

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 March 31, 2018

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 that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or 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 May 9, 2018 the issuer had 31,269,388 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 and per share data)

|   | <u>March 31,</u><br><u>2018</u> | <u>December 31,</u><br><u>2017</u> |
|---|---------------------------------|------------------------------------|
|   | (unaudited)                     | (1)                                |
| <b>ASSETS</b>   |                                 |                                    |
| Current assets:   |                                 |                                    |
| Cash and cash equivalents   | \$ 38,378                       | \$ 20,730                          |
| Accounts receivable, net of allowance for doubtful accounts of \$263 and \$221 as of March 31, 2018 and December 31, 2017, respectively   | 6,999                           | 6,213                              |
| Inventory   | 3,828                           | 2,390                              |
| Prepaid expenses and other current assets   | 3,302                           | 2,741                              |
| Total current assets  | <u>52,507</u>                   | <u>32,074</u>                      |
| Property and equipment, net   | 1,674                           | 1,303                              |
| Investment in limited liability company   | 2,251                           | 2,500                              |
| Other assets  | 204                             | 202                                |
| Total assets  | <u>\$ 56,636</u>                | <u>\$ 36,079</u>                   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>   |                                 |                                    |
| Current liabilities:  |                                 |                                    |
| Accounts payable  | \$ 3,865                        | \$ 4,799                           |
| Accrued liabilities   | 4,257                           | 4,605                              |
| Total current liabilities   | <u>8,122</u>                    | <u>9,404</u>                       |
| Note payable, noncurrent portion  | 29,334                          | 28,948                             |
| Other noncurrent liabilities  | 218                             | 327                                |
| Total liabilities   | <u>37,674</u>                   | <u>38,679</u>                      |
| Commitments and contingences (Note 7)   |                                 |                                    |
| Stockholders' equity (deficit):   |                                 |                                    |
| Common stock, \$0.0001 par value; 75,000,000 shares authorized as of March 31, 2018 and December 31, 2017; 31,254,716 and 19,503,558 shares issued and outstanding as of March 31, 2018 and December 31, 2017, respectively | 3                               | 2                                  |
| Additional paid-in capital  | 137,032                         | 102,979                            |
| Accumulated deficit   | <u>(118,073)</u>                | <u>(105,581)</u>                   |
| Total stockholders' equity (deficit)  | <u>18,962</u>                   | <u>(2,600)</u>                     |
| Total liabilities and stockholders' equity (deficit)  | <u>\$ 56,636</u>                | <u>\$ 36,079</u>                   |

(1) The condensed consolidated balance sheet as of December 31, 2017 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>March 31,</b>          |                   |
|   | <b>2018</b>               | <b>2017</b>       |
| Revenue   | \$ 3,699                  | \$ 3,041          |
| Cost of revenue   | 2,352                     | 1,619             |
| Gross profit  | <u>1,347</u>              | <u>1,422</u>      |
| <b>Operating expenses:</b>  |                           |                   |
| Research and development  | 3,756                     | 2,388             |
| Selling, general and administrative   | 8,931                     | 5,450             |
| Total operating expenses  | <u>12,687</u>             | <u>7,838</u>      |
| Loss from operations  | (11,340)                  | (6,416)           |
| Interest expense, net   | (1,070)                   | (263)             |
| Other expense, net  | (10)                      | (16)              |
| Net loss from consolidated companies  | <u>(12,420)</u>           | <u>(6,695)</u>    |
| Loss from minority interest in limited liability company                    | (249)                     | -                 |
| Comprehensive and net loss  | <u>\$ (12,669)</u>        | <u>\$ (6,695)</u> |
| <b>Net loss per share:</b>  |                           |                   |
| Basic and diluted   | <u>\$ (0.49)</u>          | <u>\$ (0.57)</u>  |
| <b>Weighted average shares used in computing net loss per common share:</b> |                           |                   |
| Basic and diluted   | <u>25,846,724</u>         | <u>11,663,765</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>Three Months Ended</b> |                  |
|--|---------------------------|------------------|
|  | <b>March 31,</b>          |                  |
|  | <b>2018</b>               | <b>2017</b>      |
| <b>Cash flows from operating activities:</b>                                       |                           |                  |
| Net loss   | \$ (12,669)               | \$ (6,695)       |
| <b>Adjustments to reconcile net loss to net cash used in operating activities:</b> |                           |                  |
| Provision for doubtful accounts  | 42                        | -                |
| Depreciation and amortization  | 150                       | 107              |
| Stock-based compensation   | 753                       | 372              |
| Non-cash interest expense  | 386                       | 35               |
| Loss from minority interest in limited liability company                           | 249                       | -                |
| <b>Changes in assets and liabilities:</b>  |                           |                  |
| Accounts receivable  | (828)                     | (1,929)          |
| Inventory  | (1,497)                   | 40               |
| Prepaid expenses and other current assets  | (561)                     | (174)            |
| Other noncurrent assets  | (2)                       | (16)             |
| Accounts payable   | (934)                     | 273              |
| Accrued and other liabilities  | (366)                     | (99)             |
| Other noncurrent liabilities   | 86                        | 37               |
| Net cash used in operating activities  | <u>(15,191)</u>           | <u>(8,049)</u>   |
| <b>Cash flows from investing activities:</b>                                       |                           |                  |
| Purchase of property and equipment   | (462)                     | (151)            |
| Net cash used in investing activities  | <u>(462)</u>              | <u>(151)</u>     |
| <b>Cash flows from financing activities:</b>                                       |                           |                  |
| Proceeds from sale of common stock, net of issuance costs                          | 33,236                    | 31,503           |
| Proceeds from issuance of common shares from employee stock purchase plan          | 65                        | -                |
| Net cash provided by financing activities  | <u>33,301</u>             | <u>31,503</u>    |
| Net increase in cash and cash equivalents  | 17,648                    | 23,303           |
| Cash and cash equivalents - beginning of period                                    | 20,730                    | 8,086            |
| Cash and cash equivalents - end of period  | <u>\$ 38,378</u>          | <u>\$ 31,389</u> |
| <b>Supplemental disclosure:</b>  |                           |                  |
| Cash paid for interest   | \$ 653                    | \$ 194           |
| Cash paid for income taxes   | \$ -                      | \$ -             |
| <b>Supplemental disclosure of cash flow information as of end of period:</b>       |                           |                  |
| Issuance of note payable in settlement of accrued interest                         | \$ 305                    | \$ -             |
| Net transfer of equipment between inventory and property and equipment             | \$ 59                     | \$ 264           |

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 the Viveve System and its Geneveve™ treatment as a way to improve the overall sexual well-being and quality of life of women suffering from vaginal laxity, depending on the relevant country-specific clearance or approval.

