

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 **September 30, 2017**

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 1-11388**

**VIVEVE MEDICAL, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**04-3153858**

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

**345 Inverness Drive South**

**Building B, Suite 250**

**Englewood, CO 80112**

(Address of principal executive offices)

(Zip Code)

**(720) 696-8100**

(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 than 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 an emerging growth company. See definition of "accelerated filer," and "large accelerated filer", "smaller reporting company" and "emerging growth 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)

Emerging growth company

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

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

As of November 7, 2017 the issuer had 19,426,415 shares of common stock, par value \$0.0001 per share, outstanding.

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## NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (the "Quarterly Report") contains forward-looking statements that involve substantial risks and uncertainties. All statements contained in this Quarterly Report other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part II, Item 1A. "Risk Factors" in this Quarterly Report. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Quarterly Report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should read this Quarterly Report on Form 10-Q and the documents that we have filed as exhibits to this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results, performance or achievements may be materially different from what we expect. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Unless expressly indicated or the context requires otherwise, the terms "Viveve Medical," the "Company," "we," "us," and "our" in this document refer to Viveve Medical, Inc., a Delaware corporation, and, where appropriate, its wholly owned subsidiaries.

**PART I. FINANCIAL INFORMATION**

**ITEM 1. Financial Statements (unaudited)**

**VIVEVE MEDICAL, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share data)

	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
	(unaudited)	(1)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 19,207	\$ 8,086
Accounts receivable	4,833	2,091
Inventory	1,903	2,687
Prepaid expenses and other current assets	3,217	1,066
Total current assets	<u>29,160</u>	<u>13,930</u>
Property and equipment, net	1,337	483
Investment in limited liability company	2,500	-
Other assets	112	136
Total assets	<u>\$ 33,109</u>	<u>\$ 14,549</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities:		
Accounts payable	\$ 3,569	\$ 3,086
Accrued liabilities	3,933	2,186
Note payable, current portion	-	1,867
Total current liabilities	<u>7,502</u>	<u>7,139</u>
Note payable, noncurrent portion	18,665	7,762
Other noncurrent liabilities	77	53
Total liabilities	<u>26,244</u>	<u>14,954</u>
Commitments and contingences (Note 7)		
Stockholders' equity (deficit):		
Preferred stock, \$0.0001 par value; 10,000,000 shares authorized as of September 30, 2017 and December 31, 2016; no shares issued	-	-
Common stock, \$0.0001 par value; 75,000,000 shares authorized as of September 30, 2017 and December 31, 2016; 19,418,531 and 10,661,201 shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	2	1
Additional paid-in capital	102,220	68,216
Accumulated deficit	<u>(95,357)</u>	<u>(68,622)</u>
Total stockholders' equity (deficit)	<u>6,865</u>	<u>(405)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 33,109</u>	<u>\$ 14,549</u>

(1) The condensed consolidated balance sheet as of December 31, 2016 has been derived from the audited consolidated financial statements as of that date.

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

**VIVEVE MEDICAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except share and per share data)  
(unaudited)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Revenue	\$ 4,070	\$ 1,849	\$ 10,187	\$ 4,689
Cost of revenue	2,059	1,158	5,515	3,116
Gross profit	<u>2,011</u>	<u>691</u>	<u>4,672</u>	<u>1,573</u>
<b>Operating expenses:</b>				
Research and development	3,464	2,054	9,292	6,313
Selling, general and administrative	7,369	3,272	19,681	8,435
Total operating expenses	<u>10,833</u>	<u>5,326</u>	<u>28,973</u>	<u>14,748</u>
Loss from operations	<u>(8,822)</u>	<u>(4,635)</u>	<u>(24,301)</u>	<u>(13,175)</u>
Interest expense, net	(777)	(221)	(2,385)	(1,094)
Other expense, net	(16)	(13)	(49)	(22)
Comprehensive and net loss	<u>\$ (9,615)</u>	<u>\$ (4,869)</u>	<u>\$ (26,735)</u>	<u>\$ (14,291)</u>
<b>Net loss per share:</b>				
Basic and diluted	<u>\$ (0.50)</u>	<u>\$ (0.46)</u>	<u>\$ (1.59)</u>	<u>\$ (1.63)</u>
<b>Weighted average shares used in computing net loss per common share</b>				
Basic and diluted	<u>19,408,920</u>	<u>10,630,468</u>	<u>16,843,706</u>	<u>8,741,667</u>

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

**VIVEVE MEDICAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(unaudited)

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (26,735)	\$ (14,291)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Depreciation and amortization	318	78
Stock-based compensation	1,314	662
Fair value of common stock issued	260	-
Fair value of warrants issued	-	162
Non-cash interest expense	762	422
<b>Changes in assets and liabilities:</b>		
Accounts receivable	(2,742)	(1,214)
Inventory	422	76
Prepaid expenses and other current assets	(2,151)	(70)
Other noncurrent assets	24	5
Accounts payable	483	1,045
Accrued and other liabilities	1,747	931
Other noncurrent liabilities	24	-
Net cash used in operating activities	(26,274)	(12,194)
<b>Cash flows from investing activities:</b>		
Investment in limited liability company	(2,500)	-
Purchase of property and equipment	(810)	(224)
Net cash used in investing activities	(3,310)	(224)
<b>Cash flows from financing activities:</b>		
Proceeds from sale of common stock, net of issuance costs	31,440	13,886
Proceeds from note payable	19,214	9,910
Repayments of note payable	(10,000)	(4,833)
Proceeds from exercise of warrant	20	92
Proceeds from exercise of stock options	31	14
Net cash provided by financing activities	40,705	19,069
Net increase in cash and cash equivalents	11,121	6,651
Cash and cash equivalents - beginning of period	8,086	7,360
Cash and cash equivalents - end of period	\$ 19,207	\$ 14,011
<b>Supplemental disclosure:</b>		
Cash paid for interest	\$ 1,619	\$ 636
Cash paid for income taxes	\$ -	\$ 1
<b>Supplemental disclosure of cash flow information as of end of period:</b>		
Issuance of warrants in connection with note payable	\$ 940	\$ 350
Net transfer of equipment from inventory to property and equipment	\$ 362	\$ 60
Issuance of note payable in settlement of accrued interest	\$ 285	\$ -
Restricted stock awards granted to employees for 2015 accrued bonuses	\$ -	\$ 246

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

**VIVEVE MEDICAL, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. The Company and Basis of Presentation**

Viveve Medical, Inc. (“Viveve Medical”, the “Company”, “we”, “our”, or “us”) competes in the women’s health industry in some countries by marketing Geneveve™ as a way to improve the overall sexual well-being and quality of life of women suffering from vaginal laxity.

***Public Offering***

On March 22, 2017, in connection with the closing of a public offering (the “March 2017 Offering”), the Company issued an aggregate of 8,625,000 shares of common stock, including the shares issued in connection with the exercise of the underwriters’ overallotment option, at a public offering price of \$4.00 per share for gross proceeds of approximately \$34,500,000. The net proceeds to the Company, after the deduction of underwriting discounts, commissions and other offering expenses, were approximately \$31,440,000.

On June 17, 2016, in connection with the closing of a public offering (the “June 2016 Offering”), the Company issued an aggregate of 3,105,000 shares of common stock, including the shares issued in connection with the exercise of the underwriters’ overallotment option, at a public offering price of \$5.00 per share for gross proceeds of approximately \$15,525,000. The net proceeds to the Company, after the deduction of underwriting discounts, commissions and other offering expenses, were approximately \$13,886,000.

***Change of Corporate Domicile***

On May 9, 2016, the Company filed the necessary Application for Authorization to Continue into Another Jurisdiction and Statutory Declaration with the Yukon registrar. On May 10, 2016, the Company filed a Certificate of Incorporation with the Secretary of State of the State of Delaware to move its domicile from the Yukon Territory to Delaware. In connection with the incorporation in Delaware, the Company’s stock now has a par value of \$0.0001 per share.

***Interim Unaudited Financial Information***

The accompanying unaudited condensed consolidated financial statements of Viveve Medical have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and pursuant to the instructions to Form 10-Q and Article 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the condensed consolidated financial statements have been included.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2016, which was filed with the Securities and Exchange Commission on February 16, 2017. The results of operations for the three and nine months ended September 30, 2017 are not necessarily indicative of the results for the year ending December 31, 2017 or any future interim period.

***Liquidity***

Since inception we have funded our operations primarily through sales of common and preferred stock and borrowing arrangements. We have incurred net losses since our inception, and as of September 30, 2017 have an accumulated deficit of approximately \$95.4 million. We expect to continue to incur operating losses and negative cash flows from operations through the foreseeable future. Due to the proceeds received from the March 2017 Offering, the loan proceeds received and the additional funding expected to be received under the Company’s debt facility (see Note 6) and our forecasted operating results, management believes that the substantial doubt about the Company’s ability to continue as a going concern, which existed as of the date of filing our Annual Report on Form 10-K for the year ended December 31, 2016, is no longer present. In the future, we expect to require additional capital to fund our ongoing operations, respond to business opportunities, challenges, acquisitions or unforeseen circumstances and may decide to engage in equity or debt financings or enter into credit facilities; however, we may not be able to timely secure additional debt or equity financing or raise additional capital in the public markets on favorable terms or at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited. As of September 30, 2017, our principal sources of liquidity consisted of cash and cash equivalents of \$19.2 million and \$10.0 million of additional borrowing capacity under our debt facility.

**2. Summary of Significant Accounting Policies**

***Financial Statement Presentation***

The condensed consolidated financial statements include the accounts of the Company and our wholly-owned subsidiaries, Viveve, Inc. and Viveve BV. All significant intercompany accounts and transactions have been eliminated in consolidation.

***Use of Estimates***

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses and the related disclosure of contingent assets

and liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In addition, any change in these estimates or their related assumptions could have an adverse effect on our operating results.



### ***Concentration of Credit Risk and Other Risks and Uncertainties***

To achieve profitable operations, the Company must successfully develop, manufacture, and market its products. There can be no assurance that any such products can be developed or manufactured at an acceptable cost and with appropriate performance characteristics, or that such products will be successfully marketed. These factors could have a material adverse effect upon the Company's financial results, financial position, and future cash flows.

The Company's products likely require clearance or approval from the U.S. Food and Drug Administration or other international regulatory agencies prior to commencing commercial sales. There can be no assurance that the Company's products will receive any of these required clearances or approvals or for the indications requested. If the Company was denied such clearances or approvals or if such clearances or approvals were delayed, it would have a material adverse effect on the Company's financial results, financial position and future cash flows.

The Company is subject to risks common to companies in the medical device industry including, but not limited to, new technological innovations, dependence on key personnel, protection of proprietary technology, compliance with government regulations, uncertainty of market acceptance of products, product liability, and the need to obtain additional financing. The Company's ultimate success is dependent upon its ability to raise additional capital and to successfully develop and market its products.

The Company designs, develops, manufactures and markets a medical device for the non-invasive treatment of vaginal introital laxity, for improved sexual function, and for vaginal rejuvenation, depending on the relevant country-specific clearance or approval, that it refers to as Geneveve™. Geneveve includes three major components: the Viveve System™ (a RF, or radio frequency, generator housed in a table-top console), a reusable handpiece, single-use treatment tips and other ancillary consumables. The Company outsources the manufacture and repair of the Viveve System to a single contract manufacturer. Also, certain other components and materials that comprise the Geneveve device are currently manufactured by a single supplier or a limited number of suppliers. A significant supply interruption or disruption in the operations of the contract manufacturer or these third-party suppliers would adversely impact the production of our products for a substantial period of time, which could have a material adverse effect on our business, financial condition, operating results and cash flows.

In the U.S., the Company sells its products primarily through a direct sales force to health care practitioners. Outside the U.S., the Company sells through an extensive network of distribution partners. During the three months ended September 30, 2017, two distributors together accounted for 38% of the Company's revenue. During the three months ended September 30, 2016, two distributors together accounted for 89% of the Company's revenue. During the nine months ended September 30, 2017, three distributors together accounted for 38% of the Company's revenue. During the nine months ended September 30, 2016, three distributors together accounted for 83% of the revenue.

There were no direct sales customers that accounted for more than 10% of the Company's revenue during the three and nine months ended September 30, 2017 and 2016.

As of September 30, 2017, three distributors, collectively, accounted for 53% of total accounts receivable. As of December 31, 2016, three distributors, collectively, accounted for 81% of total accounts receivable.

### ***Revenue Recognition***

The Company recognizes revenue from the sale of its products, the Viveve System, single-use treatment tips and ancillary consumables. Revenue is recognized upon shipment, provided that persuasive evidence of an arrangement exists, the price is fixed or determinable and collection of the resulting receivable is reasonably assured. Sales of our products are subject to regulatory requirements that vary from country to country. The Company has regulatory clearance, or can sell its products without a clearance, in many countries throughout the world, including countries within the following regions: North America, Latin America, Europe, the Middle East and Asia Pacific.

The Company does not provide its customers with a right of return.

### *Customer Advance Payments*

From time to time, customers will pay for a portion of the products ordered in advance. Upon receipt of such payments, the Company records the customer advance payment as a component of accrued liabilities. The Company will remove the customer advance payment from accrued liabilities when revenue is recognized upon shipment of the products.

### *Investments in Unconsolidated Affiliates*

The Company uses the equity method to account for its investments in entities that it does not control, but have the ability to exercise significant influence over the investee. Equity method investments are recorded at original cost and adjusted periodically to recognize (1) the proportionate share of the investees' net income or losses after the date of investment, (2) additional contributions made and dividends or distributions received, and (3) impairment losses resulting from adjustments to net realizable value. The Company eliminates all intercompany transactions in accounting for equity method investments. The Company records the proportionate share of the investees' net income or losses in equity in earnings of unconsolidated affiliates on the condensed consolidated statements of operations.

The Company assesses the potential impairment of the equity method investments when indicators such as a history of operating losses, a negative earnings and cash flow outlook, and the financial condition and prospects for the investee's business segment might indicate a loss in value. The carrying value of the investments are reviewed annually for changes in circumstances or the occurrence of events that suggest the investment may not be recoverable. During the three and nine months ended September 30, 2017, no impairment charges have been recorded.

### *Product Warranty*

The Company's products are generally subject to a one-year warranty, which provides for the repair, rework or replacement of products (at the Company's option) that fail to perform within stated specification. The Company has assessed the historical claims and, to date, product warranty claims have not been significant. The Company will continue to assess the need to record a warranty accrual at the time of sale going forward.

### *Comprehensive Loss*

Comprehensive loss represents the changes in equity of an enterprise, other than those resulting from stockholder transactions. Accordingly, comprehensive loss may include certain changes in equity that are excluded from net loss. For the three and nine months ended September 30, 2017 and 2016, the Company's comprehensive loss is the same as its net loss.

### *Net Loss per Share*

The Company's basic net loss per share is calculated by dividing the net loss by the weighted average number of shares of common stock outstanding for the period. The diluted net loss per share is computed by giving effect to all potentially dilutive common stock equivalents outstanding during the period. For purposes of this calculation, stock options and warrants to purchase common stock and restricted common stock awards are considered common stock equivalents. For periods in which the Company has reported net losses, diluted net loss per share is the same as basic net loss per share, since dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

The following securities were excluded from the calculation of net loss per share because the inclusion would be anti-dilutive.

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2017</b>	<b>2016</b>
Stock options to purchase common stock	2,489,979	1,315,808
Warrants to purchase common stock	642,622	425,274
Restricted common stock awards	-	64,405

### ***Recently Issued and Adopted Accounting Standards***

In May 2014, as part of its ongoing efforts to assist in the convergence of U.S. GAAP and International Financial Reporting Standards (“IFRS”), the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers (Topic 606).” The new guidance sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance that have historically existed in U.S. GAAP. The underlying principle of the new standard is that a business or other organization will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance. The ASU provides alternative methods of initial adoption and is effective for annual and interim periods beginning after December 15, 2017. The FASB has issued several updates to the standard which i) defer the original effective date from January 1, 2017 to January 1, 2018, while allowing for early adoption as of January 1, 2017 (ASU 2015-14); ii) clarify the application of the principal versus agent guidance (ASU 2016-08); iii) clarify the guidance on inconsequential and perfunctory promises and licensing (ASU 2016-10); and clarify the guidance on certain sections of the guidance providing technical corrections and improvements (ASU 2016-10). In May 2016, the FASB issued ASU 2016-12, “Revenue from Contracts with Customers (Topic 606) Narrow-Scope Improvements and Practical Expedients”, to address certain narrow aspects of the guidance including collectibility criterion, collection of sales taxes from customers, noncash consideration, contract modifications and completed contracts. This issuance does not change the core principle of the guidance in the initial topic issued in May 2014.

