/EMG System, or the ADVANCE System, which is a comprehensive platform for the performance of traditional nerve conduction studies and invasive electromyography procedures and which is primarily used in physician offices and clinics. The Company has developed a new over-the-counter wearable therapeutic device branded Quell which builds upon the core SENSUS neuro-stimulation technology. Quell was unveiled at the January 2015 Consumer Electronics Show (CES) and was commercially launched in the United States during the second quarter of 2015.

The accompanying financial statements have been prepared on a basis which assumes that the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. The Company has suffered recurring losses from operations and negative cash flows from operating activities. The Company held cash and cash equivalents of \$12.6 million as of June 30, 2015. The Company believes that these resources and the cash to be generated from expected product sales will be sufficient to meet its projected operating requirements into the second quarter of 2016. The Company continues to face significant challenges and uncertainties and, as a result, the Company's available capital resources may be consumed more rapidly than currently expected due to (a) decreases in sales of the Company's products and the uncertainty of future revenues from new products; (b) changes the Company may make to the business that affect ongoing operating expenses; (c) changes the Company may make in its business strategy; (d) regulatory developments affecting the Company's existing products and delays in the FDA approval process for products under development; (e) changes the Company may make in its research and development spending plans; and (f) other items affecting the Company's forecasted level of expenditures and use of cash resources. Accordingly, the Company will need to raise additional funds to support its operating and capital needs in the second quarter of 2016 and beyond. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. The Company intends to obtain additional funding through public or private financing, collaborative arrangements with strategic partners, or through additional credit lines or other debt financing sources to increase the funds available to fund operations. However, the Company may not be able to secure such financing in a timely manner or on favorable terms, if at all. Furthermore, if the Company issues equity or debt securities to raise additional funds, its existing stockholders may experience dilution, and the new equity or debt securities may have rights, preferences and privileges senior to those of the Company's existing stockholders. If the Company raises additional funds through collaboration, licensing or other similar arrangements, it may be necessary to relinquish valuable rights to its potential products or proprietary technologies, or grant licenses on terms that are not favorable to the Company. Without additional funds, the Company may be forced to delay, scale back or eliminate some of its sales and marketing efforts, research and development activities, or other operations and potentially delay product development in an effort to provide sufficient funds to continue its operations. If any of these events occurs, the Company's ability to achieve its development and commercialization goals would be adversely affected.

Unaudited Interim Financial Statements

The accompanying unaudited balance sheet as of June 30, 2015, unaudited statements of operations for the quarters and six months ended June 30, 2015 and 2014 and the unaudited statements of cash flows for the six months ended June 30, 2015 and 2014 have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, the financial statements include all normal and recurring adjustments considered necessary for a fair statement of the Company's financial position and operating results. Operating results for the quarter ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015 or any other period. These financial statements and notes should be read in conjunction with the financial statements for the year ended December 31, 2014 included in the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, or the SEC, on February 25, 2015 (File No. 001-33351), or the Company's 2014 Form 10-K. The accompanying balance sheet as of December 31, 2014 has been derived from audited financial statements prepared at that date, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

Revenues

The Company recognizes revenue when the following criteria have been met: persuasive evidence of an arrangement exists, delivery has occurred and risk of loss has passed, the seller's price to the buyer is fixed or determinable, and collection is reasonably assured.

Revenues associated with the Company's medical devices and consumables, including single use nerve specific electrodes and other accessories are generally recognized upon shipment, assuming all other revenue criteria have been met. For the Company's newest product, Quell, launched in June 2015, there was insufficient data available at June 30, 2015 to reasonably estimate product returns. Accordingly, approximately \$573,000 of Quell revenue and approximately \$320,000 of costs of Quell revenue have been deferred until sufficient product return history has been obtained.

Revenue recognition involves judgments, including assessments of expected returns and expected customer relationship periods. The Company analyzes various factors, including a review of specific transactions, its historical returns, average customer relationship periods, customer usage, customer balances, and market and economic conditions. Changes in judgments or estimates on these factors could materially impact the timing and amount of revenues and costs recognized. Should market or economic conditions deteriorate, the Company's actual return or bad debt experience could exceed its estimate.

Certain product sales are made with a 30-day or, for its newest product, Quell, a 60-day right of return. Since the Company can reasonably estimate future returns for products other than Quell, it recognizes revenues associated with such product sales that contain a right of return upon shipment and at the same time it records a sales return reserve, which reduces revenue and accounts receivable by the amount of estimated returns.

One customer accounted for 20% and 21% of total revenues during the quarter and six months ended June 30, 2015, respectively. Two customers accounted for 15% and 11% of accounts receivable as of June 30, 2015. In comparison, one customer accounted for 13% and 12% of total revenues during the quarter and six months ended June 30, 2014, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during reporting periods. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* (ASU 2014-15). ASU 2014-15 requires management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. The standard is effective for public entities for annual and interim periods beginning after December 15, 2016, with early adoption permitted. We are currently evaluating the provisions of ASU 2014-15 and assessing the impact, if any, it may have on our financial position, results of operations or cash flows.

In May 2014, the FASB and the International Accounting Standards Board ("IASB") jointly issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance. The objective of ASU 2014-09 is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is effective for public entities for annual and interim periods beginning after December 15, 2017. An entity can elect to adopt ASU 2014-09 using one of two methods, either full retrospective adoption to each prior reporting period, or recognizing the cumulative effect of adoption at the date of initial application. The Company is in the process of evaluating the new standard and does not know the effect, if any, ASU 2014-09 will have on the Consolidated Financial Statements or which adoption method will be used.

2. Comprehensive Loss

For the quarters and six months ended June 30, 2015 and 2014, the Company had no components of other comprehensive income or loss other than net loss itself.

3. Net Loss Per Common Share

Basic net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. Unvested restricted shares, although legally issued and outstanding, are not considered outstanding for purposes of calculating basic net income per share. Diluted net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding during the period plus the dilutive effect of the weighted average number of outstanding instruments such as options, warrants, and restricted stock. Because the Company has reported a net loss for all periods presented, diluted loss per common share is the same as basic loss per common share, as the effect of utilizing the fully diluted share count would have reduced the net loss per common share. Therefore, in calculating net loss per share amounts, shares underlying the following potentially dilutive weighted average number of common stock equivalents were excluded from the calculation of diluted net income per common share because their effect was anti-dilutive for each of the periods presented:

	Quarters Ended June 30,	
	2015	2014
Options	865,507	302,958
Warrants	18,889,103	5,760,847
Unvested restricted stock	—	882
Convertible preferred stock	12,109,284	3,156,969
Total	<u>31,863,894</u>	<u>9,221,656</u>

The Beneficial Conversion Feature, or BCF, recorded in both the 2015 Offering and 2014 Offering has been recognized as a deemed dividend attributable to the Preferred Stock and is reflected as an adjustment in the calculation of earnings per share. In May 2015, a BCF has been recognized as a return of capital from the preferred shareholders to the common shareholders attributable to the repurchase of 3,206,357 Series A-4 preferred stock and related beneficial embedded conversion feature, and is reflected as an adjustment in the calculation of earnings per share. See Note 9, Stockholders' Equity, for further details.

	Quarters Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net loss	\$ (1,203,206)	\$ (2,170,710)	\$ (3,274,434)	\$ (3,395,308)
Deemed dividend attributable to preferred stockholders in connection with embedded beneficial conversion features	(4,140,446)	(2,955,668)	(4,140,446)	(2,955,668)
Return of capital to common shareholders attributable to the repurchase of the Series A-4 preferred shares and related embedded beneficial conversion feature	589,751	—	589,751	—
Net loss applicable to common stockholders	<u>\$ (4,753,901)</u>	<u>\$ (5,126,378)</u>	<u>\$ (6,825,129)</u>	<u>\$ (6,350,976)</u>
Net loss per common share applicable to common stockholders, basic and diluted	<u>\$ (0.52)</u>	<u>\$ (0.85)</u>	<u>\$ (0.78)</u>	<u>\$ (1.06)</u>
Weighted average number of common shares outstanding, basic and diluted	<u>9,189,231</u>	<u>6,002,330</u>	<u>8,734,185</u>	<u>5,966,929</u>

4. Inventories

Inventories consist of the following:

	June 30, 2015	December 31, 2014
Purchased components	\$ 674,553	\$ 209,426
Finished goods	547,047	470,314
	<u>\$ 1,221,600</u>	<u>\$ 679,740</u>

5. Accrued Compensation and Expenses

The following table provides a rollforward of the liability balance for severance obligations which was recorded as research and development expense in the Company's Statement of Operations for the year ended December 31, 2014. The severance obligations have been fully paid as of June 30, 2015.

	June 30, 2015
Balance - beginning	\$ 148,921
Accrual for severance	—
Severance payments made	(148,921)
Balance - ending	<u>\$ —</u>

Accrued expenses consist of the following:

	June 30, 2015	December 31, 2014
Technology fees	\$ 450,000	\$ 450,000
Consulting fees	240,906	173,759
Professional services	218,534	257,024
Personnel related obligations	80,859	37,761
Sales taxes	70,573	34,206
Clinical study obligations	68,000	74,000
Federal excise tax	26,716	25,989
Other	85,569	212,137
	<u>\$ 1,241,157</u>	<u>\$ 1,264,876</u>

6. Commitments and Contingencies

Operating Lease

In August 2014, the Company entered into a 5-year operating lease agreement with one 5-year extension option for manufacturing and order fulfillment facilities in Woburn, Massachusetts (the "Woburn Lease"). The Woburn Lease commenced December 15, 2014 and has a monthly base rent of \$7,350. In September 2014, the Company entered into a 7-year operating lease agreement with one 5-year extension option for its corporate office and product development activities in Waltham, Massachusetts (the "Waltham Lease"). The term of the Waltham Lease commenced on February 20, 2015 and includes fixed payment obligations that escalate over the initial lease term. Average monthly base rent under the 7-year lease is approximately \$37,792. These payment obligations were accrued and recognized over the term of occupancy. Under the Waltham Lease, the landlord was responsible for making certain improvements to the leased space at an agreed upon cost to the landlord. Total costs for the landlord improvements exceeded the agreed upon cost by \$275,000. The landlord billed that excess cost to the Company as additional rent which has been included in other long term assets at June 30, 2015. This additional rent has been included in the net calculation of lease payments, so that rent expense is recognized on a straight-line basis over the term of occupancy.

7. Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the Codification defines fair value, establishes a framework for measuring fair value in applying generally accepted accounting principles, and expands disclosures about fair value measurements. This Codification topic identifies two kinds of inputs that are used to determine the fair value of assets and liabilities: observable and unobservable. Observable inputs are based on market data or independent sources while unobservable inputs are based on the Company's own market assumptions. Once inputs have been characterized, this Codification topic requires companies to prioritize the inputs used to measure fair value into one of three broad levels. Fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values identified by Level 2 inputs utilize observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities. Fair values identified by Level 3 inputs are unobservable data points and are used to measure fair value to the extent that observable inputs are not available. Unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use at pricing the asset or liability.

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis for the periods presented and indicates the fair value hierarchy of the valuation techniques it utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates, and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

	June 30, 2015	Fair Value Measurements at June 30, 2015 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	\$ 8,652,998	\$ 8,652,998	\$ —	\$ —
Total	\$ 8,652,998	\$ 8,652,998	\$ —	\$ —
Liabilities:				
Common stock warrants	\$ 1,041,911	\$ —	\$ —	\$ 1,041,911
Total	\$ 1,041,911	\$ —	\$ —	\$ 1,041,911

Due to the lack of market quotes relating to our common stock warrants issued in the 2014 Offering and a 2013 financing (see Note 9), the fair value of the common stock warrants was determined at June 30, 2015 using the Black-Scholes model, which is based on Level 3 inputs. As of June 30, 2015, inputs used in the Black-Scholes model are presented below. The assumptions used may change as the underlying sources of these assumptions and market conditions change. Based on the Black-Scholes model, the Company recorded a common stock warrants liability of \$1.0 million at June 30, 2015. In May 2015, 1,571,744 warrants were repurchased by the Company. These warrants were adjusted to their fair value of \$943,423 at the date of repurchase.

Warrants:	Black-Scholes Inputs to Warrant Liability Valuation at June 30, 2015						
	Stock Price	Exercise Price	Expected Volatility	Risk-Free Interest	Expected Term	Dividends	
2014 Offering	\$ 0.91	\$ 2.04	73.52%	1.32%	4yr 0mo	none	
2013 Offering	\$ 0.91	\$ 2.00	73.65%	0.99%	2yr 11mo	none	

The following table provides a summary of changes in the fair value of the Company's Level 3 financial liabilities between December 31, 2014 and June 30, 2015.