***Public Offerings***

On February 12, 2018, in connection with the closing of a public offering (the “February 2018 Offering”), the Company issued an aggregate of 11,500,000 shares of common stock, including the shares issued in connection with the exercise of the underwriters’ overallotment option, at a public offering price of \$3.00 per share for gross proceeds of approximately \$34,500,000. The net proceeds to the Company, after deducting underwriting discounts and commissions and other offering expenses, were approximately \$32,225,000.

The Company established an “at-the-market” equity offering program through the filing of a prospectus supplement to its shelf registration statement on Form S-3, which was filed on November 8, 2017, under which the Company may offer and sell, from time-to-time, up to \$25,000,000 aggregate offering price of shares of its common stock (the “November 2017 ATM Facility”). During the quarter ended March 31, 2018, the Company sold 208,277 shares of common stock under the November 2017 ATM Facility for net proceeds of approximately \$1,011,000. As of March 31, 2018, the Company has sold 267,526 shares of common stock under the November 2017 ATM Facility for net proceeds of approximately \$1,136,000.

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.

***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, 2017, which was filed with the Securities and Exchange Commission on March 16, 2018. The results of operations for the three months ended March 31, 2018 are not necessarily indicative of the results for the year ending December 31, 2018 or any future interim period.

**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.

### **Changes in Accounting Policies**

Except for the changes for the adoption of the new revenue recognition accounting standard, the Company has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

### **Adoption of New Accounting Standard**

On January 1, 2018, the Company adopted Revenue from Contracts with Customers (Topic 606), which created Accounting Standards Codification Topic 606 (“ASC 606”), using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Accounting Standards Codification Topic 605 (“ASC 605”).

Previously under ASC 605, revenue from extended assurance warranties was deferred and recognized over the period of the warranty. Under ASC 606, these warranties are not considered a separate performance obligation. Accordingly, on the transition date, the Company recorded a net cumulative adjustment in accumulated deficit of \$177,000, resulting from the release of \$195,000 for the amount of extended warranties previously recorded in noncurrent liabilities, offset by \$18,000 recorded in accrued liabilities for future costs associated with the assurance-type extended warranties.

The details for the impact of the adoption of ASC 606 are provided below:

|                                    | <b>Balance as of<br/>December 31,<br/>2017</b> | <b>Adjustment<br/>Due to<br/>Adoption of<br/>ASC 606</b> | <b>Balance as of<br/>January 1,<br/>2018</b> |
|------------------------------------|--|--|--|
| <b>Consolidated Balance Sheet:</b> |  |  |  |
| <b>Liabilities</b>                 |  |  |  |
| Accrued liabilities                | \$ 4,605                                       | \$ 18 <sup>(1)</sup>                                     | \$ 4,623                                     |
| Other noncurrent liabilities       | \$ 327   | \$ (195) <sup>(2)</sup>                                  | \$ 132                                       |
| <b>Equity</b>                      |  |  |  |
| Accumulated deficit                | \$ (105,581)                                   | \$ 177 <sup>(3)</sup>                                    | \$ (105,404)                                 |

(1) Change relates to future costs associated with extended warranties required to be recorded on adoption of ASC 606.

(2) Change relates to long-term deferred revenue related to the extended warranties not required to be recorded under ASC 606.

(3) Change relates to cumulative effect adjustment upon adoption of ASC 606.

### **Cash and Cash Equivalents**

The Company considers all highly liquid investments purchased with an original maturity of three months or less, at the time of purchase, to be cash equivalents. The Company’s cash and cash equivalents are deposited in demand accounts primarily at one financial institution. Deposits in this institution may, from time to time, exceed the federally insured amounts.

### **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 approvals 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, for vaginal rejuvenation, and for use in general surgical procedures for electrocoagulation and hemostasis, depending on the relevant country-specific clearance or approval, that it refers to as the Viveve System. The Viveve System consists of three main components: a RF, or radio frequency, generator housed in a table-top console, a reusable handpiece and a single-use treatment tip. Included with the system are single-use accessories (e.g. RF return pad, coupling fluid), as well as a foot pedal and a cryogen canister that can be used for approximately four to five procedures. 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 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 North America., the Company sells its products primarily through a direct sales force to health care practitioners. Outside North America, the Company sells through an extensive network of distribution partners. During the three months ended March 31, 2018, two distributors together accounted for 54% of the Company's revenue. During the three months ended March 31, 2017, two distributors together accounted for 33% of the Company's revenue.

There were no direct sales customers that accounted for more than 10% of the Company's revenue during the three months ended March 31, 2018 and 2017.

As of March 31, 2018, three distributors, collectively, accounted for 76% of total accounts receivable, net. As of December 31, 2017, two distributors, collectively, accounted for 57% of total accounts receivable, net.

#### ***Accounts Receivable and Allowance for Doubtful Accounts***

Accounts receivable are recorded at the invoiced amount and are not interest bearing. Our typical payment terms vary by region and type of customer (distributor or physician). Occasionally, payment terms of up to six months may be granted to customers with an established history of collections without concessions. Should we grant payment terms greater than six months or terms that are not in accordance with established history for similar arrangements, revenue would be recognized as payments become due and payable assuming all other criteria for revenue recognition have been met. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company makes ongoing assumptions relating to the collectibility of its accounts receivable in its calculation of the allowance for doubtful accounts. In determining the amount of the allowance, the Company makes judgments about the creditworthiness of customers based on ongoing credit evaluations and assesses current economic trends affecting its customers that might impact the level of credit losses in the future and result in different rates of bad debts than previously seen. The Company also considers its historical level of credit losses. The allowance for doubtful accounts was \$263,000 as of March 31, 2018 and \$221,000 as of December 31, 2017.

#### ***Revenue Recognition***

Revenue consists primarily of the sale of the Viveve System, single-use treatment tips and ancillary consumables. The Company applies the following five steps: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied. The Company considers customer purchase orders to be the contracts with a customer. Revenues, net of expected discounts, are recognized when the performance obligations of the contract with the customer are satisfied and when control of the promised goods are transferred to the customer, typically when products, which have been determined to be the only distinct performance obligations, are shipped to the customer. Expected costs of assurance warranties and claims are recognized as expense. Revenue is recognized net of any sales taxes from the sale of the products.

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.

### *Contract Assets and Liabilities*

The Company continually evaluates whether the revenue generating activities and advanced payment arrangements with customers result in the recognition of contract assets or liabilities. No such assets or liabilities existed as of March 31, 2018 or December 31, 2017. Separately, accounts receivable, net, represents receivables from contracts with customers.

