

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, 2022

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock	VIVE	Nasdaq Capital Market

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 every Interactive Data File required to be submitted 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 such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company 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

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 11, 2022, the issuer had 10,640,537 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 and the documents that we have filed as exhibits to this Quarterly Report 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)  
(unaudited)

	March 31, 2022	December 31, 2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 14,045	\$ 19,162
Accounts receivable, net of allowance for doubtful accounts of \$37 and \$66 as of March 31, 2022 and December 31, 2021, respectively	509	549
Inventory	1,552	1,472
Prepaid expenses and other current assets	1,393	1,055
Total current assets	17,499	22,238
Property and equipment, net	1,351	1,554
Investment in unconsolidated limited liability company	455	577
Other assets	1,379	1,544
Total assets	<u>\$ 20,684</u>	<u>\$ 25,913</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,602	\$ 1,480
Accrued liabilities	3,376	3,053
Note payable, current portion	5,285	-
Total current liabilities	10,263	4,533
Note payable, noncurrent portion	-	5,124
Other noncurrent liabilities	265	1,190
Total liabilities	10,528	10,847
Commitments and contingences (Note 9)		
Stockholders' equity:		
Convertible preferred stock; 10,000,000 shares authorized as of March 31, 2022 and December 31, 2021;		
Series B preferred stock, \$0.0001 par value; 41,767 and 40,504 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	-	-
Series C preferred stock, \$0.0001 par value; 0 shares issued and outstanding as of December 31, 2021	-	-
Common stock, \$0.0001 par value; 75,000,000 shares authorized as of March 31, 2022 and December 31, 2021; 10,640,537 and 10,619,846 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	1	1
Additional paid-in capital	257,894	256,918
Accumulated deficit	(247,739)	(241,853)
Total stockholders' equity	10,156	15,066
Total liabilities and stockholders' equity	<u>\$ 20,684</u>	<u>\$ 25,913</u>

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

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

	Three Months Ended March 31,	
	2022	2021
Revenue	\$ 1,641	\$ 1,450
Cost of revenue	1,321	1,068
Gross profit	320	382
Operating expenses:		
Research and development	2,140	1,930
Selling, general and administrative	3,653	3,581
Total operating expenses	5,793	5,511
Loss from operations	(5,473)	(5,129)
Modification of warrants	-	(287)
Interest expense, net	(270)	(234)
Other expense, net	(21)	(65)
Net loss from consolidated companies	(5,764)	(5,715)
Loss from investment in unconsolidated limited liability company	(122)	(76)
Comprehensive and net loss	(5,886)	(5,791)
Series B convertible preferred stock dividends	(1,266)	(1,119)
Net loss attributable to common stockholders	\$ (7,152)	\$ (6,910)
Net loss per share of common stock:		
Basic and diluted	\$ (0.67)	\$ (0.80)
Weighted average shares used in computing net loss per common share:		
Basic and diluted	10,620,076	8,636,120

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

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

	Series B Convertible Preferred Stock		Series C Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount			
<b>Balances as of January 1, 2022</b>	<b>40,504</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>10,619,846</b>	<b>\$ 1</b>	<b>\$ 256,918</b>	<b>\$ (241,853)</b>	<b>\$ 15,066</b>
Dividend on Series B convertible preferred stock	-	-	-	-	-	-	(1,266)	-	(1,266)
Dividend on Series B convertible preferred stock paid in PIK shares	1,263	-	-	-	-	-	1,263	-	1,263
Stock-based compensation expense	-	-	-	-	-	-	960	-	960
Issuance of common shares from employee stock purchase plan	-	-	-	-	20,691	-	19	-	19
Net loss	-	-	-	-	-	-	-	(5,886)	(5,886)
<b>Balances as of March 31, 2022</b>	<b>41,767</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>	<b>10,640,537</b>	<b>\$ 1</b>	<b>\$ 257,894</b>	<b>\$ (247,739)</b>	<b>\$ 10,156</b>

	Series B Convertible Preferred Stock		Series C Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount			
<b>Balances as of January 1, 2021</b>	<b>35,819</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>2,171,316</b>	<b>\$ -</b>	<b>\$ 226,800</b>	<b>\$ (219,826)</b>	<b>\$ 6,974</b>
January 2021 Offering, net issuance costs	-	-	-	-	5,666,760	1	25,121	-	25,122
Conversion of Series C convertible preferred stock into common stock	-	-	-	-	2,450,880	-	-	-	-
Issuance of common shares in connection with common warrant exercises	-	-	-	-	52,760	-	179	-	179
Modification of exercise price of warrants in connection with January 2021 Offering	-	-	-	-	-	-	287	-	287
Transaction costs in connection with Purchase Agreement with LPC	-	-	-	-	-	-	(40)	-	(40)
Dividend on Series B convertible preferred stock	-	-	-	-	-	-	(1,119)	-	(1,119)
Dividend on Series B convertible preferred stock paid in PIK shares	1,118	-	-	-	-	-	1,118	-	1,118
Stock-based compensation expense	-	-	-	-	-	-	810	-	810
Net loss	-	-	-	-	-	-	-	(5,791)	(5,791)
<b>Balances as of March 31, 2021</b>	<b>36,937</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>	<b>10,341,716</b>	<b>\$ 1</b>	<b>\$ 253,156</b>	<b>\$ (225,617)</b>	<b>\$ 27,540</b>