	<u>2014 Offering</u>	<u>2013 Offering</u>	<u>Total</u>
Balance at December 31, 2014	\$ 4,233,729	\$ 1,073,603	\$ 5,307,332
Repurchase of warrants in conjunction with public offering	(943,423)	—	(943,423)
Change in fair value of warrant liability	(2,516,744)	(805,254)	(3,321,998)
Balance at June 30, 2015	<u>\$ 773,562</u>	<u>\$ 268,349</u>	<u>\$ 1,041,911</u>

	<u>Fair Value Measurements at December 31, 2014 Using</u>			
	<u>December 31, 2014</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Cash equivalents	\$ 4,107,478	\$ 4,107,478	\$ —	\$ —
Total	<u>\$ 4,107,478</u>	<u>\$ 4,107,478</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities:				
Common stock warrants	\$ 5,307,332	\$ —	\$ —	\$ 5,307,332
Total	<u>\$ 5,307,332</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,307,332</u>

Due to the lack of market quotes relating to our common stock warrants then outstanding, the fair value of the common stock warrants was determined at December 31, 2014 using the Black-Scholes model, which is based on Level 3 inputs. As of December 31, 2014, inputs used in the Black-Scholes model are presented below. The assumptions used may change as the underlying sources of these assumptions and market conditions change. Based on the Black-Scholes model, the Company recorded a common stock warrants liability of \$5.3 million at December 31, 2014.

Black-Scholes Inputs to Warrant Liability Valuation at December 31, 2014

<u>Warrants:</u>	<u>Stock Price</u>	<u>Exercise Price</u>	<u>Expected Volatility</u>	<u>Risk-Free Interest</u>	<u>Expected Term</u>	<u>Dividends</u>
2014 Offering	\$ 1.95	\$ 2.04	71.11%	1.51%	4yr 6mo	none
2013 Offering	\$ 1.95	\$ 2.00	75.71%	1.24%	3yr 5mo	none

8. Credit Facility

The Company is party to a Loan and Security Agreement, or the Credit Facility, with a bank. As of June 30, 2015 the Credit Facility permitted the Company to borrow up to \$2.5 million on a revolving basis. The Credit Facility was amended on January 23, 2015 and expires on January 15, 2016. Amounts borrowed under the Credit Facility will bear interest equal to the prime rate plus 0.5%. Any borrowings under the Credit Facility will be collateralized by the Company's cash, accounts receivable, inventory, and equipment. The Credit Facility includes traditional lending and reporting covenants. These include certain financial covenants applicable to liquidity and capitalization that are to be maintained by the Company. As of April 30, 2015 the Company was not in compliance with the threshold for its capitalization covenant which was remediated with the May 2015 equity offering (see Note 9). The bank issued a waiver of the intra-quarter covenant default. As of June 30, 2015, the Company was in compliance with these covenants and had not borrowed any funds under the Credit Facility. However, \$226,731 of the amount available under the Credit Facility is restricted to support letters of credit issued in favor of the Company's landlords for its premises leased in September 2014 for its corporate offices. Consequently, the amount available for borrowing under the Credit Facility as of June 30, 2015 was \$2.3 million.

9. Stockholders' Equity

Public Offerings of Common Stock and Warrants

In May 2015, the Company completed an underwritten public offering (the "2015 Offering") of (i) 147,000 shares of Series B Preferred Stock (the "Series B Preferred Stock") at a price of \$100 per share, and (ii) five year warrants to purchase up to 14,553,000 shares of common stock with an exercise price of \$1.25 per share. The 2015 Offering resulted in approximately \$14.7 million in gross proceeds, before deducting underwriting discounts and commission and expenses. In conjunction with the 2015 Offering, approximately \$3.2 million of the proceeds were used to repurchase the outstanding Series A-4 preferred shares from the offering in 2014. Net proceeds from the 2015 Offering, after deducting underwriting discount and commissions and offering expenses and repurchase of outstanding Series A-4 preferred shares, were approximately \$10.1 million.

Each share of Series B Preferred Stock had a stated value of \$100 and is convertible at the option of the holder into the number of shares of common stock determined by dividing the stated value by the conversion price of \$1.0101, which is subject to adjustment as provided in the Certificate of Designation for the Series B Preferred Stock. The Series B Preferred Stock has no dividend rights, liquidation preference or other preferences over common stock and has no voting rights except as provided in the Certificate of Designation for the Series B Preferred Stock and as required by law.

The Series B Preferred Stock is convertible into an aggregate of 14,553,000 shares of common stock. During June 2015, 24,684 shares of the Series B Preferred Stock were converted into a total of 2,443,716 shares of common stock.

The terms and conditions of the Series B Preferred Stock were evaluated based on the guidance of the Derivatives and Hedging topic of the Codification to determine if the conversion feature was an embedded derivative requiring bifurcation. It was concluded that bifurcation was not required because the conversion feature was clearly and closely related to the Series B Preferred Stock. The conversion price at which shares of Series B Preferred Stock were convertible into shares of common stock was determined to be lower than the fair value of common stock at the date of entering into the agreement with the underwriter. This "in-the-money" beneficial conversion feature, or BCF, required separate recognition and measurement of its intrinsic value (i.e., the amount of the increase in value that holders of Series B Preferred Stock would realize upon conversion based on the value of the conversion shares on the date of the underwriting agreement). Because there was not a stated redemption date for the shares of Series B Preferred Stock, the BCF was recognized as a deemed dividend attributable to the Series B Preferred Stock and reflected as an adjustment in the calculation of earnings per share. The amount of the BCF totaled \$4,140,446 for the 2015 Offering.

The Company determined that equity classification was appropriate for the warrants in the 2015 Offering following guidance in the Derivatives and Hedging topic of the Codification. In making this equity classification determination, the Company noted the warrants had no requirements to be settled in registered shares when exercised, and the Company is not required to pay cash in the event it does not make timely filings with the SEC. The fair value of the warrants issued in connection with the 2015 Offering was estimated to be \$3.2 million on the offering date using utilizing quoted prices (unadjusted) in active markets. The relative fair value was recorded as equity.

In June 2014, the Company entered into a securities purchase agreement (the "2014 Offering") for the issuance of (i) 664,600 shares of common stock at a price of \$2.04 per share, (ii) 2,621,859 shares of Series A-3 Preferred Stock (the "Series A-3 Preferred Stock") at a price of \$1,000 per share, (iii) 4,022,357 shares of Series A-4 Preferred Stock (the "Series A-4 Preferred Stock," and together with the Series A-3 Preferred Stock, the "Preferred Stock") at a price of \$1,000 per share, and (iv) five year warrants to purchase up to 3,921,569 shares of common stock with an exercise price of \$2.04 per share. The 2014 Offering resulted in approximately \$8.0 million in gross proceeds, before deducting expenses. Net proceeds from the 2014 Offering were approximately \$7.9 million.

In the 2014 Offering, each share of Preferred Stock had a stated value of \$1,000 and was convertible at the option of the holder into the number of shares of common stock determined by dividing the stated value by the conversion price of \$2.04, which is subject to adjustment as provided in each applicable Certificate of Designation for the Preferred Stock. The Preferred Stock had no dividend rights, liquidation preference or other preferences over common stock and had no voting rights except as provided in each applicable Certificate of Designation for the Preferred Stock and as required by law. The 2014 Offering BCF measurement was limited by the transaction proceeds which had been allocated to the Preferred Stock. The BCF was recognized as a deemed dividend attributable to the Preferred Stock and reflected as an adjustment in the calculation of earnings per share in the quarter ended June 30, 2014. The amount of the BCF totaled \$2,955,668 for the 2014 Offering.

The Series A-3 Preferred Stock was convertible into an aggregate of 1,285,225 shares of common stock and the Series A-4 Preferred Stock was convertible into an aggregate of 1,971,744 shares of common stock. During June 2014, 204 shares of the Series A-3 Preferred Stock were converted into a total of 100,000 shares of common stock. During July 2014, the remaining 2,417,859 shares of the Series A-3 Preferred Stock were converted into 1,185,225 shares of common stock. During October 2014, 408 shares of the Series A-4 Preferred Stock were converted into a total of 200,000 shares of common stock. During February 2015, 408 shares of the Series A-4 Preferred Stock were converted into a total of 200,000 shares of common stock. During May 2015, the remaining 3,206,357 shares of the Series A-4 Preferred Stock were repurchased by the Company at a price of \$1,000 per share. Total consideration of \$3.2 million for the repurchase of the Series A-4 convertible preferred stock and warrants was allocated to the convertible preferred stock and warrants based on their relative fair value. A BCF has been recognized as a return of capital from the preferred shareholders to the common shareholders attributable to the repurchase of 3,206,357 Series A-4 preferred stock and related beneficial embedded conversion feature, and is reflected as an adjustment in the calculation of earnings per share.

The Company continues to revalue unexercised warrants from the 2014 Offering at each reporting period over the life of the warrants using the Black-Scholes model and the changes in the fair value of the warrants were recognized in the Company's statement of operations. The warrants issued in connection with the 2014 Offering were within the scope of the Derivatives and Hedging topic of the Codification. This Codification topic requires issuers to classify as liabilities (or assets under certain circumstances) financial instruments which require an issuer to settle in registered shares. As the warrants are required to be settled in registered shares when exercised, and since the Company is required to pay cash in the event it does not make timely filings with the SEC, the Company reflected the warrants as a liability in the balance sheet.

The fair value of the warrants issued in connection with the 2014 Offering was estimated to be \$4.4 million on the offering date using a Black-Scholes model with the following assumptions: stock price of \$2.00, exercise price of \$2.04, expected volatility of 67.48%, risk free interest rate of 1.64%, expected term of five years, and no dividends. At June 30, 2015 2,349,825 warrants remain outstanding. They were revalued at June 30, 2015 in the amount of \$0.7 million using the Black-Scholes model (see Note 7) and the liability was reflected in the June 30, 2015 balance sheet. The Company also continues to revalue warrants from its 2013 offering. At June 30, 2015, 1,057,323 warrants from its 2013 offering remain outstanding. They were revalued at June 30, 2015 in the amount of \$0.3 million using the Black-Scholes model (see Note 7) and the liability was reflected in the June 30, 2015 balance sheet.

In 2015 and 2014, the Company issued shares of fully vested common stock in partial settlement of management incentive compensation. In March 2015, the Company issued an aggregate of 166,405 shares of fully vested common stock with a value of \$281,700 in partial settlement of 2014 management incentive compensation. The shares issued reflected the \$1.69 closing price of the Company's common stock as reported on the NASDAQ Capital Market on March 12, 2015. The 2014 issuance to settle the 2013 management incentive compensation totaled 42,615 shares with a value of \$104,405 reflecting the \$2.45 NASDAQ Capital Market closing price on February 25, 2014.

Total compensation cost related to nonvested awards not yet recognized at June 30, 2015 was \$402,000. The total compensation cost is expected to be recognized over a weighted-average period of 2.5 years.

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

You should read the following discussion of our financial condition and results of operations in conjunction with our financial statements and the accompanying notes to those financial statements included elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements that involve risks and uncertainties. For a description of factors that may cause our actual results to differ materially from those anticipated in these forward-looking statements, please refer to the below section of this Quarterly Report on Form 10-Q titled "Cautionary Note Regarding Forward-Looking Statements." Unless the context otherwise requires, all references to "we", "us", the "Company", or "NeuroMetrix" in this Quarterly Report on Form 10-Q refer to NeuroMetrix, Inc.

Overview

NeuroMetrix is an innovative health-care company that develops wearable medical technology and point-of-care tests that help patients and physicians better manage chronic pain, nerve diseases, and sleep disorders. Our business is fully integrated with in-house capabilities spanning product development, manufacturing, regulatory affairs and compliance, sales and marketing, and customer support. We derive revenues from the sale of medical devices and after-market consumable products and accessories. Our products are sold in the United States and selected overseas markets, and are cleared by the U.S. Food and Drug Administration, or FDA, and regulators in foreign jurisdictions where appropriate. We have two principal product lines:

- Wearable neuro-stimulation therapeutic devices
- Point-of-care neuropathy diagnostic tests

Our core expertise in biomedical engineering has been refined over nearly two decades of designing, building and marketing medical devices that stimulate nerves and analyze nerve response for diagnostic and therapeutic purposes. We created the market for point-of-care nerve testing and were first to market with sophisticated, wearable technology for management of chronic pain. We have an experienced management team and Board of Directors. Our Scientific Advisory Board includes internationally recognized experts in diabetes and pain.