The Company has set up a team for the implementation of the new revenue recognition accounting standard. Based on preliminary analysis, the Company expects that the new standard will not significantly impact the recognition of product sales given their point of sale nature. The Company is still in the process of evaluating its arrangements. The Company will adopt this new standard effective January 1, 2018. The guidance permits the use of either a full retrospective or modified retrospective transition method as of the adoption date. The Company has not yet selected a transition method and is still finalizing the analysis to quantify the adoption impact of the provisions of this guidance on its condensed consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)”. Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. This guidance offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. This guidance is effective for annual reporting periods beginning after December 15, 2018, including interim periods within the reporting period, and requires a modified retrospective adoption, with early adoption permitted. We are currently evaluating the effect of the adoption of this guidance on our condensed consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, “Statement of Cash Flows, Classification of Certain Cash Receipts and Cash Payments (Topic 230)”. This guidance addresses specific cash flow issues with the objective of reducing the diversity in practice for the treatment of these issues. The areas identified include: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies; distributions received from equity method investees; beneficial interests in securitization transactions and application of the predominance principle with respect to separately identifiable cash flows. This guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, with early adoption permitted. We are currently evaluating the effect of the adoption of this guidance on our condensed consolidated financial statements.

We have reviewed other recent accounting pronouncements and concluded they are either not applicable to the business, or no material effect is expected on the condensed consolidated financial statements as a result of future adoption.

### **3. Fair Value Measurements**

The Company recognizes and discloses the fair value of its assets and liabilities using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). Each level of input has different levels of subjectivity and difficulty involved in determining fair value.

Level 1 Inputs used to measure fair value are unadjusted quoted prices that are available in active markets for the identical assets or liabilities as of the reporting date. Therefore, determining fair value for Level 1 investments generally does not require significant judgment, and the estimation is not difficult.

Level 2 Pricing is provided by third party sources of market information obtained through investment advisors. The Company does not adjust for or apply any additional assumptions or estimates to the pricing information received from its advisors.

Level 3 Inputs used to measure fair value are unobservable inputs that are supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions. The determination of fair value for Level 3 instruments involves the most management judgment and subjectivity.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability.

There were no financial instruments that were measured at fair value on a recurring basis as of September 30, 2017 and December 31, 2016.

The carrying amounts of the Company's financial assets and liabilities, including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses as of September 30, 2017 and December 31, 2016 approximate fair value because of the short maturity of these instruments. Based on borrowing rates currently available to the Company for loans with similar terms, the carrying value of the note payable approximates fair value.

#### 4. Investment in Limited Liability Company

On August 8, 2017, the Company entered into an exclusive Distributorship Agreement (the "Distributorship Agreement") with InControl Medical, LLC ("ICM"), a Wisconsin limited liability company focused on women's health, pursuant to which the Company will directly market, promote, distribute and sell ICM's products to licensed medical professional offices and hospitals.

Under the terms of the Distributorship Agreement, ICM agreed to not directly or indirectly appoint or authorize any third party to market, promote, distribute or sell any of the licensed products to any licensed medical professional offices and hospitals in the United States. In exchange, the Company agreed to not market, promote, distribute or sell (or contract to do so) any product which substantially replicates all or almost all of the key features of the licensed products. The Company has a minimum purchase requirement to purchase a certain quantity of ICM products per month during the term of this Distributorship Agreement. In addition, the parties agreed to certain mutual marketing obligations to promote sales of the licensed products.

In connection with the Distributorship Agreement, the Company also entered into a Membership Unit Subscription Agreement with ICM and the associated limited liability company operating agreement of ICM, pursuant to which the Company invested \$2,500,000 in, and acquired membership units of, ICM. This investment has been recorded in investment in a limited liability company in the condensed consolidated balance sheets. The Company used the equity method to account for the investment in ICM because the Company does not control it, but has the ability to exercise significant influence over it. The Company's allocated portion of ICM's results of operations for the three and nine months ended September 30, 2017 was immaterial.

#### 5. Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Accrued professional fees	\$ 1,185	\$ 483
Accrued bonuses	873	1,102
Accrued sales commission	592	115
Accrued payroll and other related expenses	458	274
Accrued interest	436	65
Accrued sales & use tax	180	39
Other accruals	209	108
Total accrued liabilities	<u>\$ 3,933</u>	<u>\$ 2,186</u>

## 6. Note Payable

On June 20, 2016, the Company entered into a Loan and Security Agreement, as amended January 13, 2017 (the “2016 Loan Agreement”) with Western Alliance Bank (“WAB”), pursuant to which WAB agreed to loan the Company up to an aggregate of \$10,000,000 payable in two tranches of \$7,500,000 and \$2,500,000. The funding conditions for both tranches were satisfied as of the closing date, and therefore, the aggregate principal amount of \$10,000,000 was provided on June 20, 2016. The terms of the loan also required the Company to meet certain financial and other covenants in connection with the 2016 Loan Agreement. In addition to all outstanding principal and accrued interest on the term loan, the terms of the loan required the Company to pay a final payment fee equal to 4.00% of the original principal amount of the term loan. All borrowings under the 2016 Loan Agreement were collateralized by substantially all of the Company’s assets, including intellectual property. The outstanding principal balance and accrued interest related to this note payable were repaid in May 2017.

In connection with the 2016 Loan Agreement, the Company issued a 10-year warrant to WAB to purchase a total of 100,402 shares of the Company’s common stock at an exercise price of \$4.98 per share (See Note 8).

On May 22, 2017, the Company entered into a Term Loan Agreement (the “2017 Loan Agreement”) with affiliates of CRG LP (“CRG”). The new credit facility consists of \$20,000,000 drawn at closing and the ability to access additional funding of up to an aggregate of \$10,000,000 for a total of \$30,000,000 available under the credit facility. The additional funding must be made on or prior to September 17, 2018, the availability of which is conditional on the achievement of certain revenue and market capitalization milestones including satisfying (a) minimum net revenue amounts from the Company’s products of at least \$16,000,000 during any consecutive twelve (12) month period ending on or prior to June 30, 2018 and (b) minimum average market capitalization of at least \$60,000,000 for the thirty (30) consecutive days prior to the notice for the second borrowing.

A portion of the initial loan proceeds were used to repay all of the amounts owed by the Company under its existing 2016 Loan Agreement with WAB. The remainder of the initial loan proceeds (after deducting loan origination costs and other fees and expenses incurred in connection with the 2017 Loan Agreement), plus any additional amounts that may be borrowed in the future, will be used for general corporate purposes and working capital.

The 2017 Loan Agreement has a six-year term with four years of interest-only payments after which quarterly principal and interest payments will be due through the maturity date. Amounts borrowed under the 2017 Loan Agreement accrue interest at an annual fixed rate of 12.50%, 4.0% of which may, at the election of the Company, be paid in-kind during the interest-only period by adding such accrued amount to the principal loan amount each quarter. During the nine months ended September 30, 2017, the Company paid interest in-kind of \$285,000 which was added to the total outstanding principal loan amount as of September 30, 2017. The Company is also required to pay CRG a final payment fee upon repayment of the loans in full equal to 5% of the sum of the aggregate principal amount plus the deferred interest added to the principal loan amount during the interest-only period. The Company accounts for the final payment fee by accruing the fee over the term of the loan using the effective interest rate method. As of September 30, 2017, the amount of interest accrued was included in other noncurrent liabilities in the condensed consolidated balance sheets.

The Company may prepay all or a portion of the outstanding principal and accrued unpaid interest under the 2017 Loan Agreement at any time upon prior notice to CRG, subject to a prepayment fee during the first five years of the term (which reduces each year) and no prepayment fee thereafter.

As security for its obligations under the 2017 Loan Agreement, the Company entered into security agreements with CRG whereby the Company granted CRG a lien on substantially all of the Company’s assets, including intellectual property.

The terms of the 2017 Loan Agreement also require the Company to meet certain financial and other covenants. These covenants require the Company to maintain cash and cash equivalents of \$2.0 million and, each year through the end of 2022, to meet a minimum total annual revenue threshold. In the event that the Company does not meet the minimum total annual revenue threshold for a particular year, then the Company can retroactively cure the shortfall by either issuing additional equity in exchange for cash or incurring certain additional permitted indebtedness, in each case, in an amount equal to 2.0 times the shortfall. Any such amounts shall be applied to prepay the loans. The 2017 Loan Agreement also contains customary affirmative and negative covenants for a credit facility of this size and type, including covenants that limit or restrict the Company’s ability to, among other things, incur indebtedness, grant liens, merge or consolidate, dispose of assets, make investments, make acquisitions, enter into transactions with affiliates, pay dividends or make distributions, license intellectual property rights on an exclusive basis or repurchase stock, in each case subject to customary exceptions. As of September 30, 2017, the Company was in compliance with all covenants.

In connection with the 2017 Loan Agreement, the Company issued two 10-year warrants to CRG to purchase a total of 222,049 shares of the Company’s common stock at an exercise price of \$9.50 per share (See Note 8).

As of September 30, 2017, future minimum payments under the note payable are as follows (in thousands):

<b>Year Ending December 31,</b>	
2017 (remaining 3 months)	\$ 441
2018	1,793
2019	1,867
2020	1,949
2021	11,204
Thereafter	17,154
Total payments	34,408
Less: Amount representing interest	(14,123)
Present value of obligations	20,285
Less: Unamortized debt discount	(1,620)
Note payable, noncurrent portion	\$ 18,665

## 7. Commitments and Contingencies

### *Operating Lease*

In January 2012, the Company entered into a lease agreement for office and laboratory facilities in Sunnyvale, California. The lease agreement, as amended in September 2016, commenced in March 2012 and will terminate in March 2018.

On February 1, 2017, the Company entered into a sublease agreement (the "Sublease") for approximately 12,400 square feet of building space for the relocation of the Company's corporate headquarters to Englewood, Colorado (the "Sublease Premises"), which was effective as of January 26, 2017. The lease term commenced on June 1, 2017 and will terminate in May 2020. We relocated our corporate headquarters from Sunnyvale, California to Englewood, Colorado in June 2017.

The monthly base rent under the Sublease is equal to \$20.50 per rentable square foot of the Sublease Premises during the first year. The monthly base rent is equal to \$21.12 and \$21.75 per rentable square foot during the second and third years, respectively. In connection with the execution of the Sublease, the Company also agreed to pay a security deposit of approximately \$22,000. The Company is entitled to an allowance of approximately \$88,000 for certain tenant improvements relating to the engineering, design and construction of the Sublease Premises.

Rent expense for the three months ended September 30, 2017 and 2016 was \$138,000 and \$55,000, respectively. Rent expense for the nine months ended September 30, 2017 and 2016 was \$305,000 and \$164,000, respectively.

As of September 30, 2017, future minimum payments under the leases are as follows (in thousands):

<b>Year Ending December 31,</b>	
2017 (remaining 3 months)	\$ 145
2018	338
2019	264
2020	112
Total minimum lease payments	\$ 859

### *Indemnification Agreements*

The Company enters into standard indemnification arrangements in the ordinary course of business. Pursuant to these arrangements, the Company indemnifies, holds harmless and agrees to reimburse the indemnified parties for losses suffered or incurred by the indemnified party, in connection with performance of services within the scope of the agreement, breach of the agreement by the Company, or noncompliance of regulations or laws by the Company, in all cases provided the indemnified party has not breached the agreement and/or the loss is not attributable to the indemnified party's negligence or willful malfeasance. The term of these indemnification agreements is generally perpetual any time after the execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these arrangements is not determinable. The Company has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the estimated fair value of these agreements is minimal.

## Loss Contingencies

The Company is or has been subject to proceedings, lawsuits and other claims arising in the ordinary course of business. The Company evaluates contingent liabilities, including threatened or pending litigation, for potential losses. If the potential loss from any claim or legal proceeding is considered probable and the amount can be estimated, the Company accrues a liability for the estimated loss. Because of uncertainties related to these matters, accruals are based upon the best information available. For potential losses for which there is a reasonable possibility (meaning the likelihood is more than remote but less than probable) that a loss exists, the Company will disclose an estimate of the potential loss or range of such potential loss or include a statement that an estimate of the potential loss cannot be made. As additional information becomes available, the Company reassesses the potential liability related to pending claims and litigation and may revise its estimates, which could materially impact its condensed consolidated financial statements. Management does not believe that the outcome of any outstanding legal matters will have a material adverse effect on the Company's consolidated financial position, results of operations and cash flows.

## 8. Common Stock

On May 19, 2017, the Company issued 35,000 restricted shares of its common stock at a value of \$7.42 a share, or an aggregate value of approximately \$260,000.

On March 22, 2017, in connection with the closing of the March 2017 Offering, we issued an aggregate of 8,625,000 shares of common stock, including the exercise of the underwriters' overallotment option, at a public offering price of \$4.00 per share for gross proceeds of approximately \$34,500,000. The net proceeds to the Company, after the deduction of underwriting discounts, commissions and other offering expenses, were approximately \$31,440,000.

On June 17, 2016, in connection with the closing of the June 2016 Offering, we issued an aggregate of 3,105,000 shares of common stock, including the exercise of the underwriters' overallotment option, at a public offering price of \$5.00 per share for gross proceeds of approximately \$15,525,000. The net proceeds to the Company, after the deduction of underwriting discounts, commissions and other offering expenses, were approximately \$13,886,000.

### Warrants for Common Stock

As of September 30, 2017, outstanding warrants to purchase shares of common stock were as follows:

Issuance Date	Exercisable for	Expiration Date	Exercise Price	Number of Shares Outstanding Under Warrants
September 2014	Common Shares	September 23, 2019	\$ 4.24	86,831
October 2014	Common Shares	October 13, 2019	\$ 4.24	29,000
November 2014	Common Shares	November 12, 2019	\$ 4.24	12,500
February 2015	Common Shares	February 17, 2025	\$ 4.00	75,697
March 2015	Common Shares	March 26, 2025	\$ 2.72	1,454
May 2015	Common Shares	May 12, 2025	\$ 4.24	36,229
May 2015	Common Shares	May 17, 2020	\$ 4.24	21,585
December 2015	Common Shares	December 16, 2025	\$ 5.60	26,875
April 2016	Common Shares	April 1, 2026	\$ 6.08	25,000
May 2016	Common Shares	May 11, 2021	\$ 7.74	5,000
June 2016	Common Shares	June 20, 2026	\$ 4.98	100,402
May 2017	Common Shares	May 25, 2027	\$ 9.50	222,049
				<u>642,622</u>

In connection with the Loan and Security Agreement entered into on September 30, 2014, as amended on February 19, 2015, May 14, 2015, November 30, 2015 and March 18, 2016 (collectively, the "2014 Loan Agreement"), with Pacific Western Bank (as successor in interest by merger to Square 1 Bank), the Company issued a warrant to purchase a total of 58,962 shares of common stock at an exercise price of \$4.24 per share. The fair value of the warrant was recorded as debt issuance costs, presented in the condensed consolidated balance sheets as a deduction from the carrying amount of the note payable, and was being amortized to interest expense over the loan term. The outstanding indebtedness was repaid in June 2016 from the proceeds of the new term loan in connection with the 2016 Loan Agreement and the remaining unamortized balance of debt issuance costs was recorded to interest expense for the quarter ended June 30, 2016. During the three and nine months ended September 30, 2016, the Company recorded zero and \$387,000, respectively, of interest expense relating to the debt issuance costs. The warrant was exercised on a cashless basis in August 2016 and 17,295 net shares were issued.