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>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (5,886)	\$ (5,791)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for doubtful accounts	(1)	65
Depreciation and amortization	204	328
Stock-based compensation	960	810
Non-cash interest expense	161	142
Loss from investment in unconsolidated limited liability company	122	76
Loss on disposal of property and equipment	1	9
Modification of warrants	-	287
Changes in assets and liabilities:		
Accounts receivable	41	369
Inventory	(33)	396
Prepaid expenses and other current assets	(338)	253
Other assets	112	150
Accounts payable	122	276
Accrued liabilities	311	(727)
Other noncurrent liabilities	(863)	104
Net cash used in operating activities	(5,087)	(3,253)
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(49)	(85)
Net cash used in investing activities	(49)	(85)
<b>Cash flows from financing activities:</b>		
Proceeds from January 2021 Offering, net of issuance costs	-	25,122
Proceeds from exercise of common warrants	-	179
Transaction costs in connection with Purchase Agreement with LPC	-	(40)
Proceeds from issuance of common shares from employee stock purchase plan	19	-
Net cash provided by financing activities	19	25,261
Net increase (decrease) in cash and cash equivalents	(5,117)	21,923
Cash and cash equivalents - beginning of period	19,162	6,523
Cash and cash equivalents - end of period	\$ 14,045	\$ 28,446
<b>Supplemental disclosure:</b>		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
<b>Supplemental disclosure of cash flow information as of end of period:</b>		
Issuance of Series B convertible preferred stock in settlement of dividends	\$ 1,263	\$ 1,118
Issuance of note payable in settlement of accrued interest	\$ 160	\$ 141
Net transfer of equipment between inventory and property and equipment	\$ (47)	\$ (191)
<b>Supplemental cash flow information related to leases was as follows:</b>		
Operating cash outflows from operating leases	\$ 69	\$ 75

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”) designs, develops, manufactures and markets a platform medical technology, which we refer to as *Cryogen-cooled Monopolar RadioFrequency* (“CMRF”). Our proprietary CMRF technology is delivered through a radiofrequency generator, handpiece and treatment tip, which collectively, we refer to as the Viveve® System. Viveve Medical competes in the women’s intimate health industry in some countries by marketing the Viveve System as a way to improve the overall well-being and quality of life of women suffering from vaginal introital laxity, for improved sexual function, or stress urinary incontinence, depending on the relevant country-specific clearance or approval. In the United States, the Viveve System is currently indicated for use in general surgical procedures for electrocoagulation and hemostasis.

***Effective Shelf Registration Statement***

On July 2, 2021, we filed a universal shelf registration statement with the Securities and Exchange Commission (the “SEC”) on Form S3 for the proposed offering from time to time of up to \$75,000,000 of our securities, including common stock, preferred stock, and/or warrants. This registration statement currently has a capacity of \$75,000,000. However, as a result of the limitations of General Instruction I.B.6. of Form S-3, or the so-called “baby shelf rules,” the amount of shares of our common stock available for sale under a registration statement on Form S-3 is limited to one-third of the aggregate market value of our common equity held by non-affiliates of the Company over any rolling 12-month period. As of March 31, 2022, we have not issued any shares or received any proceeds pursuant to the universal shelf registration statement.

***Reduction of Common Warrant Exercise Price***

On January 19, 2021, the Company closed a public offering at an effective price of \$3.40 per share of its common stock. As a result, the per share exercise price of our previously issued Series B, A-2 and B-2 common stock warrants was automatically reduced pursuant to the terms of the warrants. The exercise price for Series B warrants was reduced from \$6.10 per share to \$3.40 per share. The exercise price for Series A-2 and B-2 warrants was reduced from \$6.371 per share to \$3.40 per share. There was no change to the quantity of warrant shares. As a result of this reduction of warrant exercise price, the Company recognized a modification charge of \$287,000.

In February and March 2021, a total of 40,000 shares of common stock were issued in connection with the exercise of Series B warrants for gross proceeds of approximately \$136,000 and a total of 12,760 shares of common stock were issued in connection with the exercise of January 2021 warrants for gross proceeds of approximately \$43,000.

As of March 31, 2022, there were Series B warrants to purchase a total of 285,632 shares of common stock, Series A-2 warrants to purchase a total of 392,830 shares of common stock, and Series B-2 warrants to purchase a total of 20,380 shares of common stock still remaining and outstanding.

***2021 Public Offering***

On January 19, 2021, the Company closed an underwritten public offering of units (the “January 2021 Offering”) for gross proceeds of approximately \$27,600,000, which included the exercise of the underwriter’s over-allotment option to purchase additional shares and warrants, prior to deducting underwriting discounts and commissions and offering expenses payable by Viveve Medical.