Chronic pain is a significant public health problem. It is defined by the National Institutes of Health as any pain lasting more than 12 weeks in contrast to acute pain which is a normal bodily response to injury or trauma. Chronic pain conditions include painful diabetic neuropathy, fibromyalgia, sciatica, musculoskeletal pain, cancer pain and many others. Chronic pain may be triggered by an injury or there may be an ongoing cause such as disease or illness. There may also be no clear cause. Pain signals continue to be transmitted in the nervous system over extended periods of time often leading to other health problems. These can include fatigue, sleep disturbance, decreased appetite, and mood changes which cause difficulty in carrying out important activities and contributing to disability and despair. In general, chronic pain cannot be cured. Treatment of chronic pain is focused on reducing pain and improving function. The goal is effective pain management.

There are large and important unmet medical needs in chronic pain treatment. Prescription pain medications and over-the-counter therapies are often inadequate and can lead to other health issues. We believe that controlled, personalized, neuro-stimulation to suppress pain provides an important complement to pain medications. As a medical device company with unique experience in designing devices to manage and alter peripheral nerve function, we believe we are well positioned to make neuro-stimulation widely available to chronic pain sufferers. We have direct experience with neuro-stimulation through our prescription SENSUS wearable pain management device which has been on the market for the past two years.

Quell, our most recent innovation, launched in June 2015, is a wearable device for relief of chronic intractable pain, such as nerve pain due to diabetes and lower back problems. It is designed for the over-the-counter ("OTC") market and incorporates our OptiTherapy™ technology, a collection of proprietary approaches designed to optimize the clinical efficacy of nerve stimulation. These include high power electrical stimulation hardware with precise control, algorithms that automatically determine a therapeutic stimulation intensity and compensate for nerve desensitization, and automated detection of user sleep and appropriate adjustment of stimulation level. Quell is comprised of (1) an electronic device carried in a neoprene band that is worn on the upper calf and (2) an electrode that attaches to the device and is the interface between the device and the skin. The device is lightweight and can be worn during the day while active, and at night while sleeping. It has been cleared by the FDA for treatment of chronic intractable pain and will be available over-the-counter. Users of the device have the option of using their smartphones to automatically track and personalize their pain therapy. We utilize two distribution channels for Quell: a professional channel using a direct sales force to target podiatrists, pain physicians, primary care physicians, and chiropractors who would resell the product, and a direct-to-consumer channel using online marketing and lead generation.

SENSUS, our prescription neuro-stimulation therapeutic device for relief of chronic pain, was launched in 2013 and provides the technological foundation for Quell. SENSUS revenues in 2014 were approximately \$0.9 million and were approximately \$0.1 million for the quarter ended June 30, 2015. It is distributed through durable medical equipment (DME) suppliers who call on pain medicine physicians, neurologists, endocrinologists, podiatrists, and primary care physicians to create awareness among physicians that are challenged with trying to manage chronic pain in their patients. These physicians prescribe SENSUS to their patients who, in turn, have their prescriptions fulfilled by a DME. The DME is also responsible for billing and collection from third party payers such as Medicare and other insurers. This is a high cost distribution channel with low margins. The DME channel is under pressure from Medicare's competitive bidding initiative. We believe that the US growth opportunity for this prescription neuro-stimulation device is limited and that the more attractive opportunities are in the OTC market.

DPNCheck is our diagnostic test for peripheral neuropathies which commenced commercial shipments in the fourth quarter of 2011. DPNCheck revenues for 2014 were approximately \$1.8 million and \$0.4 million for the quarter ended June 30, 2015. Our United States sales efforts focus on Medicare Advantage providers who assume financial responsibility and the associated risks for the health care costs of their patients. We believe that DPNCheck presents an attractive clinical case with early detection of neuropathy allowing for earlier clinical intervention to help mitigate the effects of neuropathy on both patient quality of life and cost of care. Also, the diagnosis and documentation of neuropathy provided by DPNCheck helps clarify the patient health profile which, in turn, may have a direct, positive effect on the Medicare Advantage premium received by the provider. We believe that attractive opportunities are developing in Japan where we received regulatory approval and launched DPNCheck with Omron Healthcare in 2014; in China where we are working with Omron Healthcare on the regulatory process and anticipate commercial launch in 2016; in Mexico where our distributor, Scientia Farma, recently received regulatory approval and plans to launch in the second half of 2015; and in the Middle East.

Our products consist of a medical device used in conjunction with a consumable electrode or biosensor. Other accessories and consumables are also available to customers. Our goal for these devices is to build an installed base of active customer accounts and distributors that regularly order aftermarket products to meet their needs. We successfully implemented this model when we started our business with the NC-stat system and applied it to subsequent product generations including ADVANCE. Our recent products, Quell, SENSUS and DPNCheck, conform to this model. Other products in our development pipeline are based on the device plus consumables business model.

Results of Operations

Comparison of Quarters Ended June 30, 2015 and 2014

Revenues

The following table summarizes our revenues:

	Quarters Ended June 30,		Change	% Change
	2015	2014		
	(in thousands)			
Revenues	\$ 1,225.0	\$ 1,343.8	\$ (118.8)	(8.8)%

Revenues include sales from Quell and SENSUS, our wearable therapeutic devices for relief of chronic intractable pain; NC-stat DPNCheck, our diagnostic test for diabetic peripheral neuropathy, or DPN; and our legacy ADVANCE neurodiagnostics business. Quell was launched during the second quarter of 2015. The invoiced value of Quell shipments in the second quarter was approximately \$597,000 of which approximately \$24,000 was recorded in revenue while \$573,000 was deferred until the customers' rights of return on these shipments expire or we develop sufficient experience with Quell returns to reliably estimate an appropriate sales return reserve. Second quarter of 2015 revenues, excluding \$573,000 of Quell deferred revenue, were \$1.2 million, a reduction of approximately \$118,800 or 8.8% from the second quarter of 2014.

During the second quarter of 2015, we shipped approximately 2,600 Quell devices and nearly 1,000 electrodes with a total revenue of approximately \$24,000. SENSUS, our prescription wearable device, posted shipments of about 650 devices and 5,800 electrode packages with total revenue of approximately \$149,000. This is in comparison with approximately 1,700 SENSUS devices and 4,100 electrode packages with total revenue of approximately \$256,000 in the second quarter in 2014 reflecting pressure of the durable medical equipment distribution channel from the Medicare competitive bidding initiative, as well as the Quell launch. There were approximately 130 DPNCheck devices plus 28,500 electrodes shipped in the second quarter of 2015 with revenue of approximately \$416,000 compared to approximately 50 DPN devices and 24,300 electrodes with approximately \$360,000 in revenue in the second quarter in 2014. Revenues also include sales from our ADVANCE neurodiagnostic products totaling \$636,000 in the second quarter of 2015, compared to \$728,000 in the second quarter of 2014. The decline in ADVANCE revenue continues the historical trend for this product line, which has limited direct operating expenses and which we manage for cash flow.

Cost of Revenues and Gross Profit

The following table summarizes our cost of revenues and gross profit:

	Quarters Ended June 30,		Change	% Change
	2015	2014		
	(in thousands)			
Cost of revenues	\$ 595.0	\$ 655.3	\$ (60.3)	(9.2)%
Gross profit	\$ 630.0	\$ 688.4	\$ (58.4)	(8.5)%

Our cost of revenues decreased to \$595,000 in the second quarter of 2015, compared to \$655,300 in the second quarter of 2014, primarily due to the decrease in revenues during the same periods. Gross margin remained consistent at 51.4% in the second quarter of 2015 compared to 51.2% in the second quarter of 2014.

Operating Expenses

The following table presents a breakdown of our operating expenses:

	Quarters Ended June 30,		Change	% Change
	2015	2014		
	(in thousands)			
Operating expenses:				
Research and development	\$ 982.3	\$ 1,464.8	\$ (482.5)	(32.9)%
Sales and marketing	1,762.3	694.7	1,067.6	153.7%
General and administrative	1,224.8	1,148.3	76.5	6.7%
Total operating expenses	<u>\$ 3,969.4</u>	<u>\$ 3,307.8</u>	<u>\$ 661.6</u>	20.0%

Research and Development

Research and development expenses for the quarters ended June 30, 2015 and 2014 were \$982,300 and \$1,464,800, respectively. The decrease of \$482,500 primarily reflects decreased spending of \$352,000 in personnel costs, and a decline of \$146,000 in consulting and outside engineering support as we completed development of Quell and transitioned the product from engineering to production during the second quarter of 2015.

Sales and Marketing

Sales and marketing expenses increased to \$1,762,300 for the quarter ended June 30, 2015 from \$694,700 for the quarter ended June 30, 2014. The increase of \$1,067,600 included the effects of increased headcount and personnel related costs totaling \$589,000 to support our new Quell product. Advertising and marketing costs related to Quell accounted for approximately \$560,000 in incremental spending versus the same quarter a year ago.

General and Administrative

General and administrative expenses increased by \$76,500 to \$1,224,800 for the quarter ended June 30, 2015 compared to the prior year quarter. This increase was attributable to an increase of \$192,000 in consulting services related to IT and temporary support services, offset by a decrease of \$48,000 of personnel and personnel related costs.

Interest Income

Interest income was approximately \$500 and \$1,000 during the quarter ended June 30, 2015 and 2014, respectively. Interest income was earned from investments in cash equivalents.

Change in fair value of warrant liability

The change in fair value of warrant liability of \$2,135,700 relates to the revaluation of warrants from \$4,121,000 at March 31, 2015 to \$1,041,900 at June 30, 2015, plus the effects of the forfeiture of warrants during the second quarter of 2015 in connection with the repurchase of Series A-4 preferred stock (see Note 9 to the financial statements). The lower fair value at June 30, 2015 reflects our lower stock price at June 30, 2015 compared to December 31, 2014, as well as the shorter remaining term of the warrants. The change in the fair value of the warrant liability in the second quarter of 2014 was \$475,300.

Comparison of Six Months Ended June 30, 2015 and 2014

Revenues

The following table summarizes our revenues:

	Six Months Ended June 30,		Change	% Change
	2015	2014		
	(in thousands)			
Revenues	<u>\$ 2,507.9</u>	<u>\$ 2,675.3</u>	<u>\$ (167.4)</u>	(6.3)%

Revenues include sales from Quell and SENSUS, our wearable therapeutic devices for relief of chronic intractable pain; NC-stat DPNCheck, our diagnostic test for diabetic peripheral neuropathy, or DPN; and our legacy ADVANCE neurodiagnostics business. Quell was launched during the second quarter of 2015. The invoiced value of Quell shipments in the second quarter was approximately \$597,000 of which approximately \$24,000 was recorded in revenue and \$573,000 was deferred until the customers' rights of return on these shipments expire or we develop sufficient experience with Quell returns to justify an appropriate return valuation allowance. First half of 2015 revenues, excluding \$573,000 of Quell deferred revenue, were \$2.5 million, a reduction of approximately \$167,400 or 6.3% from the first half of 2014.

During the second quarter of 2015, we shipped approximately 2,600 Quell devices and nearly 1,000 electrodes. SENSUS, our prescription wearable device, posted shipments of about 1,670 devices and 11,300 electrode packages with total revenue of approximately \$325,000. This is in comparison with approximately 3,160 SENSUS devices and 6,700 electrode packages with total revenue of approximately \$451,000 in the first half of 2014 reflecting pressure of the durable medical equipment distribution channel from the Medicare competitive bidding initiative, as well as the Quell launch. There were approximately 230 DPNCheck devices plus 65,200 electrodes shipped in the first half of 2015 with revenue of approximately \$920,000 compared to approximately 110 DPN devices and 42,400 electrodes with approximately \$638,000 in revenue in the first half of 2014. Revenues also include sales from our ADVANCE neurodiagnostic products totaling \$1,239,000 in the first half of 2015, compared to \$1,586,000 in the first half of 2014. The decline in ADVANCE revenue continues the historical trend for this product line, which has limited direct operating expenses and which we manage for cash flow.

Cost of Revenues and Gross Profit

The following table summarizes our cost of revenues and gross profit:

	<u>Six Months Ended June 30,</u>		<u>Change</u>	<u>% Change</u>
	<u>2015</u>	<u>2014</u>		
	<u>(in thousands)</u>			
Cost of revenues	\$ 1,232.3	\$ 1,270.4	\$ (38.1)	(3.0%)
Gross profit	\$ 1,275.7	\$ 1,404.9	\$ (129.2)	(9.2%)

Our cost of revenues decreased to \$1,232,300 in the first half of 2015, compared to \$1,270,400 in the first half of 2014, primarily due to the decrease in revenues during the same periods. Gross margin decreased to 50.9% in the first half of 2015 compared to 52.5 % in the first half of 2014.