In conjunction with the second amendment to the 2014 Loan Agreement in May 2015, the Company issued a warrant to the lender to purchase a total of 3,125 shares of common stock at an exercise price of \$2.96 per share. The debt issuance costs for this warrant were fully amortized as of September 30, 2015. The warrant was exercised on a cashless basis in July 2016 and 885 net shares of common stock were issued.

In connection with the 2016 Loan Agreement, the Company issued a warrant to purchase a total of 100,402 shares of common stock at an exercise price of \$4.98 per share. The Company determined the fair value of the warrant on the date of issuance to be \$350,000. The fair value along with legal fees totaling \$90,000, was recorded as debt issuance costs and was amortized to interest expense over the loan term. The debt issuance costs were presented in the condensed consolidated balance sheet as a deduction from the carrying amount of the note payable. The outstanding indebtedness was repaid in May 2017 from the proceeds of the term loan made in connection with the 2017 Loan Agreement and the remaining unamortized balance of debt issuance costs was recorded to interest expense for the three months ended June 30, 2017. During the three and nine months ended September 30, 2017, the Company recorded zero and \$371,000 respectively, of interest expense relating to the debt issuance costs. During the three and nine months ended September 30, 2016, the Company recorded \$35,000 interest expense relating to the debt issuance costs. As of September 30, 2017, the unamortized debt discount related to the 2016 Loan Agreement was zero.

In connection with the 2017 Loan Agreement, the Company issued warrants to purchase a total of 222,049, shares of common stock at an exercise price of \$9.50 per share. The warrants have a contractual life of ten years and are exercisable immediately in whole or in part. The Company determined the fair value of the warrants on the date of issuance to be \$940,000 using the Black-Scholes option pricing model. Assumptions used were dividend yield of 0%, volatility of 55.1%, risk free interest rate of 2.25% and a contractual life of ten years. The fair value of the warrants along with financing and legal fees totaling \$786,000, are recorded as debt issuance costs and presented in the condensed consolidated balance sheets as a deduction from the carrying amount of the note payable. The debt issuance costs will be amortized to interest expense over the loan term. During the three and nine months ended September 30, 2017, the Company recorded \$68,000 and \$106,000 of interest expense relating to the debt issuance costs using the effective interest method. As of September 30, 2017, the unamortized debt discount was \$1,620,000.

A total of 4,701 and 25,268 shares, issuable pursuant to warrants issued in connection with a private offering on September 30, 2014, were issued in connection with the exercise of warrants during the nine months ended September 30, 2017 and 2016, respectively.

No shares issuable pursuant to warrants have been cancelled during the nine months ended September 30, 2017. A total of 1,094 shares issuable pursuant to warrants issued to two vendors in October 2014 were cancelled during the nine months ended September 30, 2016 as the milestones related to these shares were not achieved.

The stock-based compensation expense related to warrants issued was zero for both the three months ended September 30, 2017 and 2016. The stock-based compensation expense related to warrants issued was zero and \$162,000 for the nine months ended September 30, 2017 and 2016, respectively.

## **9. Summary of Stock Options**

### ***Stock Option Plans***

The Company has issued equity awards in the form of stock options and restricted stock awards from three employee benefit plans. The plans include the Company's 2005 Stock Incentive Plan (the "2005 Plan"), the Viveve Amended and Restated 2006 Stock Plan (the "2006 Plan") and the Company's Amended and Restated 2013 Stock Option and Incentive Plan (the "2013 Plan").

There are currently no outstanding stock option awards issued from the 2005 Plan and no shares are available for future awards.

The 2006 Plan was adopted by the board of directors of Viveve, Inc. and was terminated in conjunction with the merger that took place on September 23, 2014 between PLC Systems Inc., Viveve, Inc. and PLC Systems Acquisition Corp. (the "Merger"). Prior to the Merger, the board of directors voted to accelerate the vesting of all unvested options that were outstanding as of the date of the Merger such that all options would be immediately vested and exercisable by the holders. In conjunction with the Merger, the Company agreed to assume and administer the 2006 Plan and all outstanding options to purchase shares of Viveve, Inc. common stock issued from the 2006 Plan were converted into options to purchase shares of the Company's common stock (rounded down to the nearest whole share). There are currently outstanding stock option awards issued from the 2006 Plan covering a total of 38,378 shares of the Company's common stock and no shares are available for future awards. The weighted average exercise price of the outstanding stock options is \$10.49 per share and the weighted average remaining contractual term is 5.13 years.



The 2013 Plan was also adopted by the Company's board of directors and approved by its stockholders. The 2013 Plan is administered by the compensation committee of the Company's board of directors (the "Administrator"). Under the 2013 Plan, the Company may grant equity awards to eligible participants which may take the form of stock options (both incentive stock options and non-qualified stock options), stock appreciation rights, restricted, deferred or unrestricted stock awards, performance based awards or dividend equivalent rights. Awards may be granted to officers, employees, nonemployee directors (as defined in the 2013 Plan) and other key persons (including consultants and prospective employees). The term of any stock option award may not exceed 10 years and may be subject to vesting conditions, as determined by the Administrator. Options granted generally vest over four years. Incentive stock options may be granted only to employees of the Company or any subsidiary that is a "subsidiary corporation" within the meaning of Section 424(f) of the Internal Revenue Code. The exercise price of any stock option award cannot be less than the fair market value of the Company's common stock, provided, however, that an incentive stock option granted to an employee who owns more than 10% of the Company's outstanding voting power must have an exercise price of no less than 110% of the fair market value of the Company's common stock and a term that does not exceed five years.

On August 22, 2016, the Company's stockholders approved an amendment to the 2013 Plan to add an "evergreen" provision to the 2013 Plan which will automatically increase annually, on the first day of each January, the maximum number of shares of common stock reserved and available for awards under the 2013 Plan (the "Stock Issuable") by an amount equal to the lesser of (i) the number of shares that will increase the Stock Issuable by 4% of the total number of shares of common stock outstanding (on a fully diluted basis) or (ii) an amount determined by the board of directors. On December 23, 2016, the board of directors approved the 2017 evergreen increasing the total stock reserved for issuance under the 2013 Plan by 523,209 shares from 2,000,000 shares to a total of 2,523,209 shares, which was effective January 1, 2017. On August 15, 2017, the Company's stockholders approved an amendment to the 2013 Plan increasing the number of shares of common stock authorized for awards under the 2013 Plan from 2,523,209 shares to a total of 4,000,000 shares.

As of September 30, 2017, there are outstanding stock option awards issued from the 2013 Plan covering a total of 2,451,601 shares of the Company's common stock and there remain reserved for future awards 1,408,655 shares of the Company's common stock. The weighted average exercise price of the outstanding stock options is \$5.80 per share, and the remaining contractual term is 8.76 years.

Activity under the 2005 Plan, the 2006 Plan and the 2013 Plan is as follows:

	<b>Nine Months Ended September 30, 2017</b>			
	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Term (years)</b>	<b>Aggregate Intrinsic Value (in thousands)</b>
Options outstanding, beginning of period	1,909,764	\$ 6.19	9.12	\$ 211,396
Options granted	739,985	\$ 5.86		
Options exercised	(7,730)	\$ 4.02		
Options cancelled	(152,040)	\$ 9.82		
Options outstanding, end of period	<u>2,489,979</u>	\$ 5.88	8.70	\$ 387,178
Vested and exercisable and expected to vest, end of period	2,337,350	\$ 5.88	8.67	\$ 369,478
Vested and exercisable, end of period	734,721	\$ 5.90	7.81	\$ 162,632

The aggregate intrinsic value reflects the difference between the exercise price of the underlying stock options and the Company's closing share price as of September 30, 2017.

The options outstanding and exercisable as of September 30, 2017 are as follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding as of September 30, 2017	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Number Exercisable as of September 30, 2017	Weighted Average Exercise Price
\$2.64	12,500	\$ 2.64	7.62	7,553	\$ 2.64
\$3.68 - \$3.76	66,876	\$ 3.76	7.35	43,191	\$ 3.76
\$4.46 - \$4.92	400,329	\$ 4.63	8.25	161,941	\$ 4.77
\$5.22	567,679	\$ 5.22	9.20	108,555	\$ 5.22
\$5.58 - \$5.67	254,000	\$ 5.62	9.93	-	\$ -
\$6.00	557,753	\$ 6.00	8.22	244,023	\$ 6.00
\$6.24 - \$6.61	150,639	\$ 6.44	8.21	45,574	\$ 6.34
\$7.00 - \$7.92	441,825	\$ 7.65	9.10	85,506	\$ 7.72
\$9.92	38,135	\$ 9.92	5.14	38,135	\$ 9.92
\$56.00 - \$296.00	243	\$ 100.46	3.21	243	\$ 100.46
	<u>2,489,979</u>	\$ 5.88	8.70	<u>734,721</u>	\$ 5.90

#### **Restricted Stock Awards**

In January 2016, the Company granted restricted stock awards (“RSAs”) for 39,494 shares of common stock under the 2013 Plan to employees for 2015 accrued bonuses with a weighted average grant date fair value of \$6.24 per share, based on the market price of the Company’s common stock on the award date. A total of 89 shares pursuant to an RSA were cancelled in September 2016. The remaining RSAs vested on the one-year anniversary of the award date in January 2017 and 39,405 shares of common stock were issued.

In August 2016, the Company granted RSAs for 5,998 shares of common stock under the 2013 Plan to board members as director compensation with a weighted average grant date fair value of \$7.89 per share, based on the market price of the Company’s common stock on the award date. The RSAs were fully vested on the date of grant and 5,998 shares of common stock were issued.

In September 2016, the Company granted 25,000 shares to a consultant with a weighted average grant date fair value of \$7.58 per share, based on the market price of the Company’s common stock on the award date. The RSA vests over one year at a rate of 1/4<sup>th</sup> per quarter beginning as of the award date. As of September 30, 2017, 25,000 shares were vested and issued.

In November 2016, the Company granted RSAs for 6,544 shares of common stock under the 2013 Plan to board members as director compensation with a weighted average grant date fair value of \$5.91 per share, based on the market price of the Company’s common stock on the award date. The RSAs were fully vested on the date of grant and 6,544 shares of common stock were issued.

In May 2017, the Company granted RSAs for 4,797 shares of common stock under the 2013 Plan to board members as director compensation with a weighted average grant date fair value of \$7.07 per share, based on the market price of the Company’s common stock on the award date. The RSAs were fully vested on the date of grant and 4,797 shares of common stock were issued.

In September 2017, the Company granted RSAs for 6,947 shares of common stock under the 2013 Plan to board members as director compensation with a weighted average grant date fair value of \$5.58 per share, based on the market price of the Company’s common stock on the award date. The RSAs were fully vested on the date of grant and 6,947 shares of common stock were issued.

There were zero shares of common stock underlying RSAs as of September 30, 2017.

#### **2017 Employee Stock Purchase Plan**

In August 2017, the stockholders approved the Company’s 2017 Employee Stock Purchase Plan (the “2017 ESPP”). The Company reserved a total of 400,000 shares of common stock for issuance under the 2017 ESPP. Eligible employees may purchase shares of common stock through periodic payroll deductions, with a maximum purchase of 2,000 shares of common stock in any offering period. The price of common stock purchased under the 2017 ESPP is equal to 85% of the lesser of the fair market value of common stock on the first or last day of the offering period. Each offering period is for a period of three months. The first offering period under the 2017 ESPP began on October 1, 2017 and will end on December 31, 2017.

### Stock-Based Compensation

During the three months ended September 30, 2017 and 2016, the Company granted stock options to employees to purchase 305,000 and 220,915 shares of common stock with a weighted average grant date fair value of \$3.19 and \$3.58 per share, respectively. During the nine months ended September 30, 2017 and 2016, the Company granted stock options to employees to purchase 720,110 and 378,932 shares of common stock with a weighted average grant date fair value of \$2.83 and \$3.54 per share, respectively. A total of 7,730 and 3,020 shares pursuant to stock options issued to employees were exercised in the nine months ended September 30, 2017 and 2016, respectively. The aggregate intrinsic value of options exercised during the nine months ended September 30, 2017 and 2016 was \$31,000 and \$5,000, respectively.

The Company estimated the fair value of stock options using the Black-Scholes option pricing model. The fair value of employee stock options is being amortized on a straight-line basis over the requisite service period of the awards. The fair value of employee stock options granted was estimated using the following weighted average assumptions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Expected term (in years)	5	5	5	5
Average volatility	64%	46%	55%	54%
Risk-free interest rate	1.73%	1.14%	1.83%	1.31%
Dividend yield	0%	0%	0%	0%

During the three and nine months ended September 30, 2017, the Company granted stock options to nonemployees to purchase 14,000 and 19,875 shares of common stock with a weighted average grant date fair value of \$3.66 and \$4.09, respectively. During the three and nine months ended September 30, 2016, the Company granted stock options to nonemployees to purchase 50,000 shares of common stock with a with weighted average grant date fair value of \$4.81. There were no stock options exercised by nonemployees during the nine months ended September 30, 2017 and 2016.

Option-pricing models require the input of various subjective assumptions, including the option's expected life and the price volatility of the underlying stock. The expected stock price volatility is based on analysis of the Company's stock price history over a period commensurate with the expected term of the options, trading volume of comparable companies' stock, look-back volatilities and Company specific events that affected volatility in a prior period. The expected term of employee stock options represents the weighted average period the stock options are expected to remain outstanding and is based on the history of exercises and cancellations on all past option grants made by the Company, the contractual term, the vesting period and the expected remaining term of the outstanding options. The risk-free interest rate is based on the U.S. Treasury interest rates whose term is consistent with the expected life of the stock options. No dividend yield is included as the Company has not issued any dividends and does not anticipate issuing any dividends in the future.

The following table shows stock-based compensation expense included in the condensed consolidated statements of operations for the three and nine months ended September 30, 2017 and 2016 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Cost of revenue	\$ 5	\$ -	\$ 12	\$ -
Research and development	62	31	170	80
Selling, general and administrative	420	241	1,132	582
Total	\$ 487	\$ 272	\$ 1,314	\$ 662

As of September 30, 2017, the total unrecognized compensation cost in connection with unvested stock options was approximately \$4,400,000. These costs are expected to be recognized over a period of approximately 2.86 years.

## **10. Income Taxes**

No provision for income taxes has been recorded due to the net operating losses incurred from inception to date, for which no benefit has been recorded.

For interim periods, the Company estimates its annual effective income tax rate and applies the estimated rate to the year-to-date income or loss before income taxes. The Company also computes the tax provision or benefit related to items reported separately and recognizes the items net of their related tax effect in the interim periods in which they occur. The Company also recognizes the effect of changes in enacted tax laws or rates in the interim periods in which the changes occur.

The Company's effective tax rate is 0% for the three and nine months ended September 30, 2017 and 2016. The Company expects that its effective tax rate for the full year 2017 will be 0%.

## **11. Related Party Transactions**

In June 2006, the Company entered into a Development and Manufacturing Agreement (the "Agreement") with Stellartech Research Corporation ("Stellartech"). The Agreement was amended on October 4, 2007. Under the Agreement, the Company agreed to purchase 300 generators manufactured by Stellartech. As of September 30, 2017, the Company has purchased 465 units. The price per unit is variable and dependent on the volume and timing of units ordered. In conjunction with the Agreement, Stellartech purchased 37,500 shares of Viveve, Inc.'s common stock. Under the Agreement, the Company paid Stellartech \$2,620,000 and \$1,816,000 for goods and services during the three months ended September 30, 2017 and 2016, respectively, and \$6,326,000 and \$3,976,000 for the nine months ended September 30, 2017 and 2016, respectively. The amounts due to Stellartech for accounts payable as of September 30, 2017 and December 31, 2016 were \$781,000 and \$1,297,000, respectively.

In connection with the Distributorship Agreement entered into with ICM, the Company also entered into a Membership Unit Subscription Agreement with ICM and the Company invested \$2,500,000 in ICM (see Note 4). In conjunction with the Distributorship Agreement, the Company's purchases of products from ICM has not been material during the three and nine months ended September 30, 2017.