The offering comprised of: (1) 4,607,940 Class A Units, priced at a public offering price of \$3.40 per Class A Unit, with each unit consisting of one share of common stock and one warrant to purchase one share of common stock, at an exercise price of \$3.40 per share that expires on the fifth anniversary of the date of issuance; and (2) 2,450,880 Class B Units, priced at a public offering price of \$3.40 per Class B Unit, with each unit consisting of one share of Series C convertible preferred stock and one warrant to purchase one share of common stock, at an exercise price of \$3.40 per share that expires on the fifth anniversary of the date of issuance. The underwriter exercised an over-allotment option to purchase an additional 1,058,820 shares of common stock and warrants to purchase 1,058,820 shares of common stock in the offering. The net proceeds to the Company, after deducting underwriting discounts and commissions and offering expenses payable by the Company, were approximately \$25,122,000.

A total of 2,450,880 shares of Series C convertible preferred stock were issued in the January 2021 Offering. In January 2021, all Series C convertible preferred stock were converted into common stock and there are no remaining shares of Series C convertible preferred stock outstanding.

Warrants to purchase a total of 8,117,640 shares of common stock were issued in the January 2021 Offering. In February and March 2021, holders exercised January 2021 warrants to purchase 12,760 shares of common stock for aggregate exercise proceeds to the Company of approximately \$43,000. As of March 31, 2022, there were January 2021 warrants to purchase a total of 8,104,880 shares of common stock still remaining and outstanding.

#### ***Series C Convertible Preferred Stock***

In connection with the closing of the January 2021 Offering, the Company filed the Certificate of Designation of Preferences, Rights and Limitations of Series C convertible preferred stock (the "Series C Certificate of Designation") with the Secretary of State of the State of Delaware. The Series C Certificate of Designation provides for the issuance of the shares of Series C convertible preferred stock. The shares of Series C convertible preferred stock rank on par with the shares of the common stock, in each case, as to dividend rights and distributions of assets upon liquidation, dissolution or winding up of the Company.

With certain exceptions, as described in the Series C Certificate of Designation, the shares of Series C convertible preferred stock have no voting rights.

Each share of Series C convertible preferred stock is convertible at any time at the holder's option into one share of common stock, which conversion ratio will be subject to adjustment for stock splits, stock dividends, distributions, subdivisions and combinations and other similar transactions as specified in the Series C Certificate of Designation.

All Series C convertible preferred stock have been converted into common stock and there are no remaining shares outstanding.

#### ***Elimination of Series C Convertible Preferred Stock***

On March 14, 2022, the Company filed a Certificate of Elimination with the Delaware Secretary of State with respect to the authorized shares of Series C convertible preferred stock. As of the date of the filing of the Certificate of Elimination, no shares of Series C convertible preferred stock were outstanding. Upon filing the Certificate of Elimination, the 2,450,880 authorized shares of Series C convertible preferred stock were returned to the status of authorized but unissued shares of preferred stock of the Company, without designation as to series or rights, preferences, privileges or limitations.

#### ***Purchase Agreement with Lincoln Park Capital, LLC***

The Company previously entered into a purchase agreement on June 8, 2020, as amended on March 31, 2021 (the "Purchase Agreement") with Lincoln Park Capital Fund, LLC ("LPC"), which provided that the Company had the right, in its sole discretion, to sell to LPC, and LPC has committed to purchase from us, up to \$10,000,000 of our common stock, subject to certain limitations, from time to time over a 30-month period pursuant to the terms of the Purchase Agreement. (See Note 11 – Common Stock.)

As of March 31, 2022, the equity facility with LPC has a remaining financing commitment of approximately \$9,000,000.

#### ***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, 2021, which was filed with the SEC on March 17, 2022. The results of operations for the three months ended March 31, 2022 are not necessarily indicative of the results for the year ending December 31, 2022 or any future interim period.

### ***Liquidity and Management Plans***

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. However, since inception, the Company has sustained significant operating losses and such losses are expected to continue for the foreseeable future. As of March 31, 2022, the Company had an accumulated deficit of \$247,739,000, cash and cash equivalents of \$14,045,000 and working capital of \$7,236,000. The Company used cash of \$5,087,000 in operations in the three months ended March 31, 2022. As of the date our condensed consolidated financial statements for the three months ended March 31, 2022 were issued, the Company did not have sufficient cash to fund its operations through May 31, 2023, without additional financing and, therefore, the Company concluded there was substantial doubt about its ability to continue as a going concern within one year after the date the condensed consolidated financial statements were issued.