### *Significant Financing Component*

The Company applies the practical expedient to not make any adjustment for a significant financing component if, at contract inception, the Company does not expect the period between customer payment and transfer of control of the promised goods or services to the customer to exceed one year. During the three months ended March 31, 2018, the Company did not have any contracts for the sale of its products with its customers with a significant financing component.

### *Contract Costs*

The Company has elected the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less. During the three months ended March 31, 2018, the Company expensed the incremental costs of obtaining the contract as an expense when incurred as the amortization period was one year or less.

### *Shipping and Handling*

Shipping costs billed to customers are recorded as revenue. Shipping and handling expense related to costs incurred to deliver product are recognized within cost of goods sold. The Company accounts for shipping and handling activities that occur after control has transferred as a fulfillment cost as opposed to a separate performance obligation, and the costs of shipping and handling are recognized concurrently with the related revenue.

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on our consolidated statement of operations for the three months ended March 31, 2018 and consolidated balance sheet as of March 31, 2018 was as follows (in thousands):

|  | <b>For the Three Months Ended March 31, 2018</b> |   |  |
|--|--|---|--|
|  | <b>As Reported</b>                               | <b>Balances Without Adoption of ASC 606</b> | <b>Effect of Change Higher/(Lower)</b> |
| <b>Consolidated Statement of Operations:</b> |  |   |  |
| Revenue                                      | \$ 3,699   | \$ 3,489                                    | \$ 210 <sup>(1)</sup>                  |
| Cost of revenue                              | \$ 2,352   | \$ 2,343                                    | \$ 9 <sup>(2)</sup>                    |
| Gross profit                                 | \$ 1,347   | \$ 1,146                                    | \$ 201 <sup>(3)</sup>                  |
| Loss from operations                         | \$ (11,340)                                      | \$ (11,541)                                 | \$ 201 <sup>(3)</sup>                  |
| Comprehensive and net loss                   | \$ (12,669)                                      | \$ (12,870)                                 | \$ 201 <sup>(3)</sup>                  |
| Net loss per share:                          |  |   |  |
| Basic and diluted                            | \$ (0.49)  | \$ (0.50)                                   | \$ 0.01 <sup>(3)</sup>                 |

(1) Change relates to revenue from extended assurance warranties for which no deferral is required on the adoption of ASC 606.

(2) Change relates to the future costs associated with extended assurance warranties required to be recorded on the adoption of ASC 606.

(3) Change relates to the net gain adjustment on the adoption of ASC 606.

**As of March 31, 2018**

| <b>As Reported</b>                 | <b>Balances<br/>Without<br/>Adoption of<br/>ASC 606</b> | <b>Effect of<br/>Change<br/>Higher/(Lower)</b> |
|------------------------------------|---|--|
| <b>Consolidated Balance Sheet:</b> |   |  |
| <b>Liabilities</b>                 |   |  |
| Accrued liabilities                | \$ 4,257  | \$ 4,255 \$ (2) <sup>(1)</sup>                 |
| Other noncurrent liabilities       | \$ 218  | \$ 598 \$ 380 <sup>(2)</sup>                   |
| <b>Equity</b>                      |   |  |
| Accumulated deficit                | \$ (118,073)  | \$ (118,451) \$ (378) <sup>(3)</sup>           |

- (1) Change relates to future costs associated with extended warranties required to be recorded on the adoption of ASC 606, partially offset by the current portion of deferred revenue in connection with the extended warranties not required to be recorded under ASC 606.
- (2) Change relates to noncurrent portion of deferred revenue in connection with the extended warranties not required to be recorded under ASC 606.
- (3) Change relates to \$177,000 cumulative effect adjustment on the adoption of ASC 606 and the net gain adjustment of \$201,000 for the three months ended March 31, 2018.

*Revenue by Geographic Area:*

Management has determined that the sales by geography is a key indicator for understanding the Company's financials because of the different sales and business models that are required in the various regions of the world (including regulatory, selling channels, pricing, customers and marketing efforts).

The following table presents the revenue from unaffiliated customers disaggregated by geographic area (in thousands):

|                        | <b>Three Months Ended<br/>March 31,</b> |                 |
|------------------------|---|-----------------|
|                        | <b>2018</b>                             | <b>2017</b>     |
| North America          | \$ 2,606                                | \$ 1,895        |
| Asia Pacific           | 891                                     | 743             |
| Europe and Middle East | 202                                     | 113             |
| Latin America          | -                                       | 290             |
| <b>Total</b>           | <b>\$ 3,699</b>                         | <b>\$ 3,041</b> |

The Company determines geographic location of its revenue based upon the destination of the shipments of its 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. We utilize a three-month lag in reporting equity income from our investments, adjusted for known amounts and events, when the investee's financial information is not available timely or when the investee's reporting period differs from our reporting period.

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 months ended March 31, 2018, no impairment charges have been recorded.

***Product Warranty***

The Company's products are generally subject to warranties between one and three years, 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.

### ***Accounting for Stock-Based Compensation***

Share-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as expense over the employee's service period. The Company recognizes compensation expense on a straight-line basis over the requisite service period of the award.

We determined that the Black-Scholes option pricing model is the most appropriate method for determining the estimated fair value for stock options and purchase rights under the employee stock purchase plan. The Black-Scholes option pricing model requires the use of highly subjective and complex assumptions which determine the fair value of share-based awards, including the option's expected term and the price volatility of the underlying stock.

Equity instruments issued to nonemployees are recorded at their fair value on the measurement date and are subject to periodic adjustment as the underlying equity instruments vest.

### ***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 months ended March 31, 2018 and 2017, 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>Three Months Ended</b> |             |
|--|---------------------------|-------------|
|  | <b>March 31,</b>          |             |
|  | <b>2018</b>               | <b>2017</b> |
| Stock options to purchase common stock | 3,690,902                 | 2,134,214   |
| Warrants to purchase common stock      | 642,622                   | 425,274     |
| Restricted common stock awards         | 22,500                    | 12,500      |

### ***Reclassification of Prior Year Presentation***

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations. The Company has revised the classification in the consolidated statements of cash flows to report other noncurrent liabilities as a separate line item for the three months ended March 31, 2018. This resulted in an increase in the change amount previously reported for accrued and other liabilities of \$37,000 for the three months ended March 31, 2017.

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

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 adopted this guidance as of January 1, 2018 and the adoption of the guidance did not have a significant impact on the condensed consolidated financial statements.



In August 2016, the FASB issued ASU No. 2016-18, “Statement of Cash Flows, Restricted Cash (Topic 230)”. This guidance requires that a statement of cash flows explain the total change during the period of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period to total amounts shown on the statement of 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 adopted this guidance as of January 1, 2018 and the adoption of the guidance did not have a significant impact on the condensed consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, “Compensation - Stock Compensation (Topic 718), Scope of Modification Accounting”. This pronouncement provides guidance about which changes to the terms or conditions of a share-based payment award may require an entity to apply modification accounting under Topic 718. 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 adopted this guidance as of January 1, 2018 and the adoption of the guidance did not have a significant impact on the 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 March 31, 2018 and December 31, 2017.