## 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 the condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report and with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on February 16, 2017. In addition to historical condensed consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Quarterly Report, particularly in Part II, Item 1A. "Risk Factors."*

### Overview of Our Business

In the discussion below, when we use the terms “we”, “us” and “our”, we are referring to Viveve Medical, Inc. and our wholly-owned subsidiaries, Viveve, Inc. and Viveve BV.

We design, develop, manufacture and market a medical device for the non-invasive treatment of vaginal laxity, for improved sexual function, and for vaginal rejuvenation, depending on the relevant country-specific clearance or approval, that we refer to as Geneveve™, which includes a radio frequency (RF) generator, which we refer to as the Viveve System, single-use treatment tips and other ancillary disposables. Currently, Geneveve is cleared for marketing in 60 countries throughout the world under the following indications for use:

<b>Indication for Use:</b>	<b>No. of Countries:</b>
General Surgical procedures for coagulation and hemostasis	3 (including the U.S.)
For treatment of vaginal laxity	41
For treatment of the vaginal introitus, after vaginal childbirth, to improve sexual function	15
For vaginal rejuvenation	1

In the U.S., Geneveve is indicated for use in general surgical procedures for coagulation and hemostasis and we market and sell primarily through a direct sales force. Outside the U.S., we market and sell through distribution partners. As of September 30, 2017, we have sold 364 Viveve Systems and approximately 12,250 single-use treatment tips.

Because the revenues we have earned to date have not been sufficient to support our operations, we have relied on sales of our securities, loans from related parties and bank term loans to fund our operations.

We are subject to risks, expenses and uncertainties frequently encountered by companies in the medical device industry. These risks include, but are not limited to, intense competition, whether we can be successful in obtaining U.S. Food and Drug Administration (the “FDA”) clearance or approval for the sale of our product and whether there will be a demand for the Geneveve, given that the cost of the procedure will likely not be reimbursed by the government or private health insurers. In addition, we will continue to require substantial funds to support our clinical trials and fund our efforts to expand regulatory clearance or approval for our products in locations in which we do not currently have clearance or approval to market our product, including the U.S. We cannot be certain that any additional required financing will be available when needed or on terms which are favorable to us. As noted above, our operations to date have been primarily funded through the sales of our securities, loans from related parties and bank term loans. Various factors, including our limited operating history with minimal revenues to date and our limited ability to market and sell our product have resulted in limited working capital available to fund our operations. There are no assurances that we will be successful in securing additional financing in the future to fund our operations going forward. Failure to generate sufficient cash flows from operations, raise additional capital or reduce certain discretionary spending could have a material adverse effect on our ability to achieve our intended business objectives.

### Recent Events

#### **2017 Employee Stock Purchase Plan**

At the Company’s annual meeting of the stockholders held on August 15, 2017, the stockholders approved the Company’s 2017 Employee Stock Purchase Plan (the “2017 ESPP”). It is the Company’s intention that the 2017 ESPP qualify as an “employee stock purchase plan” under Section 423 of the Internal Revenue Code.

*Shares Subject to the Plan.* An aggregate of 400,000 shares has been reserved and available for issuance under the 2017 ESPP.

*Plan Administration.* The 2017 ESPP is administered by the compensation committee of the board of directors.

*Eligibility.* Employees of the Company and its U.S. subsidiary are eligible to participate in the 2017 ESPP so long as the employee is employed for more than 20 hours a week and has completed at least six months of employment on the first day of the applicable offering period. No person who owns or holds, or as a result of participation in the 2017 ESPP would own or hold, common stock or options to purchase common stock, that together equal to 5% or more of total outstanding common stock is entitled to participate in the 2017 ESPP. No employee may exercise an option granted under the 2017 ESPP that permits the employee to purchase common stock of the Company having a value of more than \$25,000 (determined using the fair market value of the stock at the time such option is granted) in any calendar year.

*Participation and Payroll Deductions.* Participation in the 2017 ESPP is limited to eligible employees. Eligible employees may authorize payroll deductions, with a minimum of 1% of base pay and a maximum of 15% of base pay. There are currently approximately 40 employees who will be eligible to participate in the 2017 ESPP. Once an employee becomes a participant in the 2017 ESPP, that employee will automatically participate in successive offering periods until such time as that employee withdraws from the 2017 ESPP, becomes ineligible to participate in the 2017 ESPP, or his or her employment ceases.

*Offering Periods.* Each offering of common stock under the 2017 ESPP is for a period of three months, which is referred to as the “offering period.” The first offering period under the 2017 ESPP began on October 1, 2017 and will end on December 31, 2017. Subsequent offerings under the 2017 ESPP will generally begin on the first business day occurring on or after each January 1st, April 1st, July 1st and October 1st and will end on the last business day occurring on or before the following March 31st, June 30th, September 30th and December 31st, respectively. Shares are purchased on the last business day of each offering period, with that day being referred to as an “exercise date.”

*Exercise Price.* On the first day of an offering period, employees participating in that offering period will receive an option to purchase shares of our common stock. On the exercise date of each offering period, the employee is deemed to have exercised the option, at the exercise price, to the extent of accumulated payroll deductions. The option exercise price is equal to the lesser of (i) 85% the fair market value per share of our common stock on the first day of the offering period or (ii) 85% of the fair market value per share of our common stock on the exercise date. The maximum number of shares of common stock that may be issued to any employee under the 2017 ESPP in any offering period is 2,000. If an employee is no longer a participant on an exercise date, the employee’s option will be automatically terminated, and the amount of the employee’s accumulated payroll deductions will be refunded.

*Terms of Participation.* A participant may not increase or decrease the amount of his or her payroll deductions during any offering period but may increase or decrease his or her payroll deduction with respect to the next offering period by completing a new enrollment form within the period beginning on the first day of the month before the first day of such offering period and ending on the 14th day of the month before the first day of such offering period. A participant may withdraw from an offering period at any time without affecting his or her eligibility to participate in future offering periods. If a participant withdraws from an offering period, that participant may not again participate in the same offering period, but may enroll in subsequent offering periods. An employee’s withdrawal will be effective as of the business day following the employee’s delivery of written notice of withdrawal under the 2017 ESPP.

*Term; Amendments and Termination.* The 2017 ESPP will continue until terminated by the board of directors. Upon termination of the 2017 ESPP, all amounts in the accounts of participating employees will be refunded.

### ***Investment in Limited Liability Company***

On August 8, 2017, the Company entered into an exclusive Distributorship Agreement (the “Distributorship Agreement”) with InControl Medical, LLC (“ICM”), a Wisconsin limited liability company focused on women’s health, pursuant to which the Company will directly market, promote, distribute and sell ICM’s products to licensed medical professional offices and hospitals. The products to be distributed by the Company include ICM’s InTone™, InToneMV™, ApexM™, and Intensity™ products.

Under the terms of the Distributorship Agreement, ICM agreed to not directly or indirectly appoint or authorize any third party to market, promote, distribute or sell any of the licensed products to any licensed medical professional offices and hospitals in the United States. In exchange, the Company agreed to not market, promote, distribute or sell (or contract to do so) any product which substantially replicates all or almost all of the key features of the licensed products. The Company has a minimum purchase requirement to purchase a certain quantity of ICM products per month during the term of this Distributorship Agreement. In addition, the parties agreed to certain mutual marketing obligations to promote sales of the licensed products.

In connection with the Distributorship Agreement, the Company also entered into a Membership Unit Subscription Agreement with ICM and the associated limited liability company operating agreement of ICM, pursuant to which the Company invested \$2,500,000 in, and acquired membership units of, ICM. This investment has been recorded in investment in a limited liability company in the condensed consolidated balance sheets and is accounted for under the equity method.

## Plan of Operation

We intend to increase our sales both internationally and in the U.S. market by seeking regulatory clearances or approvals for the sale and distribution of our products, identifying and training qualified distributors and expanding the scope of physicians who offer the Geneveve to include plastic surgeons, dermatologists, general surgeons, urologists, urogynecologists and primary care physicians.

In addition, we intend to use the strategic relationships that we have developed with outside contractors and medical experts to improve our products by focusing our research and development efforts on various areas including, but not limited to:

- designing new treatment tips optimized for both ease-of-use and to reduce procedure times for patients and physicians; and
- developing new RF consoles, which may include increased security features to prevent piracy, or new cooling systems to maintain compliance with environmental regulations.

The net proceeds received from sales of our securities and the term loans have been used to support commercialization of our product in existing and new markets, for our research and development efforts and for protection of our intellectual property, as well as for working capital and other general corporate purposes. We expect that our cash, additional borrowing capacity under our debt facility, and our forecasted operating results will be sufficient to fund our activities for at least the next 12 months; however, we will continue to require funds to fully implement our plan of operation. Our operating costs include employee salaries and benefits, compensation paid to consultants, professional fees and expenses, costs associated with our clinical trials, capital costs for research and other equipment, costs associated with research and development activities including travel and administration, legal expenses, sales and marketing costs, general and administrative expenses, and other costs associated with an early stage public company subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We also expect to incur expenses related to obtaining regulatory clearances or approvals in the U.S. and internationally as well as legal and related expenses to protect our intellectual property. We expect capital expenditures, for the foreseeable future, to be less than \$500,000 annually.

We intend to continue to meet our operating cash flow requirements through the sales of our products and by raising additional funds from the sale of equity or debt securities. If we sell our equity securities, or securities convertible into equity, to raise capital, our current stockholders will likely be substantially diluted. We may also consider the sale of certain assets, or entering into a strategic transaction, such as a merger, with a business complimentary to ours, although we do not currently have plans for any such transaction. While we have been successful in raising capital to fund our operations since inception, other than as discussed in this Quarterly Report on Form 10-Q, we do not have any committed sources of financing and there are no assurances that we will be able to secure additional funding, or if we do secure additional financing that it will be on terms that are favorable to us. If we cannot obtain financing, then we may be forced to curtail our operations or consider other strategic alternatives.

## Results of Operations

*Comparison of the Three Months Ended September 30, 2017 and 2016*

### Revenue

	Three Months Ended		Change	
	September 30,		\$	%
	2017	2016		
	(in thousands, except percentages)			
Revenue	\$ 4,070	\$ 1,849	\$ 2,221	120%

We recorded revenue of \$4,070,000 for the three months ended September 30, 2017, compared to revenue of \$1,849,000 for the three months ended September 30, 2016, an increase of \$2,221,000, or approximately 120%. The increase in revenue was primarily due to sales of 60 Viveve Systems (which included 47 Viveve Systems sold in the U.S. market through direct sales), higher quantities of disposable treatment tips and other ancillary consumables in the third quarter of 2017. Sales in the third quarter of 2016 included 47 Viveve Systems and smaller quantities of disposable treatment tips and other ancillary consumables sold entirely outside the U.S. to our distribution partners.

### **Gross profit**

	<b>Three Months Ended</b>		<b>Change</b>	
	<b>September 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>\$</b>	<b>%</b>
	(in thousands, except percentages)			
Gross profit	\$ 2,011	\$ 691	\$ 1,320	191%

Gross profit was \$2,011,000, or 49% of revenue, for the three months ended September 30, 2017, compared to a gross profit of \$691,000, or 37% of revenue, for the three months ended September 30, 2016, an increase of \$1,320,000, or approximately 191%. The increase in gross profit was primarily due to sales of 60 Viveve Systems in the third quarter of 2017, which included 47 Viveve Systems sold in the U.S. market through direct sales. Sales in the third quarter of 2016 included 47 Viveve Systems and smaller quantities of disposable treatment tips and other ancillary consumables sold entirely outside the U.S. to our distribution partners.

The increase in gross margin was primarily due to an increase in revenue from direct sales with higher margin products. We expect our gross margin to fluctuate in future periods based on the mix of our product and direct sales versus distributor sales.

### **Research and development expenses**

	<b>Three Months Ended</b>		<b>Change</b>	
	<b>September 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>\$</b>	<b>%</b>
	(in thousands, except percentages)			
Research and development	\$ 3,464	\$ 2,054	\$ 1,410	69%

Research and development expenses totaled \$3,464,000 for the three months ended September 30, 2017, compared to research and development expense of \$2,054,000 for the three months ended September 30, 2016, an increase of \$1,410,000, or approximately 69%. Spending on research and development increased in the three months ended September 30, 2017 primarily due to costs associated with increased engineering and development work with our contract manufacturer related to product improvement efforts. Research and development expense during the three months ended September 30, 2017 also included higher personnel costs for new employees and related additional stock-based compensation expense for stock options granted to new employees and additional stock options granted to existing employees for performance bonuses.

### **Selling, general and administrative expenses**

	<b>Three Months Ended</b>		<b>Change</b>	
	<b>September 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>\$</b>	<b>%</b>
	(in thousands, except percentages)			
Selling, general and administrative	\$ 7,369	\$ 3,272	\$ 4,097	125%

Selling, general and administrative expenses totaled \$7,369,000 for the three months ended September 30, 2017, compared to \$3,272,000 for the three months ended September 30, 2016, an increase of \$4,097,000, or approximately 125%. The increase in selling, general and administrative expenses was primarily attributable to increased sales and marketing efforts to build brand and market awareness, expenses associated with being a public company and financing efforts. Selling, general and administrative expenses during 2017 also included higher personnel costs for new employees (primarily in connection with our sales and marketing efforts) and related additional stock-based compensation expense for stock options granted to new employees and additional stock options granted to existing employees for performance bonuses.



*Interest expense, net*

	Three Months Ended September 30,		Change	
	2017	2016	\$	%
	(in thousands, except percentages)			
Interest expense, net	\$ 777	\$ 221	\$ 556	252%

During the three months ended September 30, 2017, we had interest expense, net of \$777,000, compared to \$221,000 for the three months ended September 30, 2016. The increase of \$556,000, or approximately 252%, resulted primarily from the additional interest expense in connection with the 2017 Loan Agreement, which was computed on a higher loan balance compared to the previous term loan under the 2016 Loan Agreement.

*Other expense, net*

	Three Months Ended September 30,		Change	
	2017	2016	\$	%
	(in thousands, except percentages)			
Other expense, net	\$ 16	\$ 13	\$ 3	23%

During the three months ended September 30, 2017, we had other expense, net, of \$16,000, compared to \$13,000 for the three months ended September 30, 2016.

*Comparison of the Nine Months Ended September 30, 2017 and 2016*

*Revenue*

	Nine Months Ended September 30,		Change	
	2017	2016	\$	%
	(in thousands, except percentages)			
Revenue	\$ 10,187	\$ 4,689	\$ 5,498	117%

We recorded revenue of \$10,187,000 for the nine months ended September 30, 2017, compared to revenue of \$4,689,000 for the nine months ended September 30, 2016, an increase of \$5,498,000, or approximately 117%. The increase in revenue was primarily due to sales of 147 Viveve Systems (which included 103 Viveve Systems sold in the U.S. market through direct sales), disposable treatment tips and other ancillary consumables in the nine months ended September 30, 2017. Sales in the nine months ended September 30, 2016 included 120 Viveve Systems and smaller quantities of disposable treatment tips and other ancillary consumables sold entirely outside the U.S. to our distribution partners.

*Gross profit*

	Nine Months Ended September 30,		Change	
	2017	2016	\$	%
	(in thousands, except percentages)			
Gross profit	\$ 4,672	\$ 1,573	\$ 3,099	197%

Gross profit was \$4,672,000, or 46% of revenue, for the nine months ended September 30, 2017, compared to a gross profit of \$1,573,000, or 34% of revenue, for the nine months ended September 30, 2016, an increase of \$3,099,000, or approximately 197%. The increase in gross profit was primarily due to sales of 147 Viveve Systems in the nine months ended September 30, 2017, which included 103 Viveve Systems sold in the U.S. market through direct sales. Sales in the nine months ended September 30, 2016 included 120 Viveve Systems and smaller quantities of disposable treatment tips and other ancillary consumables sold entirely outside the U.S. to our distribution partners.

The increase in gross margin was primarily due to an increase in revenue from direct sales with higher margin products. We expect our gross margin to fluctuate in future periods based on the mix of our product and direct sales versus distributor sales.