To fund further operations, the Company will need to raise additional capital. The Company may obtain additional financing in the future through the issuance of its common stock, or through other equity or debt financings. The Company's ability to continue as a going concern or meet the minimum liquidity requirements in the future is dependent on its ability to raise significant additional capital, of which there can be no assurance. If the necessary financing is not obtained or achieved, the Company will likely be required to reduce its planned expenditures, which could have an adverse impact on the results of operations, financial condition and the Company's ability to achieve its strategic objective. There can be no assurance that financing will be available on acceptable terms, or at all.

## **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, revenue, 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.

### ***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.

Most of the Company's products to date 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 that it refers to as the Viveve System, which is intended for the non-invasive treatment of vaginal introital laxity, for improved sexual function, for vaginal rejuvenation, for use in general surgical procedures for electrocoagulation and hemostasis, and stress urinary incontinence, depending on the relevant country-specific clearance or approval. The Viveve System consists of three main components: a radiofrequency 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. return pad, coupling fluid), as well as a cryogen canister that can be used for approximately four to five procedures, and a foot pedal. The Company outsources the manufacture and repair of the Viveve System to contract manufacturing partners. 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 the United States, the Company sells its products primarily through a direct sales force to health care practitioners. Outside the United States, the Company sells through an extensive network of distribution partners. During the three months ended March 31, 2022, one distributor accounted for 41% of the Company's revenue. During the three months ended March 31, 2021, one distributor accounted for 17% of the Company's revenue.

As of March 31, 2022, no customer accounted for more than 10% of the Company's accounts receivable, net. As of December 31, 2021, one direct customer accounted for 10% 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 collectability 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 \$37,000 as of March 31, 2022 and \$66,000 as of December 31, 2021.

During the three months ended March 31, 2022 and 2021, the Company wrote-off accounts receivable totaling approximately \$28,000 and \$64,000, respectively, primarily related to U.S. customers.

#### ***Revenue from Contracts with Customers***

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. Revenue, 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.

Rental revenue is generated through the lease of the Viveve System. The Company's operating leases for the Viveve System generally have a rental period of 6 to 12 months and can be extended or terminated by the customer after that time or the Viveve System could be purchased by the customer. Rental revenue on those operating leases is recognized on a straight-line basis over the terms of the underlying leases. For the three months ended March 31, 2022 and 2021, rental revenue recognized during the period was \$261,000 and \$366,000, respectively. As of March 31, 2022 and December 31, 2021, the Company had deferred revenue in the amounts of \$506,000 and \$452,000, respectively, related to its rental program, which is included in accrued liabilities on the condensed consolidated balance sheets. During the three months ended March 31, 2022, the Company recognized revenue of \$197,000 which was deferred as of December 31, 2021. During the three months ended March 31, 2021, the Company recognized revenue of \$230,000 which was deferred as of December 31, 2020.

In connection with the lease of the Viveve System, the Company offers single-use treatment tips and ancillary consumables that are considered non-lease components. In the contracts with lease and non-lease components, the Company follows the relevant guidance in ASC 606, Revenue from Contracts with Customers, to determine how to allocate contractual consideration between the lease and non-lease components.

Sales of our products are subject to regulatory requirements that vary from country to country. The Company has regulatory clearance for differing indications, or can sell its products without a clearance, in many countries throughout the world, including countries within the following regions: North America, Asia Pacific, Europe, the Middle East and Latin America. In the United States, we market and sell primarily through a direct sales force. Outside of the United States, we market and sell primarily through distribution partners.

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 on the condensed consolidated balance sheets. 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 existed as of March 31, 2022, or December 31, 2021. The Company had customer contract liabilities in the amount of \$4,000 and \$7,000 that performance had not yet been delivered to its customers as of March 31, 2022 and December 31, 2021, respectively. Contract liabilities are recorded in accrued liabilities on the condensed consolidated balance sheet.

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, 2022, 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 expects that commissions paid to obtain subscriptions are recoverable and has therefore capitalized them as a contract cost in the amount of \$28,000 and \$84,000 as of March 31, 2022 and December 31, 2021, respectively. Capitalized commissions are amortized based on the subscription periods to which the assets relate and are included in selling, general and administrative expenses. For the three months ended March 31, 2022 and 2021, the amount of amortization of these costs was \$17,000 and \$14,000, respectively. There was no impairment loss in relation to the costs capitalized.

#### *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.

### Revenue by Geographic Area

Management has determined that the sales by geography is a key indicator for understanding the Company's financial performance 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 for the three months ended March 31, 2022 and 2021 (in thousands):

	Three Months Ended	
	March 31,	
	2022	2021
Asia Pacific	\$ 868	\$ 519
North America	770	925
Europe and Middle East	3	6
Total	<u>\$ 1,641</u>	<u>\$ 1,450</u>

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 and comprehensive loss. The Company utilizes a three-month lag in reporting equity income from its 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 is 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, 2022 and 2021, no impairment charges have been recorded in the condensed consolidated statements of operations and comprehensive loss.

### Product Warranty

The Company's products sold to customers are generally subject to warranties between one and three years, which provides for the repair or replacement of products (at the Company's option) that fail to perform within stated specifications. 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.

The Company 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 in the same manner as similar instruments issued to employees.