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 March 31, 2018 and December 31, 2017 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.

There were no changes in valuation techniques from prior periods.

#### 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. As of March 31, 2018, the Company has purchased approximately 2,100 units of ICM products. The Company paid ICM approximately \$80,000 for product related costs during the three months ended March 31, 2018.

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. As of March 31, 2018, the Company owns approximately 11% ownership interest in ICM. The Company recognizes its allocated portion of ICM’s results of operations on a three-month lag due to the timing of financial information. For the three months ended March 31, 2018, the allocated net loss from ICM’s operations was \$249,000.

#### 5. Accrued Liabilities

Accrued liabilities consisted of the following as of March 31, 2018 and December 31, 2017 (in thousands):

|  | <u>March 31,<br/>2018</u> | <u>December 31,<br/>2017</u> |
|--|---------------------------|------------------------------|
| Accrued professional fees                  | \$ 1,046                  | \$ 562                       |
| Accrued sales commission                   | 973                       | 1,067                        |
| Accrued interest                           | 651                       | 447                          |
| Accrued payroll and other related expenses | 507                       | 488                          |
| Accrued bonuses                            | 397                       | 1,597                        |
| Travel and entertainment                   | 223                       | 156                          |
| Other accruals                             | 460                       | 288                          |
| Total accrued liabilities                  | <u>\$ 4,257</u>           | <u>\$ 4,605</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 credit facility consists of \$20,000,000 drawn at closing and access to additional funding of up to an aggregate of \$10,000,000 for a total of \$30,000,000 available under the credit facility. On December 29, 2017, the Company accessed the remaining \$10,000,000 available under the credit facility.

A portion of the initial loan proceeds were used to repay all of the amounts owed by the Company under its 2016 Loan Agreement with WAB. The remainder of the 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 12.5%, 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 three months ended March 31, 2018, the Company paid interest in-kind of \$305,000 which was added to the total outstanding principal loan amount as of March 31, 2018. The Company is also required to pay CRG a final payment fee upon repayment of the loans in full equal to 5.0% 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 March 31, 2018, interest accrued related to the final payment fee in the amount of \$218,000 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 March 31, 2018, 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 March 31, 2018, future minimum payments under the note payable are as follows (in thousands):

| <b>Year Ending December 31,</b>    |           |
|------------------------------------|-----------|
| 2018 (remaining nine months)       | \$ 2,020  |
| 2019                               | 2,778     |
| 2020                               | 2,901     |
| 2021                               | 16,672    |
| 2022                               | 19,306    |
| Thereafter                         | 6,221     |
| Total payments                     | 49,898    |
| Less: Amount representing interest | (19,098)  |
| Present value of obligations       | 30,800    |
| Less: Unamortized debt discount    | (1,466)   |
| Note payable, noncurrent portion   | \$ 29,334 |

## 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, commenced in March 2012 and terminated in April 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 March 31, 2018 and 2017 was \$138,000 and \$73,000, respectively.

As of March 31, 2018, future minimum payments under the leases are as follows (in thousands):

| <b>Year Ending December 31,</b> |               |
|---------------------------------|---------------|
| 2018 (remaining nine months)    | \$ 221        |
| 2019                            | 264           |
| 2020                            | 112           |
| Total minimum lease payments    | <u>\$ 597</u> |

### ***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.

### ***Legal Proceedings***

On March 11, 2016, the Company filed a demand for Arbitration with the American Arbitration Association ("AAA") against a former employee asserting common law and statutory negligence claims against the former employee arising from the former employee's negligent performance of certain work duties. The demand seeks damages for lost profits, along with attorney's fees, interest, and costs. The former employee filed a counterclaim in the proceeding, alleging discrimination, retaliation, wrongful termination, and various claims for alleged wage and hour violations under the California Labor Code, stemming from the cessation of her employment with the Company. The former employee seeks damages for lost wages, punitive damages, statutory penalties, injunctive relief, and attorney's fees, interest and costs.

On October 20, 2017, ThermiGen and ThermiAesthetics filed two petitions for *inter partes* review (IPR) of the '511 patent at the U.S. Patent Trial and Appeal Board (PTAB). The IPR petitions challenge the validity of the '511 patent claims as allegedly anticipated and obvious in view of prior patents and publications. On May 8, 2018, the PTAB instituted review on both grounds of the first petition and one of the two grounds in the second petition.

## 8. Common Stock

On February 12, 2018, in connection with the closing of the February 2018 Offering, the Company issued an aggregate of 11,500,000 shares of common stock, including the shares issued in connection with the exercise of the underwriters' overallotment option, at a public offering price of \$3.00 per share for gross proceeds of approximately \$34,500,000. The net proceeds to the Company, after deducting underwriting discounts and commissions and other offering expenses, were approximately \$32,225,000.

Through the November 2017 ATM Facility, the Company may offer and sell, from time-to-time, up to \$25,000,000 aggregate offering price of shares of its common stock. During the quarter ended March 31, 2018, the Company sold 208,277 shares of common stock under the November 2017 ATM Facility for net proceeds of approximately \$1,012,000. As of March 31, 2018, the Company has sold 267,526 shares of common stock under the November 2017 ATM Facility for net proceeds of approximately \$1,136,000.

### *Warrants for Common Stock*

As of March 31, 2018, outstanding warrants to purchase shares of common stock were as follows:

| <u>Issuance Date</u> | <u>Exercisable<br/>for</u> | <u>Expiration<br/>Date</u> | <u>Exercise<br/>Price</u> | <u>Number of<br/>Shares<br/>Outstanding<br/>Under<br/>Warrants</u> |
|----------------------|----------------------------|----------------------------|---------------------------|--|
| 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 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 new term loan in connection with the 2017 Loan Agreement and the remaining unamortized balance of debt issuance costs was recorded to interest expense for the quarter ended June 30, 2017. During the three months ended March 31, 2017, the Company recorded \$35,000, of interest expense relating to the debt issuance costs.

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 are amortized to interest expense over the loan term. During the three months ended March 31, 2018, the Company recorded \$77,000 of interest expense relating to the debt issuance costs using the effective interest method. As of March 31, 2018, the unamortized debt discount was \$1,466,000.

No shares issuable pursuant to warrants have been exercised during the three months ended March 31, 2018 and 2017.

No shares issuable pursuant to warrants have been cancelled during the three months ended March 31, 2018 and 2017.

The stock-based compensation expense related to warrants issued was zero for both the three months ended March 31, 2018 and 2017.