### *Research and development expenses*

	<b>Nine Months Ended</b>		<b>Change</b>	
	<b>September 30,</b>		<b>\$</b>	<b>%</b>
	<b>2017</b>	<b>2016</b>		
	(in thousands, except percentages)			
Research and development	\$ 9,292	\$ 6,313	\$ 2,979	47%

Research and development expenses totaled \$9,292,000 for the nine months ended September 30, 2017, compared to research and development expense of \$6,313,000 for the nine months ended September 30, 2016, an increase of \$2,979,000, or approximately 47%. Spending on research and development increased in the nine months ended September 30, 2017 primarily due to costs associated with increased engineering and development work with our contract manufacturer related to product improvement efforts. Research and development expense during the nine months ended September 30, 2017 also included higher personnel costs for new employees and related additional stock-based compensation expense for stock options granted to new employees and additional stock options granted to existing employees for performance bonuses.

### *Selling, general and administrative expenses*

	<b>Nine Months Ended</b>		<b>Change</b>	
	<b>September 30,</b>		<b>\$</b>	<b>%</b>
	<b>2017</b>	<b>2016</b>		
	(in thousands, except percentages)			
Selling, general and administrative	\$ 19,681	\$ 8,435	\$ 11,246	133%

Selling, general and administrative expenses totaled \$19,681,000 for the nine months ended September 30, 2017, compared to \$8,435,000 for the nine months ended September 30, 2016, an increase of \$11,246,000 or approximately 133%. The increase in selling, general and administrative expenses was primarily attributable to increased sales and marketing efforts to build brand and market awareness, expenses associated with being a public company and financing efforts. Selling, general and administrative expenses during 2017 also included higher personnel costs for new employees (primarily in connection with our sales and marketing efforts) and related additional stock-based compensation expense for stock options granted to new employees and additional stock options granted to existing employees for performance bonuses.

### *Interest expense, net*

	<b>Nine Months Ended</b>		<b>Change</b>	
	<b>September 30,</b>		<b>\$</b>	<b>%</b>
	<b>2017</b>	<b>2016</b>		
	(in thousands, except percentages)			
Interest expense, net	\$ 2,385	\$ 1,094	\$ 1,291	118%

During the nine months ended September 30, 2017, we had interest expense, net of \$2,385,000, compared to \$1,094,000 for the nine months ended September 30, 2016. The increase of \$1,291,000, or approximately 118%, resulted primarily from the additional interest expense in connection with the May 2017 payoff of the previous term loan under the 2016 Loan Agreement, and interest expense under the 2017 Loan Agreement, which was computed on a higher loan balance compared to the previous term loan under the 2016 Loan Agreement.

### *Other expense, net*

	<b>Nine Months Ended</b>		<b>Change</b>	
	<b>September 30,</b>		<b>\$</b>	<b>%</b>
	<b>2017</b>	<b>2016</b>		
	(in thousands, except percentages)			
Other expense, net	\$ 49	\$ 22	\$ 27	123%

During the nine months ended September 30, 2017, we had other expense, net, of \$49,000, compared to \$22,000 for the nine months ended September 30, 2016.

## Liquidity and Capital Resources

### Comparison of the Nine Months Ended September 30, 2017 and 2016

Liquidity is our ability to generate sufficient cash flows from operating activities to meet our obligations and commitments. In addition, liquidity includes the ability to obtain appropriate financing or to raise capital. We have funded our operations since inception through the sale of our securities, loans from related parties and bank term loans. To date, we have not generated sufficient cash flows from operating activities to meet our obligations and commitments, and we anticipate that we will continue to incur losses for the foreseeable future. We expect that our cash, additional borrowing capacity under our debt facility, and our forecasted operating results will be sufficient to fund our activities for the next 12 months, however, we will continue to require funds to fully implement our plan of operation.

The following table summarizes the primary sources and uses of cash for the periods presented below (in thousands):

	Nine Months Ended	
	September 30,	
	2017	2016
Net cash used in operating activities	\$ (26,274)	\$ (12,194)
Net cash used in investing activities	(3,310)	(224)
Net cash provided by financing activities	40,705	19,069
Net increase in cash and cash equivalents	\$ 11,121	\$ 6,651

#### Operating Activities

We have incurred, and expect to continue to incur, significant expenses in the areas of research and development, regulatory and clinical study costs, associated with the Viveve System.

Operating activities used \$26,274,000 for the nine months ended September 30, 2017 compared to \$12,194,000 used for the nine months ended September 30, 2016. The primary use of our cash was to fund selling, general and administrative expenses and research and development expenses associated with the Viveve System. Net cash used during the nine months ended September 30, 2017 consisted of a net loss of \$26,735,000 adjusted for non-cash expenses including depreciation and amortization of \$318,000, stock-based compensation of \$1,314,000, fair value of common stock issued of \$260,000, non-cash interest expense of \$762,000, and cash outflows from changes in operating assets and liabilities of \$2,193,000. The change in operating assets and liabilities was primarily due to an increase in accounts receivable of \$2,742,000 and an increase in prepaid expenses and other current assets of \$2,151,000, partially offset by a decrease in inventory of \$422,000, an increase of accounts payable of \$483,000 and an increase in accrued and other liabilities of \$1,747,000. Net cash used during the nine months ended September 30, 2016 consisted of a net loss of \$14,291,000 adjusted for non-cash expenses including depreciation and amortization of \$78,000, stock-based compensation of \$662,000, fair value of warrants issued to service providers (primarily related to nonemployee contractors) of \$162,000, and non-cash interest expense of \$422,000, and cash inflows from changes in operating assets and liabilities of \$773,000.

#### Investing Activities

Net cash used in investing activities during the nine months ended September 30, 2017 and 2016 was \$3,310,000 and \$224,000, respectively. Net cash used in investing activities during the nine months ended September 30, 2017 was used for the \$2,500,000 equity investment in ICM and the purchase of property and equipment. During the nine months ended September 30, 2016, net cash used in investing activities was due to the purchase of property and equipment. We expect to continue to purchase property and equipment in the normal course of our business. The amount and timing of these purchases and the related cash outflows in future periods is difficult to predict and is dependent on a number of factors including, but not limited to, any increase in the number of our employees and any changes to the capital equipment requirements related to our development programs and clinical trials.

#### Financing Activities

Net cash provided by financing activities during the nine months ended September 30, 2017 was \$40,705,000, which was the result of the gross proceeds of \$34,500,000 from our March 2017 Offering (partially offset by transaction costs of \$3,060,000), the proceeds of \$20,000,000 from the drawdown of funds under the 2017 Loan Agreement (partially offset by debt issuance costs of \$786,000), and proceeds from the exercise of a warrant and stock options, partially offset by the repayment of the term loan under the 2016 Loan Agreement of \$10,000,000. Net cash provided by financing activities during the nine months ended September 30, 2016 was \$19,069,000, which was primarily the result of the gross proceeds of \$15,525,000 from our June 2016 Offering (partially offset by transaction costs of \$1,639,000), the proceeds of \$10,000,000 from the drawdown of funds from the first and second tranches of the term loan under the 2016 Loan Agreement (partially offset by debt issuance costs of \$90,000), and proceeds from the exercise of warrants and stock options \$106,000, partially offset by the repayment of the outstanding existing indebtedness of \$4,833,000.

## Contractual Payment Obligations

We have obligations under a non-cancelable operating lease and a bank term loan. As of September 30, 2017, our contractual obligations are as follows (in thousands):

<b>Contractual Obligations:</b>	<b>Total</b>	<b>Less than 1 Year</b>	<b>1 - 3 Year</b>	<b>3 - 5 Years</b>	<b>More than 5 Years</b>
Non-cancellable operating lease obligations	\$ 859	\$ 418	\$ 441	\$ -	\$ -
Debt obligations (including interest)	34,408	1,775	3,778	21,568	7,287
Total	<u>\$ 35,267</u>	<u>\$ 2,193</u>	<u>\$ 4,219</u>	<u>\$ 21,568</u>	<u>\$ 7,287</u>

In January 2012, we entered into a lease agreement for office and laboratory facilities in Sunnyvale, California. The lease agreement, as amended in September 2016, commenced in March 2012 and will terminate in March 2018.

On February 1, 2017, we entered into a Sublease for approximately 12,400 square feet of building space for the relocation of the Company's corporate headquarters to Englewood, Colorado. The lease term is 36 months and the monthly base rent for the first, second and third years is \$20.50, \$21.12 and \$21.75 per rentable square foot, respectively. In connection with the execution of the Sublease, the Company paid a security deposit of approximately \$22,000. The Company is also entitled to an allowance of approximately \$88,000 for certain tenant improvements relating to the engineering, design and construction of the Sublease Premises. The lease term commenced on June 1, 2017 and will terminate in May 2020.

On May 22, 2017, the Company entered into the 2017 Loan Agreement with affiliates of CRG LP ("CRG"). The new credit facility consists of \$20,000,000 that was drawn at closing and the ability to access additional funding of up to an aggregate of \$10,000,000 for a total of \$30,000,000 under the credit facility, based on the achievement of certain revenue and market capitalization milestones. The term of the loan is six years with the first four years being interest only. The outstanding principal balance under the 2017 Loan Agreement is \$20,285,000 as of September 30, 2017.

## Critical Accounting Policies and Estimates

The discussion and analysis of financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Certain accounting policies and estimates are particularly important to the understanding of our financial position and results of operations and require the application of significant judgment by our management or can be materially affected by changes from period to period in economic factors or conditions that are outside of our control. As a result, they are subject to an inherent degree of uncertainty. In applying these policies, management uses their judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on our historical operations, our future business plans and projected financial results, the terms of existing contracts, observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. Please see Note 2 to our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016, that was filed with the SEC on February 16, 2017, for a more complete description of our significant accounting policies. With the exception of the accounting policy for Investments in Unconsolidated Affiliates described below, there have been no material changes to the significant accounting policies during the nine months ended September 30, 2017.

### *Investments in Unconsolidated Affiliates*

The Company uses the equity method to account for its investments in entities that it does not control, but have the ability to exercise significant influence over the investee. Equity method investments are recorded at original cost and adjusted periodically to recognize (1) the proportionate share of the investees' net income or losses after the date of investment, (2) additional contributions made and dividends or distributions received, and (3) impairment losses resulting from adjustments to net realizable value. The Company eliminates all intercompany transactions in accounting for equity method investments. The Company records the proportionate share of the investees' net income or losses in equity in earnings of unconsolidated affiliates on the consolidated statements of income.

The Company assesses the potential impairment of the equity method investments when indicators such as a history of operating losses, a negative earnings and cash flow outlook, and the financial condition and prospects for the investee's business segment might indicate a loss in value. The carrying value of the investments are reviewed annually for changes in circumstances or the occurrence of events that suggest the investment may not be recoverable. During the three and nine months ended September 30, 2017, no impairment charges have been recorded.

### **Recent Accounting Pronouncements**

In May 2014, as part of its ongoing efforts to assist in the convergence of U.S. GAAP and International Financial Reporting Standards ("IFRS"), the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)." The new guidance sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance that have historically existed in U.S. GAAP. The underlying principle of the new standard is that a business or other organization will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance. The ASU provides alternative methods of initial adoption and is effective for annual and interim periods beginning after December 15, 2017. The FASB has issued several updates to the standard which i) defer the original effective date from January 1, 2017 to January 1, 2018, while allowing for early adoption as of January 1, 2017 (ASU 2015-14); ii) clarify the application of the principal versus agent guidance (ASU 2016-08); iii) clarify the guidance on inconsequential and perfunctory promises and licensing (ASU 2016-10); and clarify the guidance on certain sections of the guidance providing technical corrections and improvements (ASU 2016-10). In May 2016, the FASB issued ASU 2016-12, "Revenue from Contracts with Customers (Topic 606) Narrow-Scope Improvements and Practical Expedients", to address certain narrow aspects of the guidance including collectibility criterion, collection of sales taxes from customers, noncash consideration, contract modifications and completed contracts. This issuance does not change the core principle of the guidance in the initial topic issued in May 2014.

We have set up a team for the implementation of the new revenue recognition accounting standard. Based on preliminary analysis, we expect that the new standard will not significantly impact the recognition of product sales given their point of sale nature. We are still in the process of evaluating our arrangements. We will adopt this new standard effective January 1, 2018. The guidance permits the use of either a full retrospective or modified retrospective transition method as of the adoption date. We have not yet selected a transition method and are still finalizing the analysis to quantify the adoption impact of the provisions of this guidance on our condensed consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)". Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. This guidance offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. This guidance is effective for annual reporting period beginning after December 15, 2018, including interim periods within that reporting period, and requires a modified retrospective adoption, with early adoption permitted. We are currently evaluating the impact on its condensed consolidated financial statements upon the adoption of this guidance.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows, Classification of Certain Cash Receipts and Cash Payments (Topic 230)". This guidance addresses specific cash flow issues with the objective of reducing the diversity in practice for the treatment of these issues. The areas identified include: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies; distributions received from equity method investees; beneficial interests in securitization transactions and application of the predominance principle with respect to separately identifiable cash flows. This guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, with early adoption permitted. We are currently evaluating the effect of the adoption of this guidance on our condensed consolidated financial statements.

We have reviewed other recent accounting pronouncements and concluded they are either not applicable to the business, or no material effect is expected on the condensed consolidated financial statements as a result of future adoption.

### **Off-Balance Sheet Transactions**

We do not have any off-balance sheet transactions.

## **Trends, Events and Uncertainties**

Research, development and commercialization of new technologies and products is, by its nature, unpredictable. Although we will undertake development efforts, including efforts with commercially reasonable diligence, there can be no assurance that we will have adequate capital to develop or commercialize our technology to the extent needed to create future sales to sustain our operations.

We cannot assure you that our technology will be adopted, that we will ever earn revenues sufficient to support our operations, or that we will ever be profitable. Furthermore, since we have no committed source of financing, we cannot assure you that we will be able to raise money as and when we need it to continue our operations. If we cannot raise funds as and when we need them, we may be required to severely curtail, or even to cease, our operations.

Other than as discussed above and elsewhere in this Quarterly Report on Form 10-Q, we are not aware of any trends, events or uncertainties that are likely to have a material effect on our financial condition.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item.

### **Item 4. Controls and Procedures.**

#### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial and accounting officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including our principal executive officer and principal financial and accounting officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2017, the end of the period covered by this Quarterly Report. Based upon the evaluation of our disclosure controls and procedures as of September 30, 2017, our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial and accounting officer) concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

#### **Changes in Internal Control over Financial Reporting**

No changes in the Company's internal control over financial reporting have come to management's attention during the Company's last fiscal quarter that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

## **PART II-OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

Except as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016, we are not subject to any material pending legal proceedings. From time to time, we may be involved in routine legal proceedings, as well as demands, claims and threatened litigation, which arise in the normal course of our business.

### **Item 1A. Risk Factors.**

We incorporate herein by reference the risk factors included in the Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 16, 2017.

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

#### **Unregistered Sales of Securities**

None.

**Use of Proceeds**

Not applicable.

**Issuer Repurchases of Company Equity Securities.**

None.

**Item 3. Defaults Upon Senior Securities.**

Not applicable.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

Not applicable.

**Item 6. Exhibits.**

<b>Exhibit Number</b>	<b>Document</b>
3.1.1(1)	<a href="#">Certificate of Conversion for Delaware</a>
3.1.2(2)	<a href="#">Amended and Restated Certificate of Incorporation</a>
3.1.3(3)	<a href="#">Articles of Amendment to the Articles of Continuance of Viveve Medical, Inc.</a>
3.2(2)	<a href="#">Amended and Restated Bylaws</a>
10.1*#	<a href="#">Exclusive Distributorship Agreement, dated August 8, 2017, by and between Viveve Medical, Inc. and InControl Medical, LLC.</a>
10.2*#	<a href="#">Membership Subscription Agreement, dated August 1, 2017, by and between Viveve Medical, Inc. and InControl Medical, LLC.</a>
31.1*	<a href="#">Certification of the Company's Principal Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification of the Company's Principal Financial and Accounting Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1+	<a href="#">Certification of the Company's Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2+	<a href="#">Certification of the Company's Principal Financial and Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS*	XBRL Instance
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith.