Operating Expenses

The following table presents a breakdown of our operating expenses:

	<u>Six Months Ended June 30,</u>		<u>Change</u>	<u>% Change</u>
	<u>2015</u>	<u>2014</u>		
	<u>(in thousands)</u>			
Operating expenses:				
Research and development	\$ 1,884.8	\$ 2,328.5	\$ (443.7)	(19.1)%
Sales and marketing	3,218.0	1,140.9	2,077.1	182.1%
General and administrative	2,770.9	2,295.0	475.9	20.7%
Total operating expenses	\$ 7,873.7	\$ 5,764.4	\$ 2,109.3	36.6%

Research and Development

Research and development expenses for the first half of 2015 and 2014 were \$1,884,800 and \$2,328,500, respectively. The decrease of \$443,700 primarily reflects decreased spending of \$528,000 in personnel costs, which was partially offset by an increase of \$102,000 in consulting and outside engineering support as we completed development of Quell and transitioned the product from engineering to production during the second quarter of 2015.

Sales and Marketing

Sales and marketing expenses increased to \$3,218,000 for the first half of 2015 from \$1,140,900 for the first half of 2014. The increase of \$2,077,100 included the effects of increased headcount and personnel related costs totaling \$930,000 to support the release of our new Quell product. Advertising and marketing costs for outside services related to Quell accounted for approximately \$883,000 in incremental spending versus the same period a year ago. Trade shows and travel costs increased approximately \$212,000 in the first half of 2015 versus the first half of 2014.

General and Administrative

General and administrative expenses increased by \$475,900 to \$2,770,900 for the first half of 2015 compared to \$2,295,000 for the same period in the prior year. This increase was attributable to \$400,000 in consulting services related to IT and temporary support services, and an increase in recruiting fees of \$99,000.

Interest Income

Interest income was approximately \$1,600 and \$2,000 during the six months ended June 30, 2015 and 2014, respectively. Interest income was earned from investments in cash equivalents.

Change in fair value of warrant liability

The change in fair value of warrant liability of \$3,322,000 for the first half of 2015 relates to the revaluation of warrants from \$5,307,300 at December 31, 2014 to \$1,041,900 at June 30, 2015, plus the effects of the forfeiture of warrants during the second quarter of 2015 in connection with the repurchase of Series A-4 preferred stock (see Note 9 to the financial statements). The lower fair value at June 30, 2015 reflects our lower stock price at June 30, 2015 compared to December 31, 2014, as well as the shorter remaining term of the warrants. The change in the fair value of the warrant liability in the first half of 2014 was \$989,900.

Liquidity and Capital Resources

Our principal source of liquidity is our cash and cash equivalents. As of June 30, 2015, cash and cash equivalents totaled \$12.6 million. Our ability to generate revenue to fund our operations will largely depend on the success of our wearable therapeutic products for chronic pain and our diagnostic products for neuropathy. A low level of market interest in Quell, SENSUS or DPNCheck, an accelerated decline in our neurodiagnostics consumables sales, or unanticipated increases in our operating costs would have an adverse effect on our liquidity and cash generated from operations. The following table sets forth information relating to our cash and cash equivalents:

	June 30, 2015	December 31, 2014	Change	% Change
	(\$ in thousands)			
Cash and cash equivalents	\$ 12,639.0	\$ 9,222.0	\$ 3,417.0	37.1%

In order to supplement our access to capital, we are party to an amended Loan and Security Agreement, with a bank which provides us with a credit facility in the amount of \$2.5 million, or the Credit Facility. This Credit Facility was amended in January 2015 and will expire on January 15, 2016. As of June 30, 2015 the Credit Facility permitted the Company to borrow up to \$2.5 million on a revolving basis. The Credit Facility was subsequently amended and extended until January 15, 2016. Amounts borrowed under the Credit Facility will bear interest equal to the prime rate plus 0.5%. Any borrowings under the Credit Facility will be collateralized by the Company's cash, accounts receivable, inventory, and equipment. The Credit Facility includes traditional lending and reporting covenants. These include certain financial covenants applicable to liquidity that are to be maintained by the Company. As of June 30, 2015, the Company was in compliance with these covenants and had not borrowed any funds under the Credit Facility. However, \$226,731 of the amount available under the Credit Facility is restricted to support letters of credit issued in favor of the Company's landlords for its premises leased in September 2014 for its corporate. Consequently, the amount available for borrowing under the Credit Facility as of June 30, 2015 was \$2.3 million.

During the six months ended June 30, 2015, our cash and cash equivalents increased by \$3.4 million reflecting the offsetting effects of \$10.1 million in net proceeds from an underwritten public offering completed during May 2015 and the ongoing net cash usage for business operations which totaled \$6.7 million during the six month period.

In managing our working capital, we monitor days sales outstanding, or DSO, and inventory turnover rate, which are presented in the table below:

	Quarters Ended June 30,		Year Ended December 31,
	2015	2014	2014
Days sales outstanding (days)	30	36	38
Inventory turnover rate (times per year)	3.9	4.1	4.0

Calculations for days sales outstanding and inventory turnover rate have been adjusted for the deferral of Quell revenues and costs. Payment terms extended to customers generally require payment within 30 days from invoice date. The inventory turnover rate has remained constant since December 31, 2014.

The following table sets forth information relating to the sources and uses of our cash:

	Quarters Ended June 30,	
	2015	2014
	(in thousands)	
Net cash used in operating activities	\$ (6,189.9)	\$ (3,444.9)
Net cash used in investing activities	(503.0)	(17.4)
Net cash provided by financing activities	10,110.0	7,960.3

Our operating activities used \$6.2 million in the six months ended June 30, 2015. The primary driver for the use of cash in our operating activities during the first half of 2015 was our net loss of \$3.3 million, which included non-cash charges of \$ 268,000, for stock-based compensation and for depreciation and amortization, plus non-cash credits of \$3.3 million for revaluing outstanding warrants at fair value.

We believe that our cash and cash equivalents at June 30, 2015 and the cash to be generated from expected product sales will be sufficient to meet our projected operating requirements into the second quarter of 2016. We continue to face significant challenges and uncertainties and, as a result, our available capital resources may be consumed more rapidly than currently expected due to (a) decreases in sales of our products and the uncertainty of future revenues from new products; (b) changes we may make to the business that affect ongoing operating expenses; (c) changes we may make in our business strategy; (d) regulatory developments affecting our existing products and delays in the FDA approval process for products under development; (e) changes we may make in our research and development spending plans; and (f) other items affecting our forecasted level of expenditures and use of cash resources. Accordingly, we will need to raise additional funds to support our operating and capital needs in the second quarter of 2016 and beyond. These factors raise substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We will attempt to obtain additional funding through public or private financing, collaborative arrangements with strategic partners, or through additional credit lines or other debt financing sources to increase the funds available to fund operations. However, we may not be able to secure such financing in a timely manner or on favorable terms, if at all. We maintain a shelf registration statement on Form S-3 with the SEC covering shares of our common stock and other securities for sale, giving us the opportunity to raise funding when needed or otherwise considered appropriate at prices and on terms to be determined at the time of any such offerings. However, pursuant to the instructions to Form S-3, we only have the ability to sell shares under the shelf registration statement, during any 12-month period, in an amount less than or equal to one-third of the aggregate market value of our common stock held by non-affiliates. If we raise additional funds by issuing equity or debt securities, either through the sale of securities pursuant to a registration statement or by other means, our existing stockholders may experience dilution, and the new equity or debt securities may have rights, preferences and privileges senior to those of our existing stockholders. If we raise additional funds through collaboration, licensing or other similar arrangements, it may be necessary to relinquish valuable rights to our potential products or proprietary technologies, or grant licenses on terms that are not favorable to us. Without additional funds, we may be forced to delay, scale back or eliminate some of our sales and marketing efforts, research and development activities, or other operations and potentially delay product development in an effort to provide sufficient funds to continue our operations. If any of these events occurs, our ability to achieve our development and commercialization goals would be adversely affected.

Our common stock is quoted on the NASDAQ Capital Market under the symbol "NURO." One of the requirements for continued listing on the NASDAQ Capital Market is maintenance of a minimum closing bid price of \$1.00. The closing bid price of our common stock on the NASDAQ Global Market was \$0.8125 on July 22, 2015.

On July 16, 2015, we received a notice from the Listing Qualifications Department of the NASDAQ Stock Market indicating that, for the last 30 consecutive business days, the bid price for our common stock had closed below the minimum \$1.00 per share required for continued inclusion on The NASDAQ Capital Market under NASDAQ Listing Rule 5550(a)(2). The notification letter states that pursuant to NASDAQ Listing Rule 5810(c)(3)(A) the Company will be afforded 180 calendar days, or until January 12, 2016, to regain compliance with the minimum bid price requirement. In order to regain compliance, shares of the Company's common stock must maintain a minimum bid closing price of at least \$1.00 per share for a minimum of ten consecutive business days. If we do not regain compliance by January 12, 2016, NASDAQ will provide written notification to us that our common stock will be delisted. At that time, we may appeal NASDAQ's delisting determination to a NASDAQ Listing Qualifications Panel. Alternatively, we may be eligible for an additional 180 day grace period if we satisfy all of the requirements, other than the minimum bid price requirement, for listing on The NASDAQ Capital Market set forth in NASDAQ Listing Rule 5505. The notification letter has no effect at this time on the listing of our common stock on The NASDAQ Capital Market.

We intend to actively monitor the bid price for our common stock between now and January 12, 2016 while demonstrating progress with our newest product, Quell, which was commercially launched in June 2015. We believe that this will improve investor confidence and increase the market valuation of our common stock.

Off-Balance Sheet Arrangements, Contractual Obligation and Contingent Liabilities and Commitments

As of June 30, 2015, we did not have any off-balance sheet financing arrangements.

See Note 6, Commitments and Contingencies, of our Notes to Unaudited Financial Statements for information regarding commitments and contingencies.

Recent Accounting Pronouncements

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* (ASU 2014-15). ASU 2014-15 requires management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. The standard is effective for public entities for annual and interim periods beginning after December 15, 2016, with early adoption permitted. We are currently evaluating the provisions of ASU 2014-15 and assessing the impact, if any, it may have on our financial position, results of operations or cash flows.

In May 2014, the FASB and the International Accounting Standards Board ("IASB") jointly issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance. The objective of ASU 2014-09 is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is effective for public entities for annual and interim periods beginning after December 15, 2017. An entity can elect to adopt ASU 2014-09 using one of two methods, either full retrospective adoption to each prior reporting period, or recognizing the cumulative effect of adoption at the date of initial application. The Company is in the process of evaluating the new standard and does not know the effect, if any, ASU 2014-09 will have on the Consolidated Financial Statements or which adoption method will be used.

Cautionary Note Regarding Forward-Looking Statements

The statements contained in this Quarterly Report on Form 10-Q, including under the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other sections of this Quarterly Report, include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, including, without limitation, statements regarding our or our management's expectations, hopes, beliefs, intentions or strategies regarding the future,; such as our estimates regarding anticipated operating losses, future revenues and projected expenses, particularly as they relate to Quell; our future liquidity and our expectations regarding our needs for and ability to raise additional capital; our ability to manage our expenses effectively and raise the funds needed to continue our business; our belief that there are unmet needs in the treatment of chronic pain and our expectations surrounding Quell and our currently marketed products; our expectation that Quell has the potential to be the largest contributor to 2015 revenues of our marketed products; ; our belief that controlled, personalized neuro-stimulation to suppress pain provides an important complement to existing pain medications and treatments and that we are well positioned to make neuro-stimulation widely available to chronic pain sufferers; our ability to execute our goal to build an installed base of active customer accounts and distributors for our marketed products; our plan to conduct Quell clinical studies to support our marketing and business plans and our hope that these studies will support future adoption of both Quell; our ability to obtain and maintain regulatory approval of our existing products and any future products we may develop; regulatory and legislative developments in the United States and foreign countries, including developments related to third-party reimbursement; our expectation that we will continue to manufacture our current marketed products as well as Quell; our belief that our manufacturing relationships minimize our capital investment, provide us with manufacturing expertise, and help control costs ; our ability to obtain and maintain intellectual property protection for our products; the successful development of our sales and marketing capabilities; the size and growth of the potential domestic and international markets for our products and our ability to serve those markets; our belief that there are significant opportunities to market Quell outside of the United States and our plan to evaluate additional U.S. retail distribution opportunities after commercial launch of Quell; the rate and degree of market acceptance of any future products, including Quell; our reliance on key scientific management or personnel; and other factors discussed elsewhere in this Quarterly Report on Form 10-Q. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "plan" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. The forward-looking statements contained in this quarterly report are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described in the section titled "Risk Factors" below and in our Annual Report on Form 10-K. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We do not use derivative financial instruments in our investment portfolio and have no foreign exchange contracts. Our financial instruments consist of cash and cash equivalents. We consider investments that, when purchased, have a remaining maturity of 90 days or less to be cash equivalents. The primary objectives of our investment strategy are to preserve principal, maintain proper liquidity to meet operating needs, and maximize yields. To minimize our exposure to an adverse shift in interest rates, we invest mainly in cash equivalents and short-term investments with a maturity of twelve months or less and maintain an average maturity of twelve months or less. We do not believe that a notional or hypothetical 10% change in interest rate percentages would have a material impact on the fair value of our investment portfolio or our interest income.