## 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 two employee benefit plans. The plans include 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”).

As of March 31, 2018, there are 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 4.63 years.

On December 6, 2017, the board of directors approved the 2018 evergreen provision increasing the total stock reserved for issuance under the 2013 Plan by 914,016 shares from 4,000,000 shares to a total of 4,914,016 shares, which was effective January 1, 2018.

As of March 31, 2018, there are outstanding stock option awards issued from the 2013 Plan covering a total of 3,652,524 shares of the Company’s common stock and there remain reserved for future awards 1,069,228 shares of the Company’s common stock. The weighted average exercise price of the outstanding stock options is \$5.28 per share, and the remaining contractual term is 8.67 years.

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

|  | <b>Three Months Ended March 31, 2018</b> |  |  |  |
|--|--|--|--|--|
|  | <b>Number<br/>of<br/>Shares</b>          | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> | <b>Weighted<br/>Average<br/>Remaining<br/>Contractual<br/>Term (years)</b> | <b>Aggregate<br/>Intrinsic<br/>Value</b> |
| Options outstanding, beginning of period                   | 2,694,224                                | \$ 5.80  | 8.58   | \$ 249,154                               |
| Options granted  | 1,253,559                                | \$ 4.40  |  |  |
| Options exercised  | -  | \$ -   |  |  |
| Options canceled   | (256,881)                                | \$ 5.66  |  |  |
| Options outstanding, end of period                         | <u>3,690,902</u>                         | \$ 5.34  | 8.63   | \$ 12,750                                |
| Vested and exercisable and expected to vest, end of period | 3,445,833                                | \$ 5.36  | 8.57   | \$ 12,628                                |
| Vested and exercisable, end of period                      | 1,006,199                                | \$ 5.74  | 6.96   | \$ 9,297                                 |

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 March 31, 2018.

The options outstanding and exercisable as of March 31, 2018 are as follows:

| Range of Exercise Prices | Options Outstanding                     |                                 |   | Options Exercisable                     |                                 |
|--------------------------|---|---------------------------------|---|---|---------------------------------|
|                          | Number Outstanding as of March 31, 2018 | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (Years) | Number Exercisable as of March 31, 2018 | Weighted Average Exercise Price |
| \$2.64                   | 12,500                                  | \$ 2.64                         | 7.12  | 9,115                                   | \$ 2.64                         |
| \$3.66 - \$3.82          | 171,876                                 | \$ 3.79                         | 8.77  | 51,551                                  | \$ 3.76                         |
| \$4.30 - \$4.97          | 1,549,550                               | \$ 4.52                         | 9.22  | 270,103                                 | \$ 4.68                         |
| \$5.01 - \$5.67          | 912,800                                 | \$ 5.36                         | 8.93  | 178,340                                 | \$ 5.22                         |
| \$6.00 - \$6.61          | 619,062                                 | \$ 6.06                         | 7.21  | 345,227                                 | \$ 6.03                         |
| \$7.00 - \$7.92          | 386,736                                 | \$ 7.64                         | 8.19  | 113,485                                 | \$ 7.71                         |
| \$9.92                   | 38,135                                  | \$ 9.92                         | 4.65  | 38,135                                  | \$ 9.92                         |
| \$59.60 - \$149.04       | 243                                     | \$ 100.46                       | 2.72  | 243                                     | \$ 100.46                       |
|                          | <u>3,690,902</u>                        | \$ 5.34                         | 8.63  | <u>1,006,199</u>                        | \$ 5.74                         |

### **Restricted Stock Awards**

In January 2018, the Company granted restricted stock awards (“RSAs”) for 9,637 shares of common stock under the 2013 Plan to board members as director compensation with a weighted average grant date fair value of \$5.19 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 9,637 shares of common stock were issued.

In January 2018, the Company granted an RSA for 25,000 shares to a consultant with a weighted average grant date fair value of \$5.19 per share, based on the market price of the Company’s common stock on the award date. The RSA vests over one year beginning as of the award date. As of March 31, 2018, 12,500 shares were vested and issued.

There are 22,500 shares of unvested RSAs as of March 31, 2018.

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

The second offering period under the Company’s 2017 Employee Stock Purchase Plan (the “2017 ESPP”) began on January 1, 2018 and ended on March 31, 2018, and 20,744 shares were issued on March 29, 2018 at a purchase price of \$3.11. As of March 31, 2018, the remaining shares available for issuance under the 2017 ESPP were 361,362 shares.

The Company estimates the fair value of purchase rights under the ESPP using a Black-Scholes valuation model. The fair value of each purchase right was estimated on the date of grant using the Black-Scholes option valuation model and the straight-line attribution approach with the following weighted-average assumptions:

|                          | <b>Three Months Ended March 31, 2018</b> |
|--------------------------|--|
| Expected term (in years) | 0.25                                     |
| Average volatility       | 59%                                      |
| Risk-free interest rate  | 1.39%                                    |
| Dividend yield           | 0%                                       |

The weighted average grant date fair value of the purchase rights issued under the 2017 ESPP during the three months ended March 31, 2018 was \$1.30 per share.

### **Stock-Based Compensation**

During the three months ended March 31, 2018 and 2017, the Company granted stock options to employees to purchase 1,251,171 and 229,860 shares of common stock with a weighted average grant date fair value of \$2.77 and \$1.96 per share, respectively. There were no stock options exercised during the three months ended March 31, 2018 and 2017.

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:

|                          | <b>Three Months Ended</b> |             |
|--------------------------|---------------------------|-------------|
|                          | <b>March 31,</b>          |             |
|                          | <b>2018</b>               | <b>2017</b> |
| Expected term (in years) | 5                         | 5           |
| Average volatility       | 76%                       | 48%         |
| Risk-free interest rate  | 2.48%                     | 2.02%       |
| Dividend yield           | 0%                        | 0%          |

During the three ended March 31, 2018, the Company granted stock options to nonemployees to purchase 2,388 shares of common stock with a weighted average grant date fair value of \$2.98. During the three months ended March 31, 2017, there were no stock options granted to nonemployees. There were no stock options exercised by nonemployees during the three months ended March 31, 2018 and 2017.