+ This document is deemed not filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

# Certain provisions of this Exhibit have been omitted pursuant to a request for confidential treatment.

- (1) Incorporated by reference from the Form 10-Q filed with the Securities and Exchange Commission on May 13, 2016.
- (2) Incorporated by reference from the Form 8-K filed with the Securities and Exchange Commission on August 16, 2017.
- (3) Incorporated by reference from the Form 8-K filed with the Securities and Exchange Commission on April 14, 2016.



**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.

Dated: November 8, 2017

**VIVEVE MEDICAL, INC.**  
(Registrant)

By: /s/ Patricia Scheller

Patricia Scheller  
Chief Executive Officer  
Principal Executive Officer

By: /s/ Scott Durbin

Scott Durbin  
Chief Financial Officer  
Principal Financial and Accounting Officer

INCONTROL MEDICAL, LLC  
VIVEVE MEDICAL, INC.EXCLUSIVE DISTRIBUTORSHIP AGREEMENT

**THIS EXCLUSIVE DISTRIBUTORSHIP AGREEMENT** (this “Agreement”) is made and effective as of this 8<sup>th</sup> day of August, 2017 (“Effective Date”) by and between **INCONTROL MEDICAL, LLC**, a Wisconsin limited liability company (“InControl”), and **VIVEVE MEDICAL, INC.**, a Delaware corporation (“Viveve”).

**WHEREAS**, InControl designs, manufactures and sells the *InTone*<sup>™</sup>, *InToneMV*<sup>™</sup>, *ApexM*<sup>™</sup> and *Intensity*<sup>™</sup> devices for the treatment of female and male urinary and fecal incontinence and sexual dysfunction.

**WHEREAS**, Viveve is in the business of designing, manufacturing, marketing, promoting, distributing and selling the *Geneveve*<sup>™</sup> device for the treatment of female health conditions and has a substantial internal sales force dedicated to directly selling medical devices to treat female health conditions to licensed medical professional offices and hospitals.

**WHEREAS**, InControl and Viveve have agreed to enter into this exclusive distribution arrangement to allow Viveve to directly market, promote, distribute and sell the Products (as defined below) to licensed medical professional offices and hospitals (other than the [\*\*\*\*\*] and [\*\*\*\*\*]) in the United States of America (“Market”) through its internal sales force (or as otherwise set forth in Section 3), and to specify the terms and conditions of Viveve’s marketing, promotion, distribution and sale of the Products within the Market on behalf of InControl.

**WHEREAS**, InControl and Viveve have also agreed that Viveve will simultaneously herewith invest \$2,500,000 in InControl on the terms and conditions set forth herein.

**NOW, THEREFORE**, in consideration of the premises and other good and valuable consideration, the parties agree as follows:

**1. Definitions.** As used herein:

- a. “Accessories” means peripherals, gels, lotions, cleaners, stimulants, accoutrements, boxes, containers and other accessories.
  - b. “Products” means InControl’s *InTone*<sup>™</sup>, *InToneMV*<sup>™</sup>, *ApexM*<sup>™</sup> and *Intensity*<sup>™</sup> devices and related Accessories, including all of InControl’s improvements, enhancements, modifications, updates, new versions and future iterations of the foregoing.
  - c. “Trademarks” means the marks *InTone*<sup>™</sup>, *InToneMV*<sup>™</sup>, *ApexM*<sup>™</sup> and *Intensity*<sup>™</sup> as well as related logos, stylization or trade dress.
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2 . **Appointment.** Subject to the terms and conditions of this Agreement, InControl hereby appoints Viveve as its exclusive distributor to directly market, promote, distribute and sell the Products within the Market through Viveve's internal sales force or as otherwise set forth in Section 3. Subject to the terms and conditions of this Agreement, Viveve hereby accepts such appointment on the terms and conditions set forth herein, and agrees to use its commercially reasonable efforts to maximize sales of the Products within the Market during the term of this Agreement.

3. **General Terms of Appointment.**

a. **General Rights and Responsibilities.** Each party acknowledges and agrees that the other party may perform some or all of its obligations under this Agreement through one or more of its parents, subsidiaries or affiliates; provided, however, that such performance shall not relieve such other party of any of its obligations hereunder.

b. **Certain Rights and Responsibilities of Viveve.** Viveve may appoint agents, dealers, and/or sales representatives to act on its behalf hereunder; provided that any compensation to such agents, dealers, or representatives shall be the sole responsibility of Viveve, and not InControl's responsibility. Additionally, Viveve shall be solely responsible for all compensation to its sales force and other employees, as well as for the acts, omissions, misrepresentations and errors of its sales force and other employees, agents, dealers and representatives. Viveve shall also be solely responsible for all of its own expenses incurred in connection with the performance of its responsibilities under this Agreement.

c. **Market Exclusivity.** Subject to the other provisions of this Section 3 and Sections 8 and 9 below, InControl will not (i) directly or indirectly (either itself or through any affiliates), and will not appoint or authorize any other third party person or organization to, market, promote, distribute or sell the Products or (ii) license or grant any of its regulatory approvals or patent, trade secret or other intellectual rights in or embodied by the Products to any third party, in each case within the Market during the term of this Agreement. Any inquiries or orders received by InControl with respect to the sale of any of the Products within the Market will be promptly referred by InControl to Viveve.

d. **Sales to and by Viveve.** Subject to the other provisions of this Section 3 and Sections 8 and 9 below, InControl shall sell, and Viveve shall purchase, Products directly from InControl at the purchase prices set forth on the Product Pricing List on Exhibit A, unless otherwise mutually agreed by the parties in writing. The parties each desire that the Products will be ready for initial delivery by InControl to Viveve beginning on August 15, 2017 ("Initial Delivery Date"), and a schedule of Viveve's initial Products purchase order on the Initial Delivery Date is set forth in Section 9(c) below. After purchasing any Products from InControl pursuant to this Agreement, then, subject to complying with the Product Pricing List set forth on Exhibit A, Viveve shall otherwise be free to price for resale, market, promote, distribute and sell the Products within the Market in such manner and upon such terms as it determines in its sole discretion; provided, however, that Viveve's advertising, marketing and promotion of the Products shall be subject to complying with this Agreement.

e. Non-Market Sales by InControl. It is mutually understood and agreed by the parties that InControl may freely and without restriction hereunder continue to directly and indirectly (including through other distributors and/or wholesalers) market, promote, distribute and sell any and all of the Products to any customers (i) in markets and to customers outside of the Market and to [\*\*\*\*\*] and [\*\*\*\*\*] within the Market; (ii) in the Market commencing from and after the date on which Viveve fails to achieve (or pay for) any Minimum Order Volume (as defined below); or (iii) in the Market if Viveve otherwise materially breaches this Agreement and does not cure such breach within fifteen (15) days of InControl's written notice of material breach.

4. No Agency. Viveve will act as an independent contractor and will not act (or represent that it has authority to act) as InControl's agent with respect to marketing, promoting, purchasing, distributing and selling the Products. Viveve will market, promote, distribute, buy and sell the Product within the Market branded as follows: *InTone™ by Viveve*, *ApexM™ by Viveve*, *Intensity™ by Viveve*, and *InToneMV™ by Viveve*. All sales of Products by Viveve will be for its own account, and, except as expressly provided herein, will not be subject to InControl's supervision in connection with marketing and promoting such purchases and sales within the Market; provided, however, that InControl shall be entitled to review all of Viveve's Products marketing and promotional materials for regulatory compliance and to otherwise impose such minimum standards thereon as may be commercially reasonable and are reasonably acceptable to Viveve. Neither party has the right or authority to create any obligation on behalf of, or in the name of, the other party or to bind it in any manner.

5. Obligations of Viveve. Subject, and in addition, to the other duties and obligations of Viveve set forth in this Agreement, Viveve agrees during the term of this Agreement to:

a. In coordination with, and with the full support of, InControl, fully introduce, promote and roll out the Products, at [\*\*\*\*\*], to its internal sales force (and support staff) at [\*\*\*\*\*] meeting to be held on [\*\*\*\*\*], in [\*\*\*\*\*] ("Roll-Out Sales Force Meeting").

b. Design, develop and implement, at [\*\*\*\*\*], an advertising, marketing and promotional campaign for the Products in coordination with InControl. Viveve shall provide written reports and/or status updates to InControl, upon InControl's periodic reasonable request, with respect to Viveve's advertising, marketing and promotional campaign for the Products.

c. Market, promote, distribute and sell the Products within the Market through its existing and potential future internal direct sales force and through such other distribution channels as it may determine. In carrying out these obligations, Viveve shall be free to market, promote, distribute and sell competing products manufactured by third parties and by Viveve or its affiliates; provided, however, that Viveve agrees that, during the term of this Agreement, neither it nor its affiliates, shall market, promote, distribute or sell (or contract to do so) any product which substantially replicates all or almost all of the key features of InControl's *InTone*<sup>TM</sup>, *InToneMV*<sup>TM</sup>, *ApexM*<sup>TM</sup> and/or *Intensity*<sup>TM</sup> devices including [\*\*\*\*\*]. For clarity, nothing in this Agreement shall be construed to restrict or limit Viveve from marketing, promoting, distributing or selling its Geneveve<sup>TM</sup> product as this product exists as of the Effective Date, including improvements, enhancements, modifications, updates, new versions and future iterations of such product; provided that such product will not include [\*\*\*\*\*].

d. Adopt no marketing, promotion, distribution or sales methods and make no representations with reference to the Products which are unlawful, unethical or in violation of any regulatory requirements (*i.e.*, FDA or ISO), and not (directly or indirectly) pay, give or authorize payment or gift of any monies or other consideration to any governmental official, candidate or political party or physician to aid in obtaining sales of the Products in violation of any applicable laws.

e. Collaborate with InControl on Accessories, distribution, sales channels, support services and other opportunities to maximize the success of the Products within the Market.

**6. Obligations of InControl.** Subject, and in addition, to the other duties and obligations of InControl under this Agreement, InControl agrees during the term of this Agreement to:

a. Actively coordinate with Viveve (at no cost to Viveve) in connection with the introduction, promotion and roll-out of the Products to Viveve's sales force at the Roll-Out Sales Force Meeting and provide such additional educational and sales training to Viveve's sales force (and support staff) with respect to the Products in connection with the Roll-Out Sales Force Meeting as may be necessary or desirable to provide Viveve's sales force (and support staff) with the necessary or desirable background, education and sales training to effectively market, promote, distribute and sell the Products within the Market; provided that Viveve [\*\*\*\*\*].

b. Provide ongoing educational and sales training (at no cost to Viveve) to Viveve's sales force (and support staff) to enable Viveve's sales force to effectively market, promote and sell the Products within the Market; provided that Viveve [\*\*\*\*\*].

c. Provide any and all reasonable end-user patient customer service and support to end-user patients who have purchased any Products from licensed medical professional offices and hospitals (other than [\*\*\*\*\*] and [\*\*\*\*\*]) that were originally sold by Viveve within the Market, including addressing any end-user patient questions, complaints or Product returns in compliance with InControl's End-User Warranty (as defined below).

d. Provide Viveve from time to time with input and advice concerning Viveve's advertising, marketing, promotion and sale of the Products within the Market, including with respect to regulatory compliance.

e. Collaborate with Viveve on Accessories and sales channels and other opportunities to maximize the success of the Product within the Market.

f. Comply with all applicable regulatory requirements (i.e., FDA and ISO) and laws and maintain all applicable regulatory approvals in the manufacture, and sale to Viveve, of the Products.

7 . **Infringement.** Viveve will inform InControl promptly of any claim, court action, or other legal action brought by any wholesaler, other distributor, customer or governmental authority against Viveve for any infringement of patent, trademark, copyright or other proprietary rights of InControl associated with the Products or for any violation of laws due to design, assembly, manufacture, marketing, promotion or sale of the Products, promptly after Viveve learns of the same. InControl will indemnify, defend and hold harmless Viveve from and against any such claim or action and will thereupon have full authority to settle or compromise any such claim or action (provided that InControl shall not settle any claim involving Viveve without Viveve's prior written consent, not to be unreasonable withheld, conditioned or delayed), and Viveve will give reasonable assistance to InControl in conducting any such defense at InControl's expense. InControl's responsibility for indemnification of any claims, court actions or other legal action under this Section 7 will be limited to [\*\*\*\*\*]. Any modification or alteration made by Viveve to the InControl supplied Products, packaging, advertising or promotional materials shall relieve InControl of its indemnification obligations hereunder to the extent the infringement is caused by such modifications or alterations.

8 . **Term and Termination.** The initial term of this Agreement shall be from the Effective Date through [\*\*\*\*\*], subject to early termination as follows:

a. In addition to the termination of Viveve's exclusivity rights under Section 3(c) above, InControl may otherwise terminate the remainder of the term of this Agreement upon written notice to Viveve if Viveve at any time fails to submit an order to InControl (and/or pay) for at least [\*\*\*\*\*] units of Products (excluding Accessories) [\*\*\*\*\*] during the term of this Agreement (such order amount, the "Minimum Order Volume").

b. Either party may terminate the remainder of the term of this Agreement upon written notice to the other party in the event such other party defaults or fails to perform any of its material duties or obligations hereunder (other than Section 8(a) above), and such default or nonperformance continues for a period of fifteen (15) days uncured after written notice is given to the defaulting or non-performing party requesting it to cure such default or nonperformance.

c. Either party may terminate this Agreement immediately and without notice if the other party (i) commences or has commenced against it any proceeding under any bankruptcy, insolvency, debtor's relief law or similar law; (ii) has a receiver appointed for it or any of its property; (iii) becomes insolvent or unable to pay its debts as they mature or ceases to pay its debts as they mature in the ordinary course of business; or (iv) makes a general assignment for the benefit of its creditors.

Provided that this Agreement is not terminated early as set forth above, at least six months in advance of the scheduled expiration date of the initial term of this Agreement, a senior officer of each of InControl and Viveve shall meet in person to discuss whether to renew the initial term of this Agreement for another five (5) years (or such other period as mutually agreed), as well as the other terms and conditions of any such renewal.

No termination of this Agreement shall release either party from any obligation or liability to pay to the other party any amounts due to the other party as of and through the date of such termination, nor shall any such termination release either party from any liability or obligation which at the time of such termination has already accrued to the other party or which thereafter may accrue in respect to any act or omission prior to such termination, nor will any such termination hereof affect in any way the survival of any right, duty or obligation of any party which is expressly stated elsewhere in this Agreement to survive the termination of this Agreement.

#### **9. Terms of Sale.**

a. The initial applicable purchase prices for the Products and Accessories payable by Viveve to InControl shall be as set forth on the Product Pricing List set forth on Exhibit A. The applicable Product purchase prices set forth on Exhibit A shall be in effect for the term of the Agreement; provided, however, that the applicable Product purchase price shall be subject to potential adjustment to reflect increases or decreases in InControl's Product cost (i.e., parts plus labor) from time to time. Any such pricing adjustment shall be effective [\*\*\*\*\*] after written notice thereof is provided by InControl to Viveve, along with reasonable documentation supporting InControl's increased or decreased Products cost. During normal business hours and upon reasonable advance notice and not more than [\*\*\*\*\*], InControl will, for the term of this Agreement and [\*\*\*\*\*] thereafter, permit Viveve or an independent third party (subject to such third party executing a confidentiality agreement reasonably satisfactory to InControl) reasonable access, at Viveve's sole cost and expense, to audit Viveve's cost records to confirm InControl's costs for the parts and labor for the Products. If an audit reveals that InControl has overcharged Viveve for the Products, InControl shall be invoiced for and shall pay to Viveve an amount equal to the shortfall between the correct amount for the Products and the amount actually paid by Viveve plus interest thereon at the rate of one and a half per cent (1.5%) per month. If the amount of the overpayment exceeds 5% of the fees due, then, without prejudice to Viveve's other rights and remedies, InControl shall also pay Viveve's reasonable costs of conducting the audit.

b. All payments for Products ordered by Viveve are due in full (and without any discount, offset or withholding) from Viveve to InControl within fifteen (15) days of the date of invoice from InControl, less any returns made by Viveve in good faith for any units of defective Product.

c. Except for the initial purchase order reflected below, Viveve shall transmit all purchase orders for Products to InControl by e-mail, mail, telephone or facsimile. Except for the initial purchase order reflected below, InControl shall confirm receipt of all purchase orders within three (3) business days of receipt and, thereupon, all such purchase orders shall be binding on both parties. No future purchase order submitted by Viveve for purchase of Products shall obligate InControl unless and until such purchase order is accepted by InControl. InControl shall use its commercially reasonable efforts to accept any validly submitted purchase order for the Products and to manufacture and deliver the Products to Viveve. Viveve and InControl shall mutually agree on an acceptable future purchase order form to use in connection with submitting and confirming all future Product purchase orders hereunder. This Agreement represents the initial purchase order by Viveve from InControl of the following Products for delivery to Viveve on the Initial Delivery Date:

Initial Delivery Date Purchase Order:

<b>Product</b>	<b>Quantity</b>	<b>Total Purchase Price*</b>
<i>InTone</i> <sup>TM</sup>	[*****]	[\$*****]
<i>InToneMV</i> <sup>TM</sup>	[*****]	[\$*****]
<i>ApexM</i> <sup>TM</sup>	[*****]	[\$*****]
<i>Intensity</i> <sup>TM</sup>	[*****]	[\$*****]
Accessories (Gel)	[*****]	[\$*****]
<b>Total</b>		<b>[\$*****]</b>

\* Based on Exhibit A.

d. All shipments of the Products to Viveve hereunder will be F.O.B./F.A.S. InControl's manufacturing facility in Brookfield, Wisconsin. Risk of loss shall pass to Viveve upon InControl's shipment. Viveve shall pay all shipping and freight costs, taxes and other governmental charges, sales tax, import or export duties, as well as all of its own advertising, promotional and marketing expense of and for the Products. The parties agree to use their reasonable efforts to mutually agree upon utilizing the lowest cost shipping method for all Products orders. If any such charges are paid by InControl and are not included in the originally invoiced price, InControl will invoice Viveve separately for those charges.