Item 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures.* Our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of June 30, 2015, have concluded that, based on such evaluation, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) *Changes in Internal Controls.* There were no changes in our internal control over financial reporting, identified in connection with the evaluation of such internal control that occurred during the quarter ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

While we are not currently a party to any material legal proceedings, we could become subject to legal proceedings in the ordinary course of business. We do not expect any such potential items to have a significant impact on our financial position.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2014, which could materially affect our business, financial condition, or results of operations. The risks described in our Annual Report on Form 10-K are not the only risks that we face. In addition, risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or results of operations. Other than the addition of the following risk factor, there have been no material changes in or additions to the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2014.

If we fail to continue to meet all applicable NASDAQ Capital Market requirements and The NASDAQ Stock Market determines to delist our common stock, the delisting could adversely affect the market liquidity of our common stock, impair the value of your investment and harm our business.

Our common stock is currently listed on the NASDAQ Capital Market. In order to maintain that listing, we must satisfy minimum financial and other requirements. On July 16, 2015, we received a notice from the Listing Qualifications Department of the NASDAQ Stock Market indicating that, for the last 30 consecutive business days, the bid price for our common stock had closed below the minimum \$1.00 per share required for continued inclusion on The NASDAQ Capital Market under NASDAQ Listing Rule 5550(a)(2). The notification letter states that pursuant to NASDAQ Listing Rule 5810(c)(3)(A) the Company will be afforded 180 calendar days, or until January 12, 2016, to regain compliance with the minimum bid price requirement. In order to regain compliance, shares of the Company’s common stock must maintain a minimum bid closing price of at least \$1.00 per share for a minimum of ten consecutive business days. If we do not regain compliance by January 12, 2016, NASDAQ will provide written notification to us that our common stock will be delisted. At that time, we may appeal NASDAQ’s delisting determination to a NASDAQ Listing Qualifications Panel. Alternatively, we may be eligible for an additional 180 day grace period if we satisfy all of the requirements, other than the minimum bid price requirement, for listing on The NASDAQ Capital Market set forth in NASDAQ Listing Rule 5505.

While we intend to engage in efforts to regain compliance, and thus maintain our listing, there can be no assurance that we will be able to regain compliance during the applicable time periods set forth above. If we fail to continue to meet all applicable NASDAQ Capital Market requirements in the future and NASDAQ determines to delist our common stock, the delisting could substantially decrease trading in our common stock and adversely affect the market liquidity of our common stock; adversely affect our ability to obtain financing on acceptable terms, if at all, for the continuation of our operations; and harm our business. Additionally, the market price of our common stock may decline further and stockholders may lose some or all of their investment. The closing bid price of our common stock on the NASDAQ Capital Market was \$0.8125 on July 22, 2015.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

See the Exhibit Index on the page immediately preceding the exhibits for a list of exhibits filed as part of this quarterly report, which Exhibit Index is incorporated herein by this reference.

SIGNATURES

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

NEUROMETRIX, INC.

Date: July 23, 2015

/s/ SHAI N. GOZANI, M.D., PH. D.

Shai N. Gozani, M.D., Ph. D.
Chairman, President and Chief Executive Officer

Date: July 23, 2015

/s/ THOMAS T. HIGGINS

Thomas T. Higgins
Senior Vice President, Chief Financial Officer and Treasurer

EXHIBIT INDEX

Exhibit No.	Description
3.1	Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock, par value \$0.001 per share (Incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K, filed with the SEC on May 29, 2015).
4.1*	Amendment No. 4 to Shareholder Rights Agreement, dated May 28, 2015, between the Registrant and American Stock Transfer & Trust Company, as Rights Agent.
4.2	Form of 2015 Warrant (Incorporated by reference to Exhibit 4.3 of the Registrant's Registration Statement on Form S-1, as amended, filed with the SEC on May 4, 2015).
4.3	Form of 2015 Underwriters' Warrant (Incorporated by reference to Exhibit 4.5 of the Registrant's Registration Statement on Form S-1, as amended, filed with the SEC on April 13, 2015).
10.1*	Repurchase and Forfeiture Agreement, dated May 21, 2015, by and between the Registrant and the parties named therein.
31.1	Certification of Principal Executive Officer Under Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, and pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002. Filed herewith.
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
32	Certification of Principal Executive Officer and Principal Financial Officer Required Under Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350. Furnished herewith.
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Balance Sheets at June 30, 2015 and December 31, 2014, (ii) Statements of Operations for the quarters and six months ended June 30, 2015 and 2014, (iii) Statements of Cash Flows for the six months ended June 30, 2015 and 2014, and (iv) Notes to Financial Statements.

*Filed Herewith

**AMENDMENT NO. 4 TO
SHAREHOLDER RIGHTS AGREEMENT**

This Amendment No. 4 to Shareholder Rights Agreement (the "*Amendment*"), dated as of May 28, 2015, by and between NeuroMetrix, Inc., a Delaware corporation (the "Company"), and American Stock Transfer & Trust Company, LLC (the "*Rights Agent*"), amends that certain Shareholder Rights Agreement, dated as of March 7, 2007, as amended as of September 8, 2009, as of June 5, 2013, and as of June 25, 2014, between the Company and the Rights Agent (as so amended, the "*Rights Agreement*").

WHEREAS, the Company and the Rights Agent are parties to the Rights Agreement; and

WHEREAS, the Company desires to issue and sell to Sabby Management, LLC and its affiliates 122,000 shares of its Series B convertible preferred stock, which are convertible into 12,078,000 shares of the Company's common stock, par value \$0.0001 per share (the "*Common Stock*") and 12,078,000 warrants to purchase 12,078,000 of the Company's Common Stock, pursuant to the Prospectus, dated May 26, 2015, filed with the Securities and Exchange Commission on May 27, 2015 (Registration Nos. 333-188133 and 333-204464); and

WHEREAS, pursuant to Section 27 of the Rights Agreement, the Company and the Rights Agent may from time to time supplement or amend the Rights Agreement subject to the terms of the Rights Agreement; and

WHEREAS, the Board of Directors of the Company has determined that an amendment to the Rights Agreement as set forth herein is necessary and desirable in connection with the foregoing and the Company and the Rights Agent desire to evidence such amendment in writing.

NOW, THEREFORE, in consideration of these premises and mutual agreements set forth herein, the parties agree as follows:

1 . Amendment of Section 1. Section 1 of the Rights Agreement, "Certain Definitions" is supplemented to add the following definitions in the appropriate locations:

“2015 Preferred Stock” shall mean shares of Series B convertible preferred stock, par value \$0.001 per share, of the Company having the rights and preferences set forth in the form of the Certificate of Designation attached hereto as Exhibit C.

“2015 Prospectus” shall mean the Prospectus, dated May 26, 2015, filed with the Securities and Exchange Commission on May 27, 2015 (Registration Nos. 333-188133 and 333-204464).

“Sabby” shall mean Sabby Management, LLC and its affiliates.

“Sabby Transactions” shall mean the issuance to Sabby of (x) 122,000 shares of 2015 Preferred Stock, and (y) the Sabby Warrants, each pursuant to the 2015 Prospectus, and the conversion of the 2015 Preferred Stock and the exercise of the Sabby Warrants in accordance with their respective terms.

“Sabby Warrants” shall mean the warrants to purchase 12,078,000 shares of Common Stock to be issued to Sabby pursuant to the 2015 Prospectus.

2. Amendment of the definition of “Acquiring Person”. The definition of “Acquiring Person” in Section 1 of the Rights Agreement is amended by adding the following sentence at the end thereof:

“Notwithstanding anything in this Rights Agreement to the contrary, neither Sabby nor any of its Affiliates or Associates shall be deemed to be an Acquiring Person solely as a result of the consummation of the Sabby Transactions, the execution of the Sabby Warrants, or any other transaction contemplated by the 2015 Prospectus, the 2015 Preferred Stock, or the Sabby Warrants.”

3. Amendment of the definition of “Section 11(a)(ii) Event”. The definition of “Section 11(a)(ii) Event” in Section 1 of the Rights Agreement is amended by adding the following sentence at the end thereof:

“Notwithstanding anything in this Rights Agreement to the contrary, a Section 11(a)(ii) Event shall not be deemed to have occurred solely as a result of the consummation of the Sabby Transactions, the execution of the Sabby Warrants, or any other transaction contemplated by the 2015 Prospectus, the 2015 Preferred Stock, or the Sabby Warrants.”

4. Amendment of the definition of "Stock Acquisition Date". The definition of "Stock Acquisition Date" in Section 1 of the Rights Agreement is amended by adding the following sentence at the end thereof:

"Notwithstanding anything in this Rights Agreement to the contrary, a Stock Acquisition Date shall not be deemed to have occurred solely as a result the consummation of the Sabby Transactions, the execution of the Sabby Warrants, or any other transaction contemplated by the 2015 Prospectus, the 2015 Preferred Stock, or the Sabby Warrants."

5. Amendment to Section 30. Section 30 of the Rights Agreement is amended by adding the following sentence at the end thereof:

"Nothing in this Agreement shall be construed to give any holder of Rights or any other Person any legal or equitable rights, remedies or claims under this Agreement by virtue of the consummation of the Sabby Transactions, the execution of the Sabby Warrants, or any other transaction contemplated by the 2015 Prospectus, the 2015 Preferred Stock, or the Sabby Warrants."

6. Ratification. The parties hereby ratify and confirm in all respects the Agreement, as amended by this Amendment.

7. Governing Law. This Amendment shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.

8. Counterparts. This Amendment may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

9. Descriptive Headings. Descriptive headings of the several Sections of this Amendment are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the parties have entered into this Amendment No. 4 to Shareholder Rights Agreement as of the date first stated above.

NEUROMETRIX, INC.

By: /s/ Thomas T. Higgins
Name: Thomas T. Higgins
Title: Senior Vice President, Chief
Financial Officer, Treasurer and
Principal Accounting Officer

AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC

By: /s/ Michael Nespoli
Name: Michael Nespoli
Title: Executive Director

EXHIBIT C

NEUROMETRIX, INC.

**CERTIFICATE OF DESIGNATION OF PREFERENCES,
RIGHTS AND LIMITATIONS
OF
SERIES B CONVERTIBLE PREFERRED STOCK**

PURSUANT TO SECTION 151 OF THE
DELAWARE GENERAL CORPORATION LAW

The undersigned, Thomas T. Higgins, does hereby certify that:

1. He is the Senior Vice President, Chief Financial Officer and Treasurer of NeuroMetrix, Inc., a Delaware corporation (the "Corporation").
2. The Corporation is authorized to issue 5,000,000 shares of preferred stock, 3,206.357 of which have been issued.
3. The following resolutions were duly adopted by the board of directors of the Corporation (the "Board of Directors"):

WHEREAS, the certificate of incorporation of the Corporation provides for a class of its authorized stock known as preferred stock, consisting of 5,000,000 shares, \$0.001 par value per share, issuable from time to time in one or more series;

WHEREAS, the Board of Directors is authorized to fix the dividend rights, dividend rate, voting rights, conversion rights, rights and terms of redemption and liquidation preferences of any wholly unissued series of preferred stock and the number of shares constituting any series and the designation thereof, of any of them; and

WHEREAS, it is the desire of the Board of Directors, pursuant to its authority as aforesaid, to fix the rights, preferences, restrictions and other matters relating to a series of the preferred stock, which shall consist of up to 147,000 shares of the preferred stock which the Corporation has the authority to issue, as follows:

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors does hereby provide for the issuance of a series of preferred stock for cash or exchange of other securities, rights or property and does hereby fix and determine the rights, preferences, restrictions and other matters relating to such series of preferred stock as follows:

TERMS OF PREFERRED STOCK

Section 1. Definitions. For the purposes hereof, the following terms shall have the following meanings:

“**Affiliate**” means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 of the Securities Act.

“**Alternate Consideration**” shall have the meaning set forth in Section 7(e).