The fair value of nonemployee stock options granted was estimated using the following weighted average assumptions:

|                          | <b>Three Months</b>   |  |
|--------------------------|-----------------------|--|
|                          | <b>Ended</b>          |  |
|                          | <b>March 31, 2018</b> |  |
| Expected term (in years) | 9.81                  |  |
| Average volatility       | 77%                   |  |
| Risk-free interest rate  | 2.73%                 |  |
| Dividend yield           | 0%                    |  |

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 the 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 months ended March 31, 2018 and 2017 (in thousands):

|                                     | <b>Three Months Ended</b> |               |
|-------------------------------------|---------------------------|---------------|
|                                     | <b>March 31,</b>          |               |
|                                     | <b>2018</b>               | <b>2017</b>   |
| Cost of revenue                     | \$ 11                     | \$ 3          |
| Research and development            | 122                       | 51            |
| Selling, general and administrative | 620                       | 318           |
| Total                               | <u>\$ 753</u>             | <u>\$ 372</u> |

As of March 31, 2018, the total unrecognized compensation cost in connection with unvested stock options was approximately \$6,391,000. These costs are expected to be recognized over a period of approximately 3.16 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 months ended March 31, 2018 and 2017. The Company expects that its effective tax rate for the full year 2018 will be 0%.

On December 22, 2017, the United States enacted a law commonly known as the Tax Cuts and Jobs Act ("TCJA") which makes widespread changes to the Internal Revenue Code, including a reduction in the federal corporate tax rate to 21%, and repatriation of accumulated foreign accumulated earnings and profits, effective January 1, 2018.

## **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 March 31, 2018, the Company has purchased 601 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 \$3,273,000 and \$2,025,000 for goods and services during the three months ended March 31, 2018 and 2017, respectively. The amounts due to Stellartech for accounts payable as of March 31, 2018 and December 31, 2017 were \$1,129,000 and \$938,000, 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. As of March 31, 2018, the Company has purchased 2,100 units. Under the Agreement, the Company paid ICM \$80,000 during the three months ended March 31, 2018. The amounts due to ICM for the accounts payable as of March 31, 2018 and December 31, 2017 were \$26,000 and \$28,000 respectively.

## 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, 2017, as filed with the Securities and Exchange Commission on March 16, 2018. 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 platform medical technology, which we refer to as *Cryogen-cooled Monopolar Radiofrequency*, or CMRF. Our proprietary CMRF technology is delivered through a radiofrequency generator, handpiece and treatment tip that, collectively, we refer to as the Viveve® System. The Viveve System is currently used for a number of indications, depending on the relevant country-specific clearance or approval, in a procedure we refer to as the Geneveve treatment. Currently, Viveve System is cleared for marketing in 64 countries throughout the world under the following indications for use:

| Indication for Use:  | No. of Countries:      |
|--|------------------------|
| General Surgical procedures for electrocoagulation and hemostasis                            | 4 (including the U.S.) |
| For treatment of vaginal laxity  | 41                     |
| For treatment of the vaginal introitus, after vaginal childbirth, to improve sexual function | 18                     |
| For vaginal rejuvenation   | 1                      |

In the U.S., the Viveve System is indicated for use in general surgical procedures for electrocoagulation 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 March 31, 2018, we have sold 497 Viveve Systems and approximately 20,250 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, bank term loans and loans from related parties 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 for all indications and whether there will be a demand for the Geneveve treatment, 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, including in 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, bank term loans and loans from related parties. 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

#### *Effective Shelf Registration Statements*

In October 2016, we filed a universal shelf registration statement with the SEC on Form S-3 for the proposed offering from time to time of up to \$50,000,000 of our securities, including common stock, preferred stock, and/or warrants (the “2016 Shelf Registration Statement”). The 2016 Shelf Registration Statement currently has a capacity of \$15,500,000. In November 2017, we filed a universal shelf registration statement with the SEC on Form S-3 for the proposed offering from time to time of up to \$50,000,000 of our securities, including common stock, preferred stock, and/or warrants (the “2017 Shelf Registration Statement”). The 2017 Shelf Registration Statement currently has a capacity of \$25,000,000.

### ***“At-the-Market” Offering***

The Company established, through the filing of a prospectus supplement to its shelf registration statement on Form S-3 (filed November 8, 2017), an “at-the-market” equity offering program under which the Company may offer and sell, from time to time, up to \$25,000,000 aggregate offering price of shares of its common stock (the “November 2017 ATM Facility”). During the quarter ended March 31, 2018, the Company sold 208,277 shares of common stock under the November 2017 ATM Facility for net proceeds of approximately \$1,011,000. As of March 31, 2018, the Company has sold 267,526 shares of common stock under the November 2017 ATM Facility for net proceeds of approximately \$1,136,000. Based on the closing price of \$3.66 as of March 29, 2018, approximately 6,458,792 remaining shares may be issued under the “at-the-market” equity offering program.

### ***February 2018 Offering***

In connection with the closing of the February 2018 Offering, the Company issued an aggregate of 11,500,000 shares of common stock, including the shares issued in connection with the exercise of the underwriters’ overallotment option, at a public offering price of \$3.00 per share for gross proceeds of approximately \$34,500,000. The net proceeds to the Company, after deducting underwriting discounts and commissions and other offering expenses, were approximately \$32,225,000.

### ***Adoption of New Accounting Standard***

On January 1, 2018, the Company adopted Revenue from Contracts with Customers (Topic 606), which created Accounting Standards Codification Topic 606 (“ASC 606”), using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC 605.

Under ASC 605, revenue from extended assurance warranties was deferred and recognized over the period of the warranty. On the adoption of ASC 606, these warranties are not considered a separate performance obligation. Accordingly, on the transition date, the Company recorded a net adjustment in retained earnings of \$177,000, resulting from the reclassification of \$195,000 for the amount of extended warranties previously recorded in noncurrent liabilities, offset by \$18,000 recorded in accrued liabilities for future costs associated with the assurance-type extended warranties.

### ***FDA Approval of IDE to Conduct VIVEVE II Clinical Study***

In March 2018, the Company received approval of its Investigational Device Exemption (IDE) application from the U.S. Food and Drug Administration (FDA). The approval allows us to conduct the **V**iveve Treatment of the **V**aginal Introitus to **E**valuate Safety and Efficacy (VIVEVE II) clinical trial to assess the safety and effectiveness of the Viveve® System for the improvement of sexual function in women following vaginal childbirth. The VIVEVE II clinical study is a randomized, double-blinded, and sham-controlled trial with a planned enrollment of approximately 250 patients at up to 25 study sites in the United States and Canada. Subjects will be randomized in a 1:1 ratio for active and sham treatments.

A staged approach, or roll-in, for clinical enrollment has been required by the FDA in its IDE approval letter to the company. In the first stage, enrollment is limited to 50 subjects. The roll-in will require safety review by the FDA of a minimum of 25 subjects, one-month post-treatment. Following the roll-in, an IDE Supplement will be submitted to the agency to expand the study up to its intended 250 patients. While the safety data from the initial 25 patients are being reviewed by the FDA, Viveve will continue to enroll up to an additional 25 patients (total of 50 patients enrolled).