### **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, 2022 and 2021, 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 attributable to common stockholders 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>2022</b>	<b>2021</b>
Convertible preferred stock:		
Series B convertible preferred stock (a)	2,729,869	2,414,183
Series C convertible preferred stock (b)	-	-
Warrants to purchase common stock	9,793,599	9,793,605
Stock options to purchase common stock	4,110,009	981,551
Deferred restricted common stock units	674,000	687,000
Deferred restricted common stock awards	228	232

- (a) As of March 31, 2022 and 2021, a total of 41,767 and 36,937 shares of Series B convertible preferred stock were outstanding and convertible into 2,729,869 and 2,414,283 shares of common stock, respectively. Each share of Series B convertible preferred stock is convertible at the holder's option into shares of common stock at a conversion ratio of 1-for-65.36 per share determined by dividing the Series B liquidation amount of \$1,000 per share by the Series B conversion price of \$15.30 per share. However, under the terms of the Series B Preferred Stock and Warrant Purchase Agreement, as amended, CRG LP ("CRG") will not convert the Series B preferred stock or exercise the CRG warrants until the Company's stockholders act to authorize additional number of shares of common stock sufficient to cover the conversion shares.
- (b) Each share of Series C convertible preferred stock was convertible at any time at the holder's option into one share of common stock. All Series C convertible preferred stock had been converted into common stock and there were no remaining shares outstanding. In March 2022, the Company filed a Certificate of Elimination with the Delaware Secretary of State with respect to the authorized shares of Series C convertible preferred stock.

### **Recently Issued Accounting Standards**

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which revises the measurement of credit losses for most financial instruments measured at amortized cost, including trade receivables, from an incurred loss methodology to an expected loss methodology which results in earlier recognition of credit losses. Under the incurred loss model, a loss is not recognized until it is probable that the loss-causing event has already occurred. The new standard introduces a forward-looking expected credit loss model that requires an estimate of the expected credit losses over the life of the instrument by considering all relevant information including historical experience, current conditions, and reasonable and supportable forecasts that affect collectability. The guidance in ASU 2016-13 is effective for the Company for financial statements issued for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years, with early adoption permitted. The Company is still evaluating the impact of the adoption of this standard.

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, 2022 and December 31, 2021.

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, 2022, and December 31, 2021 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 Unconsolidated 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 in North America.

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 on 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, 2022, the Company owns approximately 7% 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, 2022 and 2021, the allocated net loss from ICM's operations was \$122,000 and \$76,000, respectively. The allocated net loss from ICM's operations was recorded as loss from investment in unconsolidated limited liability company in the condensed consolidated statements of operations and comprehensive loss.

In February 2019, the Company executed a mutual termination of the Distributorship Agreement with ICM. As a result, the Company no longer has a minimum purchase requirement to purchase a certain quantity of ICM products per month.

During the three months ended March 31, 2022 and 2021, the Company purchased zero units of ICM products. Through March 31, 2022, the Company has purchased approximately 5,425 units of ICM products. The Company paid ICM \$0 for product related costs during the three months ended March 31, 2022 and 2021. There were no amounts due to ICM for accounts payable as of March 31, 2022 and December 31, 2021.

## 5. Accrued Liabilities

Accrued liabilities consisted of the following as of March 31, 2022 and December 31, 2021 (in thousands):

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Accrued interest	\$ 980	\$ -
Accrued payroll and other related expenses	556	495
Deferred revenue - subscription rental program	498	448
Accrued clinical trial costs	378	337
Accrued bonuses	303	1,209
Current operating lease liabilities	234	225
Accrued professional fees	162	120
Other accruals	265	219
Total accrued liabilities	<u>\$ 3,376</u>	<u>\$ 3,053</u>

## 6. Note Payable

On May 22, 2017, the Company entered into a Term Loan Agreement as amended on December 12, 2017 and November 29, 2018 (collectively the “2017 Loan Agreement”) with affiliates of 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.

In connection with the 2017 Loan Agreement, the Company issued two 10-year warrants to CRG to purchase a total of 223 shares of the Company’s common stock at an exercise price of \$9,500.00 per share. (See Note 11 – Common Stock.)

Under the 2017 Loan Agreement, as in effect prior to the November 12, 2019 amendment, the credit facility had a six-year term with four years of interest-only payments after which quarterly principal and interest payments were to be due through the maturity date. Amounts borrowed under the 2017 Loan Agreement accrued 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. The Company was 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.

As collateral 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 required the Company to meet certain financial and other covenants. The 2017 Loan Agreement also contained customary affirmative and negative covenants for a credit facility of this size and type.