“**Beneficial Ownership Limitation**” shall have the meaning set forth in Section 6(d).

“**Business Day**” means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

“**Buy-In**” shall have the meaning set forth in Section 6(c)(iv).

“**Change of Control Transaction**” means the occurrence after the date hereof of any of (a) an acquisition after the date hereof by an individual or legal entity or “group” (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Corporation, by contract or otherwise) of in excess of 40% of the voting securities of the Corporation (other than by means of conversion or exercise of Preferred Stock and the Securities issued together with the Preferred Stock), (b) the Corporation merges into or consolidates with any other Person, or any Person merges into or consolidates with the Corporation and, after giving effect to such transaction, the stockholders of the Corporation immediately prior to such transaction own less than 40% of the aggregate voting power of the Corporation or the successor entity of such transaction, (c) the Corporation sells or transfers all or substantially all of its assets to another Person and the stockholders of the Corporation immediately prior to such transaction own less than 60% of the aggregate voting power of the acquiring entity immediately after the transaction, (d) a replacement at one time or within a one year period of more than one-half of the members of the Board of Directors which is not approved by a majority of those individuals who are members of the Board of Directors on the Original Issue Date (or by those individuals who are serving as members of the Board of Directors on any date whose nomination to the Board of Directors was approved by a majority of the members of the Board of Directors who are members on the Original Issue Date), or (e) the execution by the Corporation of an agreement to which the Corporation is a party or by which it is bound, providing for any of the events set forth in clauses (a) through (d) above.

“Closing” means the closing of the purchase and sale of the Securities pursuant to Section 1(c) of the Underwriting Agreement.

“Closing Date” means the hour and date of delivery and payment for the Securities.

“Commission” means the United States Securities and Exchange Commission.

“Common Stock” means the Corporation’s common stock, par value \$0.0001 per share, and stock of any other class of securities into which such securities may hereafter be reclassified or changed.

“Common Stock Equivalents” means any securities of the Corporation or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

“Conversion Amount” means the sum of the Stated Value at issue.

“Conversion Date” shall have the meaning set forth in Section 6(a).

“Conversion Price” shall have the meaning set forth in Section 6(b).

“Conversion Shares” means, collectively, the shares of Common Stock issuable upon conversion of the shares of Preferred Stock in accordance with the terms hereof.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Fundamental Transaction” shall have the meaning set forth in Section 7(e).

“GAAP” means United States generally accepted accounting principles.

“Holder” shall have the meaning given such term in Section 2.

“Junior Securities” means the Common Stock and all other Common Stock Equivalents of the Corporation other than those securities which are explicitly senior or pari passu to the Preferred Stock in dividend rights or liquidation preference.

“Liens” means a lien, charge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

“Liquidation” shall have the meaning set forth in Section 4.

“New York Courts” shall have the meaning set forth in Section 8(d).

“Notice of Conversion” shall have the meaning set forth in Section 6(a).

“Original Issue Date” means the date of the first issuance of any shares of the Preferred Stock regardless of the number of transfers of any particular shares of Preferred Stock and regardless of the number of certificates which may be issued to evidence such Preferred Stock.

“Person” means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

“Preferred Stock” shall have the meaning set forth in Section 2.

“Rule 144” means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

“Rule 424” means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

“Securities” means the Preferred Stock, the Warrants, the Warrant Shares and the Underlying Shares.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Share Delivery Date” shall have the meaning set forth in Section 6(c).

“Stated Value” shall have the meaning set forth in Section 2, as the same may be increased pursuant to Section 3.

“Subsidiary” means any subsidiary of the Corporation required, on or prior to Original Issue Date, to be listed on Exhibit 21 pursuant to Regulation S-K promulgated under the Securities Act and the Exchange Act and shall, where applicable, also include any direct or indirect subsidiary of the Corporation formed or acquired after the date of the Underwriting Agreement.

“Successor Entity” shall have the meaning set forth in Section 7(e).

“Trading Day” means a day on which the principal Trading Market is open for business.

“Trading Market” means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange or the OTC Bulletin Board (or any successors to any of the foregoing).

“Transfer Agent” means American Stock Transfer & Trust Company, the current transfer agent of the Corporation with a mailing address of 59 Maiden Lane, New York, New York and a facsimile number of 718-236-4588, and any successor transfer agent of the Corporation.

“Underlying Shares” means the shares of Common Stock issued and issuable upon conversion of the Preferred Stock and upon exercise of the Warrants.

“Underwriting Agreement” means the Underwriting Agreement, dated May 26, 2015, between the Corporation and Maxim Group LLC, as representative of the several underwriters named in Schedule 1 thereof, as amended, modified or supplemented from time to time in accordance with its terms.

“VWAP” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if the OTC Bulletin Board is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board, (c) if the Common Stock is not then listed or quoted for trading on the OTC Bulletin Board and if prices for the Common Stock are then reported in the “Pink Sheets” published by Pink OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holders of a majority in interest of the Securities then outstanding and reasonably acceptable to the Corporation, the fees and expenses of which shall be paid by the Corporation.

“Warrants” shall have the meaning set forth in the Underwriting Agreement.

“Warrant Shares” means the shares of Common Stock issuable upon exercise of the Warrants.

Section 2. Designation, Amount and Par Value. The series of preferred stock shall be designated as its Series B Convertible Preferred Stock (the “Preferred Stock”) and the number of shares so designated shall be up to 147,000 (which shall not be subject to increase without the written consent of a majority of the holders of the Preferred Stock (each, a “Holder” and collectively, the “Holders”). Each share of Preferred Stock shall have a par value of \$0.001 per share and a stated value equal to \$100, subject to increase set forth in Section 3 below (the “Stated Value”).

Section 3. Dividends.

a) Holders shall be entitled to receive, and the Corporation shall pay, dividends on shares of Preferred Stock equal (on an as-if-converted-to-Common-Stock basis) to and in the same form as dividends (other than dividends in the form of Common Stock) actually paid on shares of the Common Stock when, as and if such dividends (other than dividends in the form of Common Stock) are paid on shares of the Common Stock. Other than as set forth in the previous sentence, no other dividends shall be paid on shares of Preferred Stock; and the Corporation shall pay no dividends (other than dividends in the form of Common Stock) on shares of the Common Stock unless it simultaneously complies with the previous sentence.

b) Other Securities. So long as any Preferred Stock shall remain outstanding, the Corporation shall not redeem, purchase or otherwise acquire directly or indirectly more than a de minimis amount of any Junior Securities other than as to repurchases of Common Stock or Common Stock Equivalents from departing officers or directors, and provided that, while any of the Preferred Stock remains outstanding, such repurchases shall not exceed an aggregate of \$100,000 in any fiscal year from all officers and directors.

Section 4. Voting Rights. Except as otherwise provided herein or as otherwise required by law, the Preferred Stock shall have no voting rights. However, as long as any shares of Preferred Stock are outstanding, the Corporation shall not, without the affirmative vote of the Holders of a majority of the then outstanding shares of the Preferred Stock, (a) alter or change adversely the powers, preferences or rights given to the Preferred Stock or alter or amend this Certificate of Designation, (b) authorize or create any class of stock ranking as to dividends, redemption or distribution of assets upon a liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, that is senior to the Preferred Stock, (c) amend its certificate of incorporation or other charter documents in any manner that adversely affects any rights of the Holders, (d) increase the number of authorized shares of Preferred Stock, or (e) enter into any agreement with respect to any of the foregoing.

Section 5. Liquidation. Upon any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary (a "Liquidation"), the Holders shall be entitled to receive distributions out of the assets, whether capital or surplus, of the Corporation on a pari passu basis with the holders of Common Stock. The Corporation shall mail written notice of any such Liquidation, not less than 45 days prior to the payment date stated therein, to each Holder.

Section 6. Conversion.

a) Conversions at Option of Holder. Each share of Preferred Stock shall be convertible, at any time and from time to time from and after the Original Issue Date at the option of the Holder thereof, into that number of shares of Common Stock (subject to the limitations set forth in Section 6(d)) determined by dividing the Stated Value of such share of Preferred Stock by the Conversion Price. Holders shall effect conversions by providing the Transfer Agent with the form of conversion notice attached hereto as Annex A (a "Notice of Conversion"). Each Notice of Conversion shall specify the number of shares of Preferred Stock to be converted, the number of shares of Preferred Stock owned prior to the conversion at issue, the number of shares of Preferred Stock owned subsequent to the conversion at issue and the date on which such conversion is to be effected, which date may not be prior to the date the applicable Holder delivers by facsimile such Notice of Conversion to the Transfer Agent (such date, the "Conversion Date"). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be the date that such Notice of Conversion to the Corporation is deemed delivered hereunder. The calculations and entries set forth in the Notice of Conversion shall control in the absence of manifest or mathematical error. No ink-original Notice of Conversion shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Conversion form be required. To effect conversions of shares of Preferred Stock, a Holder shall not be required to surrender the certificate(s) representing the shares of Preferred Stock unless all of the shares of Preferred Stock represented thereby are so converted, in which case such Holder shall deliver the certificate representing such shares of Preferred Stock promptly following the Conversion Date at issue. Shares of Preferred Stock converted into Common Stock or redeemed in accordance with the terms hereof shall be canceled and shall not be reissued.

b) Conversion Price. The conversion price for the Preferred Stock shall equal \$1.0101, subject to adjustment herein (the "Conversion Price").

c) Mechanics of Conversion

i . Delivery of Conversion Shares Upon Conversion. Not later than three (3) Trading Days after each Conversion Date (the “Share Delivery Date”), the Corporation shall deliver, or cause to be delivered, to the converting Holder (A) the number of Conversion Shares being acquired upon the conversion of the Preferred Stock, which Conversion Shares shall be free of restrictive legends and trading restrictions (including, if the Corporation has given continuous notice pursuant to Section 3(b) for payment of dividends in shares of Common Stock at least 20 Trading Days prior to the date on which the Notice of Conversion is delivered to the Corporation, shares of Common Stock representing the payment of accrued dividends otherwise determined pursuant to Section 3(a) but assuming that the Dividend Notice Period is the 20 Trading Days period immediately prior to the date on which the Notice of Conversion is delivered to the Corporation and excluding for such issuance the condition that the Corporation deliver the Dividend Share Amount as to such dividend payment prior to the commencement of the Dividend Notice Period), and (B) a bank check in the amount of accrued and unpaid dividends (if the Corporation has elected or is required to pay accrued dividends in cash). The Corporation shall use its best efforts to deliver the Conversion Shares electronically through the Depository Trust Company or another established clearing corporation performing similar functions.

ii. Failure to Deliver Conversion Shares. If, in the case of any Notice of Conversion, such Conversion Shares are not delivered to or as directed by the applicable Holder by the Share Delivery Date, the Holder shall be entitled to elect by written notice to the Corporation at any time on or before its receipt of Conversion Shares, to rescind such Conversion, in which event the Corporation shall promptly return to the Holder any original Preferred Stock certificate delivered to the Corporation and the Holder shall promptly return to the Corporation the Conversion Shares issued to such Holder pursuant to the rescinded Conversion Notice.