The primary efficacy endpoint is intended to be the mean change from baseline in the total FSFI (Female Sexual Function Index) score at 12 months, following the submission of an IDE supplement. Patients will also be assessed for safety over the 12 months. The approved protocol also includes a variety of secondary and exploratory endpoints, including various endpoints measured at 6 months post-treatment. The VIVEVE II study has begun in the second quarter of 2018, pending Institutional Review Board approvals at the selected clinical sites.

### ***Plan of Operation***

We intend to increase our sales both internationally and in the U.S. market by seeking additional 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 treatment 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, will be sufficient to fund our activities for at least the next twelve months; however, we may require additional capital from the sale of equity or debt securities 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, and 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 and 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 capital 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 March 31, 2018 and 2017*

### Revenue

|         | Three Months Ended<br>March 31,    |          | Change |     |
|---------|------------------------------------|----------|--------|-----|
|         | 2018                               | 2017     | \$     | %   |
|         | (in thousands, except percentages) |          |        |     |
| Revenue | \$ 3,699                           | \$ 3,041 | \$ 658 | 22% |

We recorded revenue of \$3,699,000 for the three months ended March 31, 2018, compared to revenue of \$3,041,000 for the three months ended March 31, 2017, an increase of \$658,000, or approximately 22%. The increase in revenue was primarily due to sales of 53 Viveve Systems (which included 38 Viveve Systems sold in the U.S. market through direct sales), and higher quantities of disposable treatment tips and other ancillary consumables in the first quarter of 2018. Sales in the first quarter of 2017 included 42 Viveve Systems (which included 29 Viveve Systems sold in the U.S. market through direct sales) and smaller quantities of disposable treatment tips and other ancillary consumables.

### Gross profit

|              | Three Months Ended<br>March 31,    |          | Change  |      |
|--------------|------------------------------------|----------|---------|------|
|              | 2018                               | 2017     | \$      | %    |
|              | (in thousands, except percentages) |          |         |      |
| Gross profit | \$ 1,347                           | \$ 1,422 | \$ (75) | (5)% |

Gross profit was \$1,347,000, or 36% of revenue, for the three months ended March 31, 2018, compared to a gross profit of \$1,422,000, or 47% of revenue, for the three months ended March 31, 2017, a decrease of \$75,000, or approximately 5%. The slight decrease in gross profit was primarily due to the product mix between Viveve systems and disposable treatment tips.

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

|                          | Three Months Ended<br>March 31,    |          | Change   |     |
|--------------------------|------------------------------------|----------|----------|-----|
|                          | 2018                               | 2017     | \$       | %   |
|                          | (in thousands, except percentages) |          |          |     |
| Research and development | \$ 3,756                           | \$ 2,388 | \$ 1,368 | 57% |

Research and development expenses totaled \$3,756,000 for the three months ended March 31, 2018, compared to research and development expense of \$2,388,000 for the three months ended March 31, 2017, an increase of \$1,368,000, or approximately 57%. Spending on research and development increased in the three months ended March 31, 2018 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 March 31, 2018 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*

|                                     | Three Months Ended<br>March 31,    |          | Change   |     |
|-------------------------------------|------------------------------------|----------|----------|-----|
|                                     | 2018                               | 2017     | \$       | %   |
|                                     | (in thousands, except percentages) |          |          |     |
| Selling, general and administrative | \$ 8,931                           | \$ 5,450 | \$ 3,481 | 64% |

Selling, general and administrative expenses totaled \$8,931,000 for the three months ended March 31, 2018, compared to \$5,450,000 for the three months ended March 31, 2017, an increase of \$3,481,000, or approximately 64%. 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 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<br>March 31,    |        | Change |      |
|-----------------------|------------------------------------|--------|--------|------|
|                       | 2018                               | 2017   | \$     | %    |
|                       | (in thousands, except percentages) |        |        |      |
| Interest expense, net | \$ 1,070                           | \$ 263 | \$ 807 | 307% |

During the three months ended March 31, 2018, we had interest expense, net of \$1,070,000, compared to \$263,000 for the three months ended March 31, 2017. The increase of \$807,000, or approximately 307%, 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.

### *Loss from minority interest in limited liability company*

|  | Three Months Ended<br>March 31,    |      | Change   |   |
|--|------------------------------------|------|----------|---|
|  | 2018                               | 2017 | \$       | % |
|  | (in thousands, except percentages) |      |          |   |
| Loss from minority interest in limited liability company | \$ (249)                           | \$ - | \$ (249) | - |

The Company uses the equity method to account for its investment in ICM. For the three months ended March 31, 2018, the allocated net loss from ICM's operations was \$249,000.

### *Other expense, net*

|                    | Three Months Ended<br>March 31,    |         | Change |       |
|--------------------|------------------------------------|---------|--------|-------|
|                    | 2018                               | 2017    | \$     | %     |
|                    | (in thousands, except percentages) |         |        |       |
| Other expense, net | \$ (10)                            | \$ (16) | \$ 6   | (38)% |

During the three months ended March 31, 2018, we had other expense, net, of \$10,000, compared to \$16,000 for the three months ended March 31, 2017.

### **Liquidity and Capital Resources**

#### *Comparison of the Three Months Ended March 31, 2018 and 2017*

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, bank term loans and loans from related parties. 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 will be sufficient to fund our activities for at least the next twelve months, however, we will continue to require funds from financing sources 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):

|   | <b>Three Months Ended</b> |                  |
|---|---------------------------|------------------|
|   | <b>March 31,</b>          |                  |
|   | <b>2018</b>               | <b>2017</b>      |
| Net cash used in operating activities     | \$ (15,191)               | \$ (8,049)       |
| Net cash used in investing activities     | (462)                     | (151)            |
| Net cash provided by financing activities | 33,301                    | 31,503           |
| Net increase in cash and cash equivalents | <u>\$ 17,648</u>          | <u>\$ 23,303</u> |

#### *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 \$15,191,000 for the three months ended March 31, 2018 compared to \$8,049,000 used for the three months ended March 31, 2017. 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 three months ended March 31, 2018 consisted of a net loss of \$12,669,000 adjusted for non-cash expenses including provision for doubtful accounts of \$42,000, depreciation and amortization of \$150,000, stock-based compensation of \$753,000, non-cash interest expense of \$386,000, loss from minority interest in limited liability company of \$249,000, and cash outflows from changes in operating assets and liabilities of \$4,102,000. The change in operating assets and liabilities was primarily due to an increase in accounts receivable of \$828,000, increase in inventory of \$1,497,000, an increase in prepaid expenses and other current assets of \$561,000, a decrease in accounts payable of \$934,000, and a decrease in accrued and other liabilities of \$366,000, partially offset by an increase in other noncurrent liabilities of \$86,000. Net cash used during the three months ended March 31, 2017 consisted of a net loss of \$6,695,000 adjusted for non-cash expenses including depreciation and amortization of \$107,000, stock-based compensation of \$372,000, non-cash interest expense of \$35,000, and cash outflows from changes in operating assets and liabilities of \$1,868,000. The change in operating assets and liabilities was primarily due to an increase in accounts receivable of \$1,929,000, an increase in prepaid expenses and other current assets of \$174,000 and a decrease in accrued and other liabilities of \$62,000, partially offset by an increase of accounts payable of \$273,000.