**10. Patents, Trademarks and Copyrights.**

a. InControl's Exclusive Ownership of its Intellectual Property Rights. InControl's patents, Trademarks, brand names and copyrights are and shall remain the exclusive property of InControl, which shall continue to have the exclusive rights to register the patents, trademarks, brand names and copyrights and (where applicable) to apply for entry or removal of Viveve as a registered user thereof; and Viveve agrees to be so entered or removed, in accordance with InControl's directions, and shall execute all documents required to accomplish such entry or removal. Expressly included within the scope of InControl's exclusive rights are domain names, social media identifiers and the like which incorporate some or all of the Trademarks or brand names of InControl. Viveve shall not register or seek to register any domain name, url, social media identifier, handle or the like which incorporates some or all of the Trademarks of InControl.



b. License. Pursuant to, and to the extent necessary to implement the terms of this Agreement, InControl hereby grants to Viveve an exclusive, non-royalty bearing, sublicensable (to third parties who display promotional materials on Viveve's behalf) license to use, copy, reproduce, display and publish the Trademarks in the Market for the limited purpose of promoting and selling Products supplied by InControl to Viveve and for no other purpose. The scope of the trademark license granted hereunder is strictly construed and Viveve shall not and agrees that it shall not use the Trademarks (i) outside the Market; (ii) in conjunction or association with any products or goods other than the Products; or (iii) in any manner not expressly permitted hereunder. InControl also grants to Viveve a limited license to copy, modify, adapt, use and prepare derivative works of all packaging and promotional materials related to the Products developed by InControl (collectively the "Works") for the sole and limited purpose of promoting and selling the Products supplied by InControl to Viveve and for no other purpose. Viveve's modification and use of the Works are subject to the Quality Control provisions of Section 10.e. below.

c. Reservation. It is understood that InControl reserves to itself the right to use the Trademarks on any products or services in any markets or trade channels not solely and exclusively licensed to Viveve hereunder. Further, it is understood that InControl reserves to use itself or license to others the right to use the Trademarks on any products or services in any markets or trade channels not exclusively licensed to Viveve hereunder.

d. Viveve's Use of the Trademarks and Works. Viveve will use the Trademarks and Works only in accordance with InControl's trademark usage guidelines (attached hereto as Exhibit B), which may be reasonably updated by InControl from time to time. All uses of the Trademarks, including all goodwill that results therefrom, shall inure to the sole benefit of InControl. Viveve shall not acquire any rights in the Trademarks or Works by virtue of any use it makes of the Trademarks and Works. Viveve has not and shall not attempt to register the Trademarks or Works alone or as part of its own trademark or copyright, nor shall Viveve adopt as its own, or attempt to register any marks the same as or confusingly similar to the Trademarks or modification of the Works. Viveve shall not use all or a portion of the Trademarks as any part of its company name or any division thereof and is prohibited from registering or using all or portion of the Trademarks in any domain name or uniform resource locator (URL) address. Should InControl grant a written exception to this prohibition, then Viveve shall and agrees to transfer such domain name to InControl upon termination or expiration of this Agreement. Viveve shall not use the Trademarks as part of any social media marketing without the advance express written permission of InControl, including but not limited to web sites involving user generated content, third party social networking sites (such as Facebook, Twitter, YouTube, etc.), or blogger outreach programs.

e. Quality Control. Through its many years of use of the Trademarks and Works in the marketplace, InControl has established and consumers have come to associate a high level of quality with the Trademarks, the Works and Products sold thereunder. In light of this established consumer goodwill, Viveve shall not knowingly do any act or omission that will impair or adversely affect the goodwill associated with the Trademarks or the Works. Upon reasonable request by InControl, Viveve agrees to submit to InControl, representative samples of any and all uses by Viveve of the Trademarks and/or Works (or modifications thereof) for InControl's inspection and analysis. In the event that InControl objects to any use of the Trademarks or Works (or modifications thereof) by Viveve, InControl shall provide written notice identifying the "Objected Materials" and Viveve shall use any and all commercially reasonable efforts to cease any and all use by Viveve of the Objected Materials. Ongoing use of the Objected Materials by Viveve in violation of this section shall constitute a material breach of the license granted hereunder.

f. Validity/Title. Viveve acknowledges InControl's ownership, right and title to the Trademarks, Patents and copyright rights and shall not contest such ownership, right and title, nor knowingly do any act or omission that will impair the rights of InControl with respect to such Trademarks, Patents or copyrights.

g. Viveve's Duty to Cease Use. Viveve shall and agrees that it shall cease any and all use of the Trademarks, Works (or modifications thereof) patents, domain names, url's, social media identifiers or handles of InControl upon the expiration or termination of the Agreement; provided that, unless the Agreement was terminated by InControl for Viveve's material breach, Viveve may sell and offer for sale any Products purchased from Viveve prior to such expiration or termination of the Agreement. Viveve acknowledges that its failure to cease the use of the Trademarks, Works (or modifications thereof), patents, domain names, url's, social media identifiers or handles of InControl will result in immediate and irreparable damage to InControl and to the rights of any subsequent licensee. Viveve acknowledges and admits there is no adequate remedy at law for such failure, and Viveve agrees that in the event of such failure, InControl shall be entitled to seek equitable relief by way of temporary and permanent injunctions and such other and further relief as any court with jurisdiction may deem just and proper. Viveve will join with InControl in executing all documents and doing all acts and things as shall be necessary or convenient for cancelling any entry in any register of patents, trademarks, brand names, copyrights, domain names, url's, social media identifiers or handles involving the right of Viveve to use any of InControl's patents, trademarks, brand names, domain names, url's, social media identifiers or handles.

**11. Product Liability Insurance.** InControl covenants that it has, and will hereafter keep in full force and effect at all times during the term of this Agreement and for five (5) years thereafter, product liability insurance with respect to the Products with coverage at least in an aggregate and per claim amount of \$ 1 million. InControl shall, upon Viveve's request from time to time, provide Viveve with one or more certificates of insurance evidencing such product liability insurance coverage. Viveve will be named as an additional insured under such policy.

**12. Indemnification for Uninsured Product Liability Claims.** InControl agrees to indemnify, hold harmless and defend Viveve from and against any and all damages, claims, liabilities, injury, losses, costs or expenses (including reasonably attorneys' fees and costs) arising out of or related to any third party demand, action, cause of action, claim or lawsuit which is related to the use of the Products, including without limitation, the improper or defective design, manufacture or assembly of any of the Products.

**13. Force Majeure.** Neither party shall be liable to the other party for failure or delay in the performance of any of such party's obligations under this Agreement, if such failure or delay is caused by, due to, or arises from an act of God, act of government, catastrophe, lack of or inability to obtain raw materials, labor or supplies, work stoppage, embargo, strike, import restrictions or delays, the provisions of any present or future law, inability to meet demand, or other situations, whether similar or dissimilar to the foregoing, resulting from causes not within the control of such party.

**14. Notices.** All notices provided for in this Agreement (other than Purchase Orders) shall be in writing and sent by mail, e-mail, PDF or facsimile, addressed to the applicable address set forth below, provided that notices sent by e-mail, PDF or facsimile must be confirmed in writing by similar notice methods by the recipient within 24 hours to be effective.

If to InControl: INCONTROL MEDICAL, LLC  
3225 Gateway Road, Suite 250  
Brookfield, WI 53045  
ATTN: Herschel "Buzz" Peddicord  
FAX: 262-373-0463  
E-mail: [hpeddicord@incontrolmedical.com](mailto:hpeddicord@incontrolmedical.com)

If to Viveve: VIVEVE MEDICAL, INC.  
150 Commercial Street  
Sunnyvale, CA 94086  
ATTN: Scott Durbin  
Fax: 408-530-1919  
E-Mail: [sdurbin@viveve.com](mailto:sdurbin@viveve.com)

**15. Confidential Information.** All customer, prospect and price lists, plans, drawings, blueprints and other documents relating to the business of each party hereto and/or the Products shall be and remain the sole and exclusive property of such party and shall be treated by each party hereto as confidential information and neither disclosed to any third party without the other party's prior written approval nor used for any purpose other than sales of Products pursuant to the terms of this Agreement. Upon either party's request, the other party shall execute, and cause all of its affiliates, representatives, officers and employees to execute, an agreement in a form and substance satisfactory to the requesting party restricting use and disclosure of such confidential information.

**16. Dispute Resolution.** All disputes between the parties arising out of or relating to this Agreement shall first be discussed in person between senior representatives of both parties, and if such dispute is not resolved within thirty (30) days as a result of such meeting, then shall be finally settled by binding arbitration in Chicago, Illinois under the American Arbitration Association Commercial Arbitration Rules, by one arbitrator appointed in accordance with the said Rules. The award of any such arbitration shall be final and binding on both parties and shall be enforceable in any court having jurisdiction.

**17. No Assignment.** Neither party may assign this Agreement or any of its rights or obligations hereunder without the written consent of the other party; provided that either party may assign this Agreement as a whole to a successor to all or substantially all of its business or assets related to this Agreement (subject to Section 22). This Agreement shall be binding upon any acquirer of, or successor to, either party.

**18 . Warranty To-End-User Customers; Limitation on Liability.** InControl shall provide a written one-year limited warranty with respect to each of the Products to the original end-user patient purchaser of that Product and subject to the terms and conditions set forth therein (“End-User Warranty”). However, InControl makes no warranties or representations whatsoever with respect to the Products, whether express or implied, to Viveve or to any of Viveve’s physician, clinic, hospital or other direct purchaser customers. Without limiting the foregoing, InControl specifically disclaims the implied warranties or merchantability and fitness for particular purpose, and any warranties arising from course of dealing or usage of trade. **Except for InControl’s indemnification obligations hereunder, InControl shall not be liable to Viveve or to any of Viveve’s direct or indirect customers for any consequential, incidental, indirect, punitive or special damages arising out of or related to any of the Products, this Agreement or InControl’s performance or breach, whether based on breach of contract, breach of warranty, negligence or other tort, strict liability, or under any other theory of law or equity. Viveve shall not be liable to InControl or its affiliates for any consequential, incidental, indirect, punitive or special damages arising out of or related to any of the Products, this Agreement or Viveve’s performance or breach, whether based on breach of contract, breach of warranty, negligence or other tort, strict liability, or under any other theory of law or equity.**

**19 . Viveve Investment in InControl.** On the Effective Date, Viveve shall invest \$2,500,000 of cash to purchase [\*\*\*\*\*] newly issued common membership units of InControl directly from InControl (representing approximately [\*\*\*\*\*] of InControl’s post-issuance then outstanding fully-diluted common membership units as of the Effective Date) at [\*\*\*\*\*] per unit, subject to Viveve’s execution of InControl’s standard investor subscription agreement and Viveve becoming a party to InControl’s Operating Agreement, as amended.

**20. InControl Board Seat.** Viveve shall have the right to nominate, and InControl will cause to be appointed or elected, one individual to sit on InControl's Board of Managers, which individual shall be reasonably acceptable to InControl, for as long as Viveve continues to own at least 5% of InControl's then outstanding fully-diluted outstanding common membership units.

**21. Maturity Date of Promissory Notes.** As of the Effective Date, InControl is party to certain promissory notes secured by the Company's intellectual property rights. InControl hereby warrants that it shall, prior to December 31, 2017, amend the maturity date of such promissory notes to a maturity date no earlier than December 31, 2019.

**22. Termination or Material Breach after Change of Control of Either Party.** Following the consummation of a sale, merger or exchange to or with a third party of more than 50% of the then outstanding fully-diluted common membership units or common stock of either InControl or Viveve, or the sale of all, or substantially all, of the assets of either InControl or Viveve ("Change of Control"), if (a) the third party does not specifically assume this Agreement and such Change of Control transaction requires or involves an assignment of this Agreement to such third party or (b) if the party subject to such Change of Control ("CoC Party") (i) terminates this Agreement, and such termination is not otherwise permitted pursuant to this Agreement, or (ii) defaults or fails to perform any of its material duties or obligations hereunder, and such default or nonperformance continues for a period of [\*\*\*\*\*] uncured after written notice is given by the non-CoC Party to the CoC Party requesting it to cure such default or nonperformance, then the CoC Party shall [\*\*\*\*\*]. The parties acknowledge that [\*\*\*\*\*] specified in this Section 22 are [\*\*\*\*\*] such unexcused termination or material breach by the CoC Party. The parties hereby acknowledge the inconvenience or nonfeasibility of the non-CoC Party otherwise obtaining an adequate remedy for such unexcused termination or material breach by the CoC Party. [\*\*\*\*\*], and when made, shall constitute full satisfaction and final settlement of any and all claims and demands by the non-CoC Party with respect to such unexcused termination or material breach by the CoC Party, and [\*\*\*\*\*] will constitute the non-CoC Party's sole and exclusive remedy for any such claims or demands, whether said claims and demands of the non-CoC Party are based in contract, tort (including negligence and strict liability), or otherwise (other than with respect to InControl's indemnification obligations).

**23. Entire Agreement; Amendment.** This Agreement (including Exhibit A), together with the agreements referenced in Section 19, represent the entire agreement between the parties with respect to the subject matter hereof and supersede and terminate all prior correspondence and/or agreements, whether written or oral, entered into between the parties with respect to said subject matter. Except as expressly provided in this Agreement, no amendment hereof shall be valid or given any effect whatsoever, unless made in writing and executed by duly authorized officers of both parties.

**24. Headings.** The headings and captions used in this Agreement are for convenience only and shall not be considered part of the subject matter hereof.

**25. Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

**26. Severability.** If any provision of this Agreement is determined to be unenforceable, the remaining provisions of this Agreement shall remain in full force and effect.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized representatives as of the Effective Date.

**VIVEVE MEDICAL, INC.**

**INCONTROL MEDICAL, LLC**

By: /s/ Scott Durbin  
Scott Durbin  
Chief Financial Officer

By: /s/ Buzz Peddicord  
Herschel "Buzz" Peddicord  
Chief Executive Officer

*[Signature Page]*

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**EXHIBIT A**

**PRODUCT PRICING LIST**

<b><u>Products</u></b>	<b><u>Product Price<sup>1</sup></u></b>	<b><u>InControl's Current Cost<sup>1</sup></u></b>
<i>InTone</i> <sup>TM</sup>	[\$*****]	[*****]
<i>InToneMV</i> <sup>TM</sup>	[\$*****]	[*****]
<i>ApexM</i> <sup>TM</sup>	[\$*****]	[*****]
<i>Intensity</i> <sup>TM</sup>	[\$*****]	[*****]
Accessories	[*****]	

<sup>1</sup>Exclusive of [\*\*\*\*\*] costs as set forth and described in Section 9, and [\*\*\*\*\*]. InControl's cost is defined as its then applicable cost for parts and labor for the applicable Products ordered, and is subject to change as set forth in Section 9(a).