i i i . Obligation Absolute; Partial Liquidated Damages. The Corporation's obligation to issue and deliver the Conversion Shares upon conversion of Preferred Stock in accordance with the terms hereof is absolute and unconditional, irrespective of any action or inaction by a Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by such Holder or any other Person of any obligation to the Corporation or any violation or alleged violation of law by such Holder or any other person, and irrespective of any other circumstance which might otherwise limit such obligation of the Corporation to such Holder in connection with the issuance of such Conversion Shares; provided, however, that such delivery shall not operate as a waiver by the Corporation of any such action that the Corporation may have against such Holder. In the event a Holder shall elect to convert any or all of the Stated Value of its Preferred Stock, the Corporation may not refuse conversion based on any claim that such Holder or any one associated or affiliated with such Holder has been engaged in any violation of law, agreement or for any other reason, unless an injunction from a court, on notice to Holder, restraining and/or enjoining conversion of all or part of the Preferred Stock of such Holder shall have been sought and obtained, and the Corporation posts a surety bond for the benefit of such Holder in the amount of 150% of the Stated Value of Preferred Stock which is subject to the injunction, which bond shall remain in effect until the completion of arbitration/litigation of the underlying dispute and the proceeds of which shall be payable to such Holder to the extent it obtains judgment. In the absence of such injunction, the Corporation shall issue Conversion Shares and, if applicable, cash, upon a properly noticed conversion. If the Corporation fails to deliver to a Holder such Conversion Shares pursuant to Section 6(c)(i) on the second Trading Day after the Share Delivery Date applicable to such conversion, the Corporation shall pay to such Holder, in cash, as liquidated damages and not as a penalty, for each \$5,000 of Stated Value of Preferred Stock being converted, \$50 per Trading Day (increasing to \$100 per Trading Day on the third Trading Day and increasing to \$200 per Trading Day on the sixth Trading Day after such damages begin to accrue) for each Trading Day after such second Trading Day after the Share Delivery Date until such Conversion Shares are delivered or Holder rescinds such conversion. Nothing herein shall limit a Holder's right to pursue actual damages and such Holder shall have the right to pursue all remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief. The exercise of any such rights shall not prohibit a Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

i v . Compensation for Buy-In on Failure to Timely Deliver Conversion Shares Upon Conversion. In addition to any other rights available to the Holder, if the Corporation fails for any reason to deliver to a Holder the applicable Conversion Shares by the Share Delivery Date pursuant to Section 6(c)(i), and if after such Share Delivery Date such Holder is required by its brokerage firm to purchase (in an open market transaction or otherwise), or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by such Holder of the Conversion Shares which such Holder was entitled to receive upon the conversion relating to such Share Delivery Date (a "Buy-In"), then the Corporation shall (A) pay in cash to such Holder (in addition to any other remedies available to or elected by such Holder) the amount, if any, by which (x) such Holder's total purchase price (including any brokerage commissions) for the Common Stock so purchased exceeds (y) the product of (1) the aggregate number of shares of Common Stock that such Holder was entitled to receive from the conversion at issue multiplied by (2) the actual sale price at which the sell order giving rise to such purchase obligation was executed (including any brokerage commissions) and (B) at the option of such Holder, either reissue (if surrendered) the shares of Preferred Stock equal to the number of shares of Preferred Stock submitted for conversion (in which case, such conversion shall be deemed rescinded) or deliver to such Holder the number of shares of Common Stock that would have been issued if the Corporation had timely complied with its delivery requirements under Section 6(c)(i). For example, if a Holder purchases shares of Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted conversion of shares of Preferred Stock with respect to which the actual sale price of the Conversion Shares (including any brokerage commissions) giving rise to such purchase obligation was a total of \$10,000 under clause (A) of the immediately preceding sentence, the Corporation shall be required to pay such Holder \$1,000. The Holder shall provide the Corporation written notice indicating the amounts payable to such Holder in respect of the Buy-In and, upon request of the Corporation, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Corporation's failure to timely deliver the Conversion Shares upon conversion of the shares of Preferred Stock as required pursuant to the terms hereof.

v . Reservation of Shares Issuable Upon Conversion. The Corporation covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock for the sole purpose of issuance upon conversion of the Preferred Stock and payment of dividends on the Preferred Stock, each as herein provided, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holder (and the other holders of the Preferred Stock), not less than such aggregate number of shares of the Common Stock as shall be issuable (taking into account the adjustments and restrictions of Section 7) upon the conversion of the then outstanding shares of Preferred Stock and payment of dividends hereunder. The Corporation covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and nonassessable.

v i . Fractional Shares. No fractional shares or scrip representing fractional shares shall be issued upon the conversion of the Preferred Stock. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such conversion, the Corporation shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Price or round up to the next whole share.

v i i . Transfer Taxes and Expenses. The issuance of Conversion Shares on conversion of this Preferred Stock shall be made without charge to any Holder for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such Conversion Shares, provided that the Corporation shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such Conversion Shares upon conversion in a name other than that of the Holders of such shares of Preferred Stock and the Corporation shall not be required to issue or deliver such Conversion Shares unless or until the Person or Persons requesting the issuance thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid. The Corporation shall pay all Transfer Agent fees required for same-day processing of any Notice of Conversion.

viii. Transfer Restrictions. The Corporation registered the issuance and sale of the Preferred Stock and the Underlying Shares in the registration statement relating to the offer and sale of the Securities on the Original Issue Date (the “Registration Statement”). The Corporation will use its reasonable best efforts to maintain the effectiveness of the Registration Statement and the current status of the prospectus contained in the Registration Statement or to file and maintain the effectiveness of another registration statement and another current prospectus covering the Preferred Stock and the Underlying Shares at any time that the Preferred Stock may be converted. However, if, at the time of the surrender of any certificate representing shares of Preferred Stock in connection with any transfer of such Preferred Stock, the transfer of such Preferred Stock shall not be either (i) registered pursuant to an effective registration statement under the Securities Act and under applicable state securities or blue sky laws or (ii) eligible for resale without volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144, the Corporation may require, as a condition of allowing such transfer, that the Holder provide to the Corporation an opinion of counsel selected by the transferor and reasonably acceptable to the Corporation, the form and substance of which opinion shall be reasonably satisfactory to the Corporation, to the effect that such transfer does not require registration under the Securities Act.

d) Beneficial Ownership Limitation. The Corporation shall not effect any conversion of the Preferred Stock, and a Holder shall not have the right to convert any portion of the Preferred Stock, to the extent that, after giving effect to the conversion set forth on the applicable Notice of Conversion, such Holder (together with such Holder’s Affiliates, and any Persons acting as a group together with such Holder or any of such Holder’s Affiliates) would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by such Holder and its Affiliates shall include the number of shares of Common Stock issuable upon conversion of the Preferred Stock with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which are issuable upon (i) conversion of the remaining, unconverted Stated Value of Preferred Stock beneficially owned by such Holder or any of its Affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Corporation subject to a limitation on conversion or exercise analogous to the limitation contained herein (including, without limitation, the Preferred Stock or the Warrants) beneficially owned by such Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 6(d), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. To the extent that the limitation contained in this Section 6(d) applies, the determination of whether the Preferred Stock is convertible (in relation to other securities owned by such Holder together with any Affiliates) and of how many shares of Preferred Stock are convertible shall be in the sole discretion of such Holder, and the submission of a Notice of Conversion shall be deemed to be such Holder’s determination of whether the shares of Preferred Stock may be converted (in relation to other securities owned by such Holder together with any Affiliates) and how many shares of the Preferred Stock are convertible, in each case subject to the Beneficial Ownership Limitation. To ensure compliance with this restriction, each Holder will be deemed to represent to the Corporation each time it delivers a Notice of Conversion that such Notice of Conversion has not violated the restrictions set forth in this paragraph and the Corporation shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 6(d), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as stated in the most recent of the following: (i) the Corporation’s most recent periodic or annual report filed with the Commission, as the case may be, (ii) a more recent public announcement by the Corporation or (iii) a more recent written notice by the Corporation or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Corporation shall within two Trading Days confirm orally and in writing to such Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Corporation, including the Preferred Stock, by such Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The “Beneficial Ownership Limitation” shall be 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon conversion of Preferred Stock held by the applicable Holder. A Holder, upon not less than 61 days’ prior notice to the Corporation (which notice may not be waived), may increase or decrease the Beneficial Ownership Limitation provisions of this Section 6(d) applicable to its Series D Preferred Stock provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon conversion of this Series D Preferred Stock held by the Holder and the provisions of this Section 6(d) shall continue to apply. Any such increase or decrease will not be effective until the 61st day after such notice is delivered to the Corporation and shall only apply to such Holder and no other Holder. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 6(d) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation contained herein or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of Preferred Stock.

Section 7. Certain Adjustments.

a) Stock Dividends and Stock Splits. If the Corporation, at any time while this Preferred Stock is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on shares of Common Stock or any other Common Stock Equivalents (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Corporation upon conversion of, or payment of a dividend on, this Preferred Stock), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iv) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Corporation, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding any treasury shares of the Corporation) outstanding immediately before such event, and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section 7(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) [RESERVED]

c) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 7(a) above, if at any time the Corporation grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the "Purchase Rights"), then the Holder of will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of such Holder's Preferred Stock (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

d) Pro Rata Distributions. During such time as this Preferred Stock is outstanding, if the Corporation declares or makes any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "Distribution"), at any time after the issuance of this Preferred Stock, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete Conversion of this Preferred Stock (without regard to any limitations on Conversion hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution (provided, however, to the extent that the Holder's right to participate in any such Distribution would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Distribution to such extent (or in the beneficial ownership of any shares of Common Stock as a result of such Distribution to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

e) Fundamental Transaction. If, at any time while this Preferred Stock is outstanding, (i) the Corporation, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Corporation with or into another Person, (ii) the Corporation, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Corporation or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Corporation, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, or (v) the Corporation, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "Fundamental Transaction"), then, upon any subsequent conversion of this Preferred Stock, the Holder shall have the right to receive, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction (without regard to any limitation in Section 6(d) on the conversion of this Preferred Stock), the number of shares of Common Stock of the successor or acquiring corporation or of the Corporation, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Preferred Stock is convertible immediately prior to such Fundamental Transaction (without regard to any limitation in Section 6(d) on the conversion of this Preferred Stock). For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Corporation shall apportion the Conversion Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any conversion of this Preferred Stock following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Corporation or surviving entity in such Fundamental Transaction shall file a new Certificate of Designation with the same terms and conditions and issue to the Holders new preferred stock consistent with the foregoing provisions and evidencing the Holders' right to convert such preferred stock into Alternate Consideration. The Corporation shall cause any successor entity in a Fundamental Transaction in which the Corporation is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Corporation under this Certificate of Designation in accordance with the provisions of this Section 7(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the holder of this Preferred Stock, deliver to the Holder in exchange for this Preferred Stock a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Preferred Stock which is convertible for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon conversion of this Preferred Stock (without regard to any limitations on the conversion of this Preferred Stock) prior to such Fundamental Transaction, and with a conversion price which applies the conversion price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such conversion price being for the purpose of protecting the economic value of this Preferred Stock immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Certificate of Designation referring to the "Corporation" shall refer instead to the Successor Entity), and may exercise every right and power of the Corporation and shall assume all of the obligations of the Corporation under this Certificate of Designation with the same effect as if such Successor Entity had been named as the Corporation herein.

f) Calculations. All calculations under this Section 7 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 7, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of the Corporation) issued and outstanding.

g) Notice to the Holders.

i. Adjustment to Conversion Price. Whenever the Conversion Price is adjusted pursuant to any provision of this Section 7, the Corporation shall promptly deliver to each Holder a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Conversion by Holder. If (A) the Corporation shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Corporation shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Corporation shall authorize the granting to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Corporation shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Corporation is a party, any sale or transfer of all or substantially all of the assets of the Corporation, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property or (E) the Corporation shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, then, in each case, the Corporation shall cause to be filed at each office or agency maintained for the purpose of conversion of this Preferred Stock, and shall cause to be delivered to each Holder at its last address as it shall appear upon the stock books of the Corporation, at least twenty (20) calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange, provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Corporation or any of the Subsidiaries, the Corporation shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to convert the Conversion Amount of this Preferred Stock (or any part hereof) during the 20-day period commencing on the date of such notice through the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 8. Miscellaneous.

a) Notices. Any and all notices or other communications or deliveries to be provided by the Holders hereunder including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service, addressed to the Corporation, at the address set forth above **Attention:** Thomas Higgins, facsimile number (718) 890-1556, or such other facsimile number or address as the Corporation may specify for such purposes by notice to the Holders delivered in accordance with this Section 9. Any and all notices or other communications or deliveries to be provided by the Corporation hereunder shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile number or address of such Holder appearing on the books of the Corporation, or if no such facsimile number or address appears on the books of the Corporation, at the principal place of business of such Holder. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth in this Section prior to 5:30 p.m. (New York City time) on any date, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth in this Section on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (iii) the second Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

b) Absolute Obligation. Except as expressly provided herein, no provision of this Certificate of Designation shall alter or impair the obligation of the Corporation, which is absolute and unconditional, to pay liquidated damages, accrued dividends and accrued interest, as applicable, on the shares of Preferred Stock at the time, place, and rate, and in the coin or currency, herein prescribed.

c) Lost or Mutilated Preferred Stock Certificate. If a Holder's Preferred Stock certificate shall be mutilated, lost, stolen or destroyed, the Corporation shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated certificate, or in lieu of or in substitution for a lost, stolen or destroyed certificate, a new certificate for the shares of Preferred Stock so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such certificate, and of the ownership hereof reasonably satisfactory to the Corporation.

d) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Certificate of Designation shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware, without regard to the principles of conflict of laws thereof. Each Holder agrees that all legal proceedings concerning the interpretation, enforcement and defense of any transactions contemplated by this Certificate of Designations shall be commenced in the state and federal courts sitting in the City of New York, Borough of Manhattan (the "New York Courts"). Each Holder hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such New York Courts, or such New York Courts are improper or inconvenient venue for such proceeding. Each Holder hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such Holder at the address in effect for notices to it under this Certificate of Designation and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by applicable law. Each Holder hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Certificate of Designation or the transactions contemplated hereby. If any Holder shall commence an action or proceeding to enforce any provisions of this Certificate of Designation, then the prevailing Holder in such action or proceeding shall be reimbursed by the other Holder for its attorneys' fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding.

e) Waiver. Any waiver by the Corporation or a Holder of a breach of any provision of this Certificate of Designation shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Certificate of Designation or a waiver by any other Holders. The failure of the Corporation or a Holder to insist upon strict adherence to any term of this Certificate of Designation on one or more occasions shall not be considered a waiver or deprive that party (or any other Holder) of the right thereafter to insist upon strict adherence to that term or any other term of this Certificate of Designation on any other occasion. Any waiver by the Corporation or a Holder must be in writing.

f) Severability. If any provision of this Certificate of Designation is invalid, illegal or unenforceable, the balance of this Certificate of Designation shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law.

g) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

h) Headings. The headings contained herein are for convenience only, do not constitute a part of this Certificate of Designation and shall not be deemed to limit or affect any of the provisions hereof.

i) Status of Converted or Redeemed Preferred Stock. If any shares of Preferred Stock shall be converted, redeemed or reacquired by the Corporation, such shares shall resume the status of authorized but unissued shares of preferred stock and shall no longer be designated as Series B Convertible Preferred Stock.