On November 12, 2019, the Company and CRG amended the 2017 Loan Agreement (the “Amendment No. 3”). In connection with the amendment, the Company converted approximately \$28,981,000 of the outstanding principal amount under the term loan plus accrued interest, the prepayment premium and the back-end facility fee for an aggregate amount of converted debt obligations of approximately \$31,300,000. The debt obligations converted into 31,300 shares of the newly authorized Series B convertible preferred stock and warrants to purchase up to 989,379 shares of common stock were also issued. The warrants have a term of 5 years and an exercise price equal to 120% of the Series convertible B preferred stock conversion price of \$15.30 or \$18.36 per share. (See Note 11 – Common Stock.) CRG entered into a one year lock-up agreement on all securities that it holds.

The Amendment No. 3 to the 2017 Loan Agreement addressed, among other things:

- repayment provisions were amended such that repayment is permitted only with, or after, the redemption in full of the Series B convertible preferred stock issued to CRG;
- the interest only payment period and the period during which the Company may elect to pay the full interest in Paid In-Kind (“PIK”) interest payments was extended through the 23rd date after the first payment date. Pursuant to the amendment, CRG shall consent to the payment of such interest in the form of PIK loans, provided that (i) as of such payment date, no default shall have occurred and be continuing, and (ii) the principal amount of each PIK loan shall accrue interest in accordance with the provisions of the 2017 Loan Agreement;
- modified certain of the covenants, including (i) to permit issuance of the Series B convertible preferred stock and any preferred stock issued in the equity financing and the exercise and performance by the Company of its rights and obligations in connection with such CRG preferred stock and any preferred stock issued in the equity financing, (ii) eliminate the Company’s ability to enter into permitted acquisitions, (iii) further restrict the incurrence of additional indebtedness and removal of the equity cure right, and (iv) eliminate the minimum revenue requirement; and
- the back-end facility fee on the aggregate remaining principal balance on the term loan shall be increased from 5% to 25%.

Pursuant to the amendment, the Company paid interest in-kind of \$160,000 and \$141,000 during the three months ended March 31, 2022 and 2021 which was added to the total outstanding principal loan amount.

As of March 31, 2022, the Company was in compliance with all covenants.

The term loan has a maturity date of March 31, 2023.

As of March 31, 2022, \$5,285,000 was recorded on the condensed consolidated balance sheets, as note payable, current portion, which is net of the remaining unamortized debt discount. As December 31, 2021, \$5,124,000 was recorded on the condensed consolidated balance sheets, as note payable, noncurrent portion, which is net of the remaining unamortized debt discount.

As of March 31, 2022, future minimum payments under the note payable were as follows (in thousands):

<b>Year Ending December 31,</b>	
2022 (remaining nine months)	\$ -
2023	5,992
Total payments	5,992
Less: Amount representing interest	(703)
Present value of obligations	5,289
Less: Unamortized debt discount	(4)
Note payable, current portion	\$ 5,285

#### 7. Paycheck Protection Program Loan

The Paycheck Protection Program (“PPP”) was established under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) and is administered by the U.S. Small Business Administration. On April 24, 2020, Viveve, Inc. (“Viveve”), a wholly-owned subsidiary of the Company, entered into a promissory note evidencing an unsecured loan in the aggregate amount of approximately \$1,343,000 made to Viveve under the PPP (the “PPP Loan”). The PPP Loan to Viveve was made through Western Alliance Bank. The interest rate on the PPP Loan was 1.00% and the term was two years.

On May 25, 2021, the entire amount of the PPP Loan in the aggregate amount of \$1,358,000, including the total principal amount and the accrued interest through the forgiveness payment date of May 21, 2021, was forgiven.

8. **Leases**

Lessee:

The following information pertains to those operating lease agreements where the Company is the lessee.

In February 2017, the Company 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 was 36 months and the monthly base rent for the first, second and third years was \$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 was 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 was to terminate in May 2021. In March 2021, the Company amended the sublease for its office building space. The lease term was extended for a period of 34 months and will terminate on March 31, 2024. The monthly gross rent for the first, second and third years of the lease extension is \$21,027.88, \$21,643.03 and \$22,258.18 per month, respectively. The Company was also provided a rent abatement for the month of June 2021. Additionally, the sublandlord agreed to perform certain construction, repair, maintenance or other tenant improvements to the subleased premises with estimated costs of approximately \$19,000.

In October 2020, the Company entered into a 36-month noncancelable operating lease agreement for office equipment. The lease term commenced in December 2020 and will terminate in December 2023. The monthly lease payment is approximately \$2,000.

Operating lease rentals are expensed on a straight-line basis over the life of the lease beginning on the date the Company takes possession of the property. At lease inception, the Company determines the lease term by assuming the exercise of those renewal options that are reasonably assured. The lease term is used to determine whether a lease is financing or operating and is used to calculate straight-line rent expense. Additionally, the depreciable life of leasehold improvements is limited by the expected lease term. Leases with an initial term of 12 months or less are not recorded on the condensed consolidated balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term.