**SUBSCRIBER NAME: VIVEVE MEDICAL, INC.**  
**INVESTMENT AMOUNT: \$ 2,500,000**  
**MEMBERSHIP UNITS (@\$[\*\*\*\*] per unit): [\*\*\*\*]**

**INCONTROL MEDICAL, LLC**  
**MEMBERSHIP UNIT SUBSCRIPTION AGREEMENT**

The undersigned subscriber named above (the "Subscriber") desires to subscribe from InControl Medical, LLC, a Wisconsin limited liability company (the "Company"), the dollar amount and number of membership units in the Company ("Membership Units"), as identified above and on the signature page hereto.

1. Subscription. Subject to the terms and conditions of this Subscription Agreement, the Subscriber hereby subscribes for the dollar amount and number of Membership Units set forth above and on the signature page hereto for a total investment amount as set forth above and on the signature page hereto (the "Purchase Price").

2. Acceptance of Subscription. The Subscriber acknowledges that the Company, in its sole discretion, has the right to accept or reject this subscription, in whole or in part, for any reason whatsoever and that this subscription shall be deemed to be accepted by the Company only when this Subscription Agreement is executed by the Company. The Subscriber acknowledges and agrees (i) that subscriptions need not be accepted in the order they are received and (ii) that Membership Units to be sold by the Company may be allocated, in the event of oversubscription, by the Company in its sole discretion.

3. Understandings of the Subscriber. The Subscriber hereby represents and warrants to, and covenants with, the Company, its managers, officers, members, agents and affiliates, that the Subscriber is aware and understands that:

(a) There are substantial risks incident to the purchase of the Membership Units. An investment in the Membership Units is inherently speculative in nature, and the Subscriber may suffer a complete loss of his/her/its investment, and the tax consequences to the Subscriber of an investment in the Membership Units will depend upon the Subscriber's circumstances. Among other matters, the Company was only recently formed, has a limited financial and operating history, and has only recognized net losses to date.

(b) The Membership Units have not been registered under the Securities Act of 1933, as amended (the "Federal Securities Act"), or any state's securities act (collectively, the "State Securities Acts"), and are being offered for sale pursuant to applicable exemptions from registration. No federal or state agency or regulatory authority has made any finding or determination as to the fairness of the offering of the Membership Units for investment, or any recommendation or endorsement of the Membership Units.

(c) The Subscriber may not sell, transfer or assign his/her/its Membership Units, or any portion thereof, without registration under the Federal Securities Act or the State Securities Acts or qualification or perfection of an applicable exemption therefrom. Furthermore, the Membership Units are subject to additional transfer restrictions as set forth in the Company's Operating Agreement. In the event any or all of the Membership Units are transferred to other than a permitted transferee, the Membership Units shall automatically terminate.

(d) Any illustrations or projections concerning the potential future financial performance of the Company which may have been prepared in connection with the Subscriber's investment in the Company are only illustrations or projections, and there can be no assurance whatsoever that they will be actually realized. Any such illustrations or projections are subject to a variety of factors over which the Company has no control and which could materially and adversely affect any such illustrations or projections.

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4 . Representations, Warranties and Covenants of the Subscriber. The Subscriber hereby represents and warrants to, and covenants with, the Company, its managers, officers, members, agents and affiliates as follows:

(a) The Subscriber hereby expressly represents that he/she/it is an “Accredited Investor” within the meaning of Regulation D promulgated pursuant to the Federal Securities Act, because the Subscriber comes within the Category or Categories checked below (check each Category that applies):

- Category 1            The Subscriber is a natural person whose individual net worth, or joint net worth with his or her spouse, at the time of purchase of the securities offered by the Company, exceeds \$1,000,000, excluding the value of the Subscriber’s primary residence and any mortgage or other indebtedness relating thereto which is secured by such residence up to the fair market value of such residence.
  - Category 2            The Subscriber is a natural person who had an individual income in excess of \$200,000 in each of the two most recent years, or a joint income with his or her spouse in excess of \$300,000 in each of the two most recent years, and has a reasonable expectation of reaching the same income level in the current year.
  - Category 3            The Subscriber is a trust with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring any securities offered by the Company, whose investments are directed by a sophisticated person as described in Rule 506(b)(2)(ii) under Regulation D under the Securities Act.
  - Category 4            The Subscriber is a small business investment company (SBIC) licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958, as amended.
  - Category 5            The Subscriber is a plan with total assets in excess of \$5,000,000, established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees.
  - Category 6            The Subscriber is a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, as amended.
  - Category 7            The Subscriber is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, a corporation, a Massachusetts or similar business trust, limited liability company or a partnership, not formed for the specific purpose of acquiring any securities offered by the Company, with total assets in excess of \$5,000,000.
  - Category 8            The Subscriber is a director or executive officer of the Company.
  - Category 9            The Subscriber is an entity in which all of the equity owners are accredited investor. If Category 9 is checked, fill out the subscription page attached hereto (i) listing the name of each equity owner and (ii) indicating, separately for each equity owner, the Category or Categories (from Category 1 through Category 16) that apply to such equity owner.
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- Category 10      The Subscriber is an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), for which investment decisions are made by a plan fiduciary, as defined in Section 3(21) of ERISA, which is either a bank, savings and loan association, insurance company, or registered investment adviser.
- Category 11      The Subscriber is an employee benefit plan within the meaning of ERISA having total assets in excess of \$5,000,000.
- Category 12      The Subscriber is an employee benefit plan within the meaning of ERISA that is a self-directed plan with investment decisions made solely by persons that are accredited investors. If Category 12 is checked, fill out the Category 12 Schedule attached hereto (i) listing the name of each person making investment decisions and (ii) indicating, separately for each person making investment decisions, the Category or Categories (from Category 1 through 16) that apply to such person.
- Category 13      The Subscriber is a bank as defined in Section 3(a)(2) of the Securities Act, or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act, acting in an individual or fiduciary capacity.
- Category 14      The Subscriber is a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended.
- Category 15      The Subscriber is an insurance company as defined in Section 2(13) of the Securities Act.
- Category 16      The Subscriber is an investment company registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”), or a business development company as defined in Section 2(a)(48) of the Investment Company Act. If the Subscriber is a trust, then, either the trustee must fall within Category 13 or the trust must fall within Category 3 or 7.

(b) The Subscriber hereby acknowledges that he/she/it has received all information that the Subscriber considers relevant to an investment in the Company. The Subscriber has had a full opportunity to ask questions of, and receive answers from, the Company or any person or persons acting on behalf of the Company concerning the terms and conditions of an investment in the Company.

(c) The Subscriber (i) is acquiring the Membership Units solely for his/her/its own account, and not for or on behalf of other persons; (ii) is acquiring such Membership Units for investment purposes only, and not for resale or distribution; and (iii) has no contract, agreement, undertaking or arrangement, and no intention to enter into any contract, agreement, undertaking or arrangement to sell, transfer or pledge such Membership Units or any part thereof.

(d) Subscriber hereby expressly represents that he/she/it (i) has adequate means of providing for his/her/its current financial needs, including possible future financial contingencies; and (ii) anticipates no need in the foreseeable future to sell the Membership Units for which the Subscriber hereby subscribes. The Subscriber is able to bear the economic risks of this investment and, consequently, without limiting the generality of the foregoing, is able to hold the Subscriber’s Membership Units for an indefinite period of time and has a sufficient net worth to sustain a loss of his/her/its entire investment in the Membership Units.

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(e) The Subscriber has such knowledge and experience in financial and business matters that the Subscriber is capable of evaluating the merits and risks of an investment in the Membership Units.

(f) The Subscriber, if a natural person, is over 21 years of age, a citizen of the United States and legally competent to execute this Subscription Agreement and the Company's Operating Agreement and to make the representations, warranties and covenants contained herein and therein. If the Subscriber is a corporation, partnership, trust or other organization (i) it is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it was formed and all other jurisdictions where such qualification is necessary in light of the Subscriber's activities; (ii) it has all the requisite power and authority to invest in the Membership Units as provided herein and execute and deliver the Company's Operating Agreement and this Subscription Agreement; (iii) such investment and execution will not result in any violation of or conflict with any term of the organizational documents of the Subscriber or any law or regulation applicable to it; (iv) such investment and execution have been duly authorized by all necessary action on behalf of the Subscriber; (v) this Subscription Agreement and the Company's Operating Agreement have, pursuant to proper authority, been duly executed and delivered on behalf of the Subscriber and constitute legal, valid and binding agreements of the Subscriber, enforceable against the Subscriber in accordance with their terms; and (vi) the Subscriber has not been organized or reorganized for the specific purpose, or for the purpose among other purposes, of acquiring the Membership Units.

(g) All information which the Subscriber has provided to the Company concerning himself, herself or itself, its, his or her financial position and its, his or her knowledge of financial and business matters, or, in the case of a corporation, partnership, trust or other entity or organization, the knowledge of financial and business matters of the person making the investment decision on behalf of such entity or organization, is correct and complete as of the date set forth at the end hereof and may be relied upon, and if there should be any material adverse change in such information prior to this subscription being accepted, the Subscriber will immediately provide the Company with such information.

5 . Indemnification. The Subscriber acknowledges that the Subscriber understands the meaning and legal consequences of the representations, warranties, covenants, agreements and restrictions contained in this Subscription Agreement and the Company's Operating Agreement and that the truth of these representations, warranties, covenants, agreements and restrictions will be relied upon by the Company, its managers, officers, members, agents and affiliates in accepting the Subscriber as a member of the Company. With regard to the representations, warranties, covenants, agreements and restrictions contained in this Subscription Agreement and the Company's Operating Agreement, the Subscriber hereby agrees to indemnify and hold harmless the Company, its managers, officers, members, agents and affiliates (collectively, the "Indemnified Parties"), from and against any and all loss, damage or liability, together with all costs and expenses including attorneys' fees and disbursements, which any of the Indemnified Parties may incur by reason of any breach thereof by the Subscriber and any false, misleading or inaccurate information contained therein.

6 . Survival. All representations, warranties, covenants, agreements and restrictions contained in this Subscription Agreement and the Company's Operating Agreement and the indemnification contained in Section 5 shall survive the acceptance of this subscription and the dissolution of the Company.

7 . Additional Information. The Subscriber covenants and agrees to promptly furnish to the Company any and all information concerning the Subscriber and his/her/its investment in the Company that the Company may from time to time request for the purpose of complying with any federal, state, local or foreign law, statute, rule, regulation or governmental or regulatory requirement, and the Subscriber warrants and represents that, at the time any such information is furnished to the Company, such information shall be accurate and complete.

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8. Binding Effect. This Subscription Agreement and the Company's Operating Agreement shall be binding upon and inure to the benefit of the Company and its successors and shall not be assignable by it without the prior written consent of the Subscriber. This Subscription Agreement and the Company's Operating Agreement, upon acceptance by the Company shall, where applicable, be binding upon the Subscriber and the Subscriber's successors and assigns.

9. Miscellaneous.

(a) All notices or other communications given or made hereunder shall be in writing to the Subscriber at the address set forth on the signature page hereto and to the Company at c/o Foley & Lardner LLP, 777 East Wisconsin Avenue, Milwaukee, WI 53202, Attn: Steven R. Barth.

(b) This Subscription Agreement shall be construed in accordance with and governed by the laws of Wisconsin.

(c) This Subscription Agreement, together with the Company's Operating Agreement, constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and may be amended only by a writing executed by the party to be charged.

(d) Any masculine personal pronoun shall be considered to mean the corresponding feminine or neuter personal pronoun, as the context requires.

10. Acknowledgement and Consent for Member also Acting as Legal Counsel. The Subscriber is aware that Steven R. Barth, a partner in Foley & Lardner LLP, which firm is legal counsel to the Company, is the principal legal counsel to the Company and is also a member in the Company. Similarly, the Subscriber is aware that Foley Ventures, LLC, Foley Ventures II LLC and Foley Ventures III LLC, all investment partnerships comprised of partners in Foley & Lardner LLP (collectively, "Foley Ventures"), and other partners in Foley & Lardner, LLP are also members in the Company. Additionally, the Subscriber is aware that Mr. Barth, Foley Ventures and/or other partners in Foley & Lardner, LLP may be investing in the Company in this Round O capital raise on the same terms and conditions as other investors. The Subscriber acknowledges that he/she/it has had an opportunity to consult with his/her/its own legal counsel regarding Mr. Barth's, Foley Ventures' and/or other Foley & Lardner LLP partners' direct or indirect personal interest in the Company and that he/she/it has determined that the terms and conditions of such investment are on the same terms as the investment by the other investors in the Company and that such terms and conditions are fair and reasonable to the Company and to the other members, including the Subscriber. Moreover, the Subscriber understands that the potential for a conflict of interest exists between Mr. Barth's, Foley Ventures' and other Foley & Lardner LLP partners' personal investment interest in the Company and his/its/their actions, judgment and advice as legal counsel to the Company. Nevertheless, and fully understanding such potential conflicts, the Subscriber hereby consents and agrees to such dual relationships and waives any claim for any actual or potential breach of ethical obligations or professional responsibility to the Company and/or its members by Mr. Barth, Foley Ventures and/or other Foley & Lardner LLP partners with respect to such dual relationships. The Subscriber further acknowledges that, in the event there is a dispute between the Company and any of its members in the future, the personal financial interest of Mr. Barth, Foley Ventures and/or other Foley & Lardner LLP partners in his/its/their capacity as a member and investor in the Company in any such dispute and/or the possibility of Mr. Barth, Foley Ventures and/or other Foley & Lardner LLP partners being called as a witness in his/its/their capacity as a member and investor in the Company may preclude Foley & Lardner LLP and/or Mr. Barth from representing the Company in such dispute.

**[Signature Page to the Subscription Agreement Follows]**

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INCONTROL MEDICAL, LLC

SIGNATURE PAGE TO MEMBERSHIP UNIT SUBSCRIPTION AGREEMENT

Date: August 1, 2017

\$2,500,000 Total Purchase Price
[\*\*\*\*\*] Total Membership Units (Total Purchase Price divided by \$[\*\*\*\*\*] per Unit purchase price)

Type of Ownership:

- Individual
Joint Tenants with Right of Survivorship
Tenants in Common (if this option is chosen, specify percentage of ownership for each owner).

% Print Name % Print Name

- Trust
Other Corporation

NAME(S) IN WHICH MEMBERSHIP UNITS AND WARRANT ARE TO BE REGISTERED:

VIVEVE MEDICAL, INC.
(Please clearly print on the line above, the name(s) in which this investment should be registered)

By: Scott Durbin
(Please Print)

Signature: /s/ Scott Durbin

Soc. Sec. No or Tax ID:

Mailing Address: 150 Commercial Street
Sunnyvale, CA 94086

Tel. No.: ( ) -

Fax. No.: ( ) -

Email:

**Certification of Chief Executive Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**

I, Patricia Scheller, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for Viveve Medical, 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: November 8, 2017

/s/ Patricia Scheller  
Patricia Scheller  
Chief Executive Officer  
(Principal Executive Officer)

**Certification of Chief Financial Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**

I, Scott Durbin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for Viveve Medical, 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: November 8, 2017

/s/ Scott Durbin  
Scott Durbin  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

**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)**

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), the undersigned officer of Viveve Medical, Inc. (the "Company"), does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), that, to the best of their knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2017

/s/ Patricia Scheller  
\_\_\_\_\_  
Patricia Scheller  
Chief Executive Officer  
(Principal Executive Officer)



**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)**

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), the undersigned officer of Viveve Medical, Inc. (the "Company"), does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), that, to the best of their knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2017

/s/ Scott Durbin  
\_\_\_\_\_  
Scott Durbin  
Chief Financial Officer  
(Principal Financial and Accounting Officer)