RESOLVED, FURTHER, that the Chairman, the president or any vice-president, and the secretary or any assistant secretary, of the Corporation be and they hereby are authorized and directed to prepare and file this Certificate of Designation of Preferences, Rights and Limitations in accordance with the foregoing resolution and the provisions of Delaware law.

IN WITNESS WHEREOF, the undersigned have executed this Certificate on May 26, 2015.

/s/ Thomas T. Higgins

Name: Thomas T. Higgins
Title: Senior Vice President, Chief Financial Officer and Treasurer

ANNEX A

NOTICE OF CONVERSION

(TO BE EXECUTED BY THE REGISTERED HOLDER IN ORDER TO CONVERT SHARES OF PREFERRED STOCK)

The undersigned hereby elects to convert the number of shares of Series B Convertible Preferred Stock indicated below into shares of common stock, par value \$0.0001 per share (the "Common Stock"), of NeuroMetrix, Inc., a Delaware corporation (the "Corporation"), according to the conditions hereof, as of the date written below. If shares of Common Stock are to be issued in the name of a Person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as may be required by the Corporation. No fee will be charged to the Holders for any conversion, except for any such transfer taxes.

Conversion calculations:

Date to Effect Conversion: _____

Number of shares of Preferred Stock owned prior to Conversion: _____

Number of shares of Preferred Stock to be Converted: _____

Stated Value of shares of Preferred Stock to be Converted: _____

Number of shares of Common Stock to be Issued: _____

Applicable Conversion Price: _____

Number of shares of Preferred Stock subsequent to Conversion: _____

Address for Delivery: _____

or

DWAC Instructions:

Broker no: _____

Account no: _____

[HOLDER]

By: _____

Name: _____

Title: _____

REPURCHASE AND FORFEITURE AGREEMENT

This REPURCHASE AND FORFEITURE AGREEMENT (this "Agreement") is made as of May 21, 2015, by and among (i) NeuroMetrix, Inc., a Delaware corporation (the "Company"), (ii) the parties identified on Exhibit A hereto (the "Investors").

WHEREAS, the Investors hold an aggregate of 3,206,357 shares of the Company's Series A-4 Preferred Stock in the amounts identified on Exhibit A (the "Preferred Stock");

WHEREAS, the Investors are also the holders of certain warrants with an exercise price of \$2.04 per share, which were issued pursuant to a Securities Purchase Agreement dated as of June 24, 2014 (the "Warrants") to purchase an aggregate of 3,921,569 shares of Common Stock of the Company, par value \$0.0001 per share ("Common Stock"), in the amounts identified on Exhibit A;

WHEREAS, the Company has filed a registration statement on Form S-1 for the offer and sale of units consisting of Series B Preferred Stock and warrants to purchase Common Stock of the Company (the "Offering");

WHEREAS, the Investors have indicated an interest in purchasing units in the Offering, provided that the Company repurchases certain shares of Preferred Stock in connection with the closing of the Offering; and

WHEREAS, in connection with the closing of the Offering, the Company desires to repurchase from the Investors, and the Investors desire to sell to the Company, the Preferred Stock (the "Repurchased Shares") for an aggregate agreed upon purchase price of \$3,206,357 (the "Repurchase Price") and, in connection with such transaction, the Investors have agreed to forfeit an aggregate of 1,571,744 of the Warrants identified on Exhibit A.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Repurchase of the Preferred Stock and Forfeiture of Warrants.

(a) At the closing of the Offering, the Company hereby agrees to repurchase from the Investors, and the Investors hereby agree to sell, transfer and assign to the Company, free and clear of any and all Encumbrances (as defined below), the Repurchased Shares at a price per share equal to \$1,000.00, and for an aggregate purchase price equal to the Repurchase Price. In addition, the Company and the Investors hereby acknowledge that, on the date hereof, the Investors have forfeited 1,571,744 Warrants identified on Exhibit A under the caption "Securities Repurchased and Forfeited in the Transaction", which shall be null and void upon the closing of the Offering. The repurchase of the Preferred Stock and the related forfeiture of the 1,571,744 Warrants are collectively referred to herein as the "Transaction". The Transaction shall have no effect on the remaining Warrants or on any other securities of the Company held by the Investors, which shall remain outstanding.

(b) On or prior to the Closing (as defined below), each Investor hereby agrees to deliver to the Company:

(i) the certificate representing all of the Repurchased Shares;

(ii) a duly executed stock assignment in the form attached hereto as Exhibit B-1 and B-2, as applicable; and

(iii) certificate(s) representing 1,571,744 Warrants. The Company will, as soon as practicable following the date hereof, reissue Warrants to the applicable Investor representing the remainder of the shares of Common Stock underlying such Warrants.

(c) Upon payment of the Repurchase Price, the Preferred Stock shall cease to be outstanding for any and all purposes, and the Investors shall no longer have any rights as a holder of the Preferred Stock.

(d) The closing of the Transaction (the "Closing") shall take place at the offices of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., on the same date and immediately following the closing of the Offering.

2. Representations and Warranties of Investors. Each Investor hereby represents and warrants to the Company as follows:

(a) Ownership. All of the Repurchased Shares and Warrants are owned of record and beneficially by each Investor, and each Investor has good and marketable title to the Repurchased Shares, free and clear of any security interest, claims, liens, pledges, options, encumbrances, charges, agreements, voting trusts, proxies or other arrangements or restrictions whatsoever (collectively, "Encumbrances"), except for such legend and related transfer restrictions as are required under the Securities Act of 1933, as amended. As of the date hereof, each Investor will deliver to the Company good and marketable title to the Repurchased Shares, free and clear of any Encumbrances.

(b) Legal Capacity. Each Investor has full legal capacity to enter into and perform its obligations set forth in this Agreement. This Agreement, when executed and delivered by each Investor, will constitute the valid and legally binding obligation of the Investor, enforceable in accordance with its terms (except as enforceability may be limited by principles of public policy, applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting the enforcement of creditors' rights and remedies generally or general principles of equity (regardless of whether considered and applied in a proceeding at law or in equity)).

(c) Conflicts. The execution, delivery and performance of this Agreement by each Investor does not, and will not, conflict with or result in a breach of any agreement, instrument, order, judgment, decree, law or governmental regulation to which Investor or the Repurchased Shares are subject.

(d) Acknowledgment. Each Investor believes that it has received all the information it considers necessary or appropriate for deciding whether to sell the Preferred Stock to the Company pursuant to this Agreement. Each Investor has not been induced to agree to and execute this Agreement by any statement, act or representation of any kind or character by anyone, except as contained herein. Each Investor further represents that such Investor has fully reviewed this Agreement and has full knowledge of its terms, and executes this Agreement of his or her own choice and free will, after having received (or been given the opportunity to receive) the advice of his or her attorney(s).

3. Miscellaneous.

(a) All representations and warranties contained herein or made in writing by any party in connection herewith will survive the execution and delivery of this Agreement and the closing of the transactions contemplated hereby, regardless of any investigation made by the Company or on its behalf.

(b) This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, without giving any effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

(c) This Agreement may be executed in one or more counterparts (including signature pages by means of facsimile, emailed .pdf file or other similar form of electronic transmission), all of which taken together shall constitute one and the same instrument.

(d) This Agreement contains the entire agreement and understanding among the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, whether written or oral, relating to such subject matter in any way.

* * * * *

Signature Page to Repurchase and Forfeiture Agreement

IN WITNESS WHEREOF, the parties hereto have executed this Repurchase Agreement on the date first written above.
NEUROMETRIX, INC.

By: /s/ Thomas T. Higgins

Name: Thomas T. Higgins

Title: Chief Financial Officer

SABBY VOLATILITY WARRANT MASTER FUND, LTD.

By: /s/ Robert Grundstein

Name: Robert Grundstein

Title: COO of Investment Manager

SABBY HEALTHCARE VOLATILITY MASTER FUND, LTD.

By: /s/ Robert Grundstein

Name: Robert Grundstein

Title: COO of Investment Manager

Investors

Securities Repurchased and Forfeited in Transaction

Holder	Series A-4 Preferred Stock (to be repurchased)	Warrants to Purchase Common Stock (to be forfeited)
Sabby Volatility Warrant Master Fund, Ltd.	996,943	488,698 Exercise Price: \$2.04 Original Issue Date: 6/26/14
Sabby Healthcare Volatility Master Fund, Ltd.	2,209,414	1,083,046 Exercise Price: \$2.04 Original Issue Date: 6/26/14
Total:	3,206,357	1,571,744

Securities to Remain Outstanding Following Transaction

Holder	Warrants to Purchase Common Stock (to remain outstanding)
Sabby Volatility Warrant Master Fund, Ltd.	1,079,930 Exercise Price: \$2.04 Original Issue Date: 6/26/14
Sabby Healthcare Volatility Master Fund, Ltd.	1,269,895 Exercise Price: \$2.04 Original Issue Date: 6/26/14
Total:	2,349,825

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED, Sabby Volatility Warrant Master Fund, Ltd. ("Investor") does hereby sell, assign and transfer unto NeuroMetrix, Inc., a Delaware corporation (the "Company"), 996.943 shares of Series A-4 Preferred Stock, \$0.001 par value per share, of the Company, standing in the undersigned's name on the books of the Company represented by Stock Certificate No(s) PA40001 provided herewith and does hereby irrevocably constitute and appoint each officer of the Company (acting alone or with one or more other such officers) as attorney-in-fact to transfer the said securities on the books of the Company with full power of substitution in the premises.

Dated: _____, 2015

Sabby Volatility Warrant Master Fund, Ltd.

Name:

Title:

In Presence of

Witness

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED, Sabby Healthcare Volatility Master Fund, Ltd. ("Investor") does hereby sell, assign and transfer unto NeuroMetrix, Inc., a Delaware corporation (the "Company"), 2,209.414 shares of Series A-4 Preferred Stock, \$0.001 par value per share, of the Company, standing in the undersigned's name on the books of the Company represented by Stock Certificate No(s) PA40001 provided herewith and does hereby irrevocably constitute and appoint each officer of the Company (acting alone or with one or more other such officers) as attorney-in-fact to transfer the said securities on the books of the Company with full power of substitution in the premises.

Sabby Healthcare Volatility Master Fund, Ltd.

Dated: _____, 2015

Name:

Title:

In Presence of

Witness

CERTIFICATION

I, Shai N. Gozani, M.D., Ph.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NeuroMetrix, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 23, 2015

/s/ SHAI N. GOZANI, M.D., PH.D.

Shai N. Gozani, M.D., Ph.D.

Chairman, President and Chief Executive Officer

CERTIFICATION

I, Thomas T. Higgins, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NeuroMetrix, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 23, 2015

/s/ THOMAS T. HIGGINS

Thomas T. Higgins

Senior Vice President, Chief Financial Officer and Treasurer

CERTIFICATION

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of NeuroMetrix, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report for the quarter ended June 30, 2015 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SHAI N. GOZANI, M.D., PH.D.

Shai N. Gozani, M.D., Ph.D.

Chairman, President and Chief Executive Officer

/s/ THOMAS T. HIGGINS

Thomas T. Higgins

Senior Vice President, Chief Financial Officer and Treasurer

July 23, 2015

This certification is being furnished and not filed, and shall not be incorporated into any document for any purpose, under the Securities Exchange Act of 1934 or the Securities Act of 1933.