The following table reflects the Company's lease assets and lease liabilities as of March 31, 2022 and December 31, 2021 (in thousands):

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
<b>Assets:</b>		
Operating lease right-of-use assets	\$ 481	\$ 534
<b>Liabilities:</b>		
Current operating lease liabilities	\$ 234	\$ 225
Noncurrent operating lease liabilities	265	327
	<u>\$ 499</u>	<u>\$ 552</u>

The operating lease right-of-use assets are included in other assets on the condensed consolidated balance sheets. The operating lease liabilities are included in accrued liabilities and other noncurrent liabilities on the condensed consolidated balance sheets.

The operating lease expense for the three months ended March 31, 2022 and 2021 was \$69,000 and \$73,000, respectively.

As of March 31, 2022, the maturity of operating lease liabilities was as follows (in thousands):

<b>Year Ending December 31,</b>	
2022 (remaining nine months)	\$ 212
2023	287
2024	67
Total lease payments	566
Less: Amount representing interest	(67)
Present value of lease liabilities	<u>\$ 499</u>

The weighted average remaining lease term was approximately 24 months as of March 31, 2022. The weighted average discount rate for the three months ended March 31, 2022 was 12.5%.

Lessor:

The following information pertains to those operating lease agreements where the Company is the lessor.

As of March 31, 2022, minimum future rentals from customers on operating leases of Viveve Systems were as follows (in thousands):

<b>Year Ending December 31,</b>	
2022 (remaining nine months)	\$ 456
2023	50
<b>Total</b>	<b>\$ 506</b>

As of March 31, 2022, the Company included rental program equipment related to these operating lease agreements with a net value of \$459,000 in property and equipment, net on the condensed consolidated balance sheets. The depreciation expense for rental program equipment for the three months ended March 31, 2022 and 2021 is \$58,000 and \$110,000, respectively.

**9. Commitments and Contingencies**

***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 amounts 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.

**10. Preferred Stock**

***Series B Convertible Preferred Stock***

As previously reported (see Note 6 – Note Payable), the CRG debt obligations converted into 31,300 shares of the newly authorized Series B convertible preferred stock and warrants to purchase up to 989,379 shares of common stock were also issued.

In connection with the CRG debt conversion, on November 26, 2019, the Company filed the Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock (the "Series B Certificate of Designation") with the Secretary of State of the State of Delaware. The Series B Certificate of Designation provides for the issuance of the shares of Series B convertible preferred stock. The holders of Series B convertible preferred stock are entitled to receive compounding dividends at a rate of 12.5% per annum payable quarterly at the Company's option through additional paid in-kind shares of Series B convertible preferred stock or in cash. During the three months ended March 31, 2022, the Company paid a dividend in-kind of an additional 1,263 shares of Series B convertible preferred stock and a cash dividend of approximately \$3,000 for the remaining fractional shares. During the three months ended March 31, 2021, the Company paid a dividend in-kind of an additional 1,118 shares of Series B convertible preferred stock and a cash dividend of approximately \$1,000 for the remaining fractional shares. The Company has issued a total of 10,467 shares of Series B convertible preferred stock and paid approximately \$19,000 in cash as preferred dividends to the holders of Series B convertible preferred stock through March 31, 2022.

As of March 31, 2022 and December 31, 2021, there were 41,767 and 40,504 shares of Series B convertible preferred stock outstanding and convertible into 2,729,869 and 2,647,320 shares of common stock, respectively. Each share of Series B convertible preferred stock is convertible at the holder's option into shares of common stock at a conversion ratio of 1-for-65.36 per share determined by dividing the Series B liquidation amount of \$1,000 per share by the Series B conversion price of \$15.30 per share. However, under the terms of the Series B Preferred Stock and Warrant Purchase Agreement, as amended, CRG will not convert the Series B preferred stock or exercise the CRG warrants until the Company's stockholders act to authorize additional number of shares of common stock sufficient to cover the conversion shares.

The shares of Series B convertible preferred stock have no voting rights and rank senior to all other classes and series of our equity in terms of repayment and certain other rights.

The Series B convertible preferred stock also provides that for so long as any shares are outstanding, the consent of the holders of the Series B convertible preferred stockholders would be required to amend the Company's organizational documents, approve any merger, sale of assets, or other major corporate transaction, or incur additional indebtedness, among other items.

#### ***Series C Convertible Preferred Stock***

In connection with the closing of the public offering, on January 19, 2021, the Company filed the Certificate of Designation of Preferences, Rights and Limitations of Series C Convertible Preferred Stock (the "Series C Certificate of Designation") with the Secretary of State of the State of Delaware. The Series C Certificate of Designation provides for the issuance of the shares of Series C convertible preferred stock. The shares of Series C convertible preferred stock rank on par with the shares of the common stock, in each case, as to dividend rights and distributions of assets upon liquidation, dissolution or winding up of the Company.

With certain exceptions, as described in the Series C Certificate of Designation, the shares of Series C convertible preferred stock have no voting rights.

Each share of Series C convertible preferred stock is convertible at any time at the holder's option into one share of common stock, which conversion ratio will be subject to adjustment for stock splits, stock dividends, distributions, subdivisions and combinations and other similar transactions as specified in the Series C Certificate of Designation.