#### *Investing Activities*

Net cash used in investing activities during the three months ended March 31, 2018 and 2017 was \$462,000 and \$151,000, respectively. Net cash used in investing activities during the three months ended March 31, 2018 and 2017 was used for 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 three months ended March 31, 2018 was \$33,301,000, which was the result of the gross proceeds of \$34,500,000 from our February 2018 Offering (partially offset by transaction costs of \$2,275,000) and gross proceeds of \$1,057,000 from our November 2017 ATM Facility (partially offset by transaction costs of \$46,000). Net cash provided by financing activities during the three months ended March 31, 2017 was \$31,503,000, which was the result of the gross proceeds of \$34,500,000 from our March 2017 Offering (partially offset by transaction costs of \$2,997,000).

As of March 31, 2018, there is a balance of \$15,500,000 available for future issuance under the 2016 Shelf Registration Statement, \$25,000,000 available for future issuance under the 2017 Shelf Registration Statement, and approximately \$23,639,000 available for future issuance under the November 2017 ATM Facility.

## Contractual Payment Obligations

We have obligations under a bank term loan and non-cancelable operating leases. As of March 31, 2018, our contractual obligations are as follows (in thousands):

| <b>Contractual Obligations:</b>             | <b>Total</b>     | <b>Less than<br/>1 Year</b> | <b>1 - 3 Year</b> | <b>3 -5 Years</b> | <b>More than<br/>5 Years</b> |
|---|------------------|-----------------------------|-------------------|-------------------|------------------------------|
| Debt obligations (including interest)       | \$ 49,898        | \$ 2,695                    | \$ 26,701         | \$ 20,502         | \$ -                         |
| Non-cancellable operating lease obligations | 597              | 286                         | 311               | -                 | -                            |
| <b>Total</b>                                | <b>\$ 50,495</b> | <b>\$ 2,981</b>             | <b>\$ 27,012</b>  | <b>\$ 20,502</b>  | <b>\$ -</b>                  |

In January 2012, we entered into a lease agreement for office and laboratory facilities in Sunnyvale, California. The lease agreement, as amended, commenced in March 2012 and terminated in April 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 in June 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 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. On December 29, 2017, the Company accessed the remaining \$10,000,000 available under the credit facility. 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 \$30,800,000 as of March 31, 2018.

## 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. 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, 2017, that was filed with the SEC on March 16, 2018, for a more complete description of our significant accounting policies. Except for the adoption of the new revenue recognition accounting standard on January 1, 2018, there have been no material changes to the significant accounting policies during the three months ended March 31, 2018.

## Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 adopted this guidance as of January 1, 2018 and the adoption of the guidance did not have a significant impact on the condensed consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-18, “Statement of Cash Flows, Restricted Cash (Topic 230)”. This guidance requires that a statement of cash flows explain the total change during the period of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period to total amounts shown on the statement of 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 adopted this guidance as of January 1, 2018 and the adoption of the guidance did not have a significant impact on the condensed consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, “Compensation - Stock Compensation (Topic 718), Scope of Modification Accounting”. This pronouncement provides guidance about which changes to the terms or conditions of a share-based payment award may require an entity to apply modification accounting under Topic 718. 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 adopted this guidance as of January 1, 2018 and the adoption of the guidance did not have a significant impact on the 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.**

We are exposed to market risk related to changes in interest rates. As of March 31, 2018, our cash and cash equivalents consisted of cash and interest-bearing accounts. Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of U.S. interest rates. However, since a majority of our investments are in highly liquid interest-bearing accounts, we do not believe we are subject to any material market risk exposure. As of March 31, 2018, we did not have any material derivative financial instruments. The fair value of our cash and cash equivalents was \$38.4 million as of March 31, 2018.

We are also exposed to market risk related to changes in foreign currency exchange rates. From time to time, we contract with vendors or service providers that are located outside the U.S., which are denominated in foreign currencies. We are subject to fluctuations in foreign currency rates in connection with these agreements. We do not currently hedge our foreign currency exchange rate risk. As of March 31, 2018 and December 31, 2017, we had minimal liabilities denominated in foreign currencies.

We do not believe that inflation had a material effect on our business, financial condition or results of operations during the three months ended March 31, 2018 and 2017.

#### **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 March 31, 2018, the end of the period covered by this Quarterly Report. Based upon the evaluation of our disclosure controls and procedures as of March 31, 2018, 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 below and in our Annual Report on Form 10-K for the year ended December 31, 2017, 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.

On October 20, 2017, ThermiGen and ThermiAesthetics filed two petitions for *inter partes* review (IPR) of the '511 patent at the U.S. Patent Trial and Appeal Board (PTAB). The IPR petitions challenge the validity of the '511 patent claims as allegedly anticipated and obvious in view of prior patents and publications. On May 8, 2018, the PTAB instituted review on both grounds of the first petition and one of the two grounds in the second petition.

### **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 March 16, 2018.

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

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

None.

#### **Use of Proceeds from Registered Securities**

During the quarter ended March 31, 2018, the Company sold 208,277 shares of common stock under the November 2017 ATM Facility for net proceeds of approximately \$1,011,000. As of March 31, 2018, the Company has sold 267,526 shares of common stock under the November 2017 ATM Facility for net proceeds of approximately \$1,136,000. Based on the closing price of \$3.66 as of March 29, 2018, approximately 6,458,792 remaining shares may be issued under the "at-the-market" equity offering program.

#### **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 (4)#             | <a href="#">Employment Agreement by and between the Registrant and Patricia K. Scheller, dated February 27, 2018.</a>   |
| 10.2 (4)#             | <a href="#">Employment Agreement by and between the Registrant and Scott C. Durbin, dated March 1, 2018.</a>  |
| 10.3 (4)#             | <a href="#">Employment Agreement by and between the Registrant and James G. Atkinson, dated February 27, 2018.</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.

# Represents management compensation plan, contract or arrangement.

- (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.
- (4) Incorporated by reference from the Form 8-K filed with the Securities and Exchange Commission on March 1, 2018.



**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: May 10, 2018

**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

**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: May 10, 2018

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

**Exhibit 31.2**

**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: May 10, 2018

/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 March 31, 2018 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: May 10, 2018

/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 March 31, 2018 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: May 10, 2018

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