A total of 2,450,880 shares of Series C convertible preferred stock were issued in the January 2021 Offering. In January 2021, all Series C convertible preferred stock were converted into common stock and there are no remaining shares of Series C convertible preferred stock outstanding.

On March 14, 2022, the Company filed a Certificate of Elimination with the Delaware Secretary of State with respect to the authorized shares of Series C convertible preferred stock. As of the date of the filing of the Certificate of Elimination, no shares of Series C convertible preferred stock were outstanding. Upon filing the Certificate of Elimination, the 2,450,880 authorized shares of Series C convertible preferred stock were returned to the status of authorized but unissued shares of preferred stock of the Company, without designation as to series or rights, preferences, privileges or limitations.

## **11. Common Stock**

### ***Purchase Agreement with Lincoln Park Capital, LLC***

The Company previously entered into the Purchase Agreement with LPC, which provided that the Company had the right, in its sole discretion, to sell to LPC, and LPC has committed to purchase from us up to \$10,000,000 of our common stock, subject to certain limitations, from time to time over a 30-month term of the Purchase Agreement.

The Purchase Agreement limited the Company's sale of shares of common stock to LPC to 301,762 shares of common stock, representing 19.99% of the shares of the common stock outstanding on the date of the Purchase Agreement unless (i) shareholder approval was obtained to issue more than such amount or (ii) the average price of all applicable sales of common stock to LPC under the Purchase Agreement equaled or exceeded \$6.46 per share. On June 9, 2020, LPC purchased 52,500 shares of common stock at a price per share of \$5.50 (the "Initial Purchase Shares") under the Purchase Agreement for gross proceeds of approximately \$341,000. Transaction costs in connection with the Purchase Agreement with LPC totaled approximately \$94,000.

On March 31, 2021, the Company and LPC entered into the first amendment to the Purchase Agreement. The amendment limited the Company's sale shares of common stock to LPC from the date thereof to 2,068,342 shares of shares of common stock, representing 19.99% of the shares of the common stock outstanding on the date of amendment unless (i) shareholder approval is obtained to issue more than such amount or (ii) the average price of all applicable sales of common stock to LPC under the Purchase Agreement, as amended equals or exceeds \$2.99 per share, which represents the lower of (a) the closing price of the common stock on the Nasdaq Capital Market immediately preceding the date of the Amendment or (b) the average of the closing prices of our common stock on the Nasdaq Capital Market for the five business days immediately preceding the date of the Amendment, as calculated in accordance with Nasdaq Rules. Transaction costs in connection with the amendment to Purchase Agreement with LPC totaled approximately \$70,000.

On May 4, 2021, pursuant to the provisions under the Purchase Agreement as amended, LPC purchased 250,000 shares of common stock at price per share of \$2.817 for gross proceeds of approximately \$704,000.

On June 23, 2021, the Company's stockholders approved the proposal for the potential issuance of 20% or more of the Company's outstanding common stock to LPC pursuant to the provisions under the Purchase Agreement, as amended.

As of March 31, 2022, the equity facility with LPC has a remaining financing commitment of approximately \$9,000,000.

### ***2021 Public Offering***

On January 19, 2021, the Company closed the January 2021 Offering for gross proceeds of approximately \$27,600,000, which included the exercise of the underwriter's over-allotment option to purchase additional shares and warrants, prior to deducting underwriting discounts and commissions and offering expenses payable by Viveve Medical.

The offering comprised of: (1) 4,607,940 Class A Units, priced at a public offering price of \$3.40 per Class A Unit, with each unit consisting of one share of common stock and one warrant to purchase one share of common stock, at an exercise price of \$3.40 per share that expires on the fifth anniversary of the date of issuance; and (2) 2,450,880 Class B Units, priced at a public offering price of \$3.40 per Class B Unit, with each unit consisting of one share of Series C convertible preferred stock and one warrant to purchase one share of common stock, at an exercise price of \$3.40 per share that expires on the fifth anniversary of the date of issuance. The underwriter exercised an over-allotment option to purchase an additional 1,058,820 shares of common stock and warrants to purchase 1,058,820 shares of common stock in the offering. The net proceeds to the Company, after deducting underwriting discounts and commissions and offering expenses payable by the Company, were approximately \$25,122,000.

A total of 2,450,880 shares of Series C convertible preferred stock were issued in the January 2021 Offering. In January 2021, all Series C convertible preferred stock were converted into common stock and there are no remaining shares of Series C convertible preferred stock outstanding.

Warrants to purchase a total of 8,117,640 shares of common stock were issued in the January 2021 Offering. In February and March 2021, holders exercised January 2021 warrants to purchase 12,760 shares of common stock for aggregate exercise proceeds to the Company of approximately \$43,000. As of March 31, 2022, there were January 2021 warrants to purchase a total of 8,104,880 shares of common stock still remaining and outstanding.

### ***Restricted Common Shares***

There were no restricted common shares issued during the three months ended March 31, 2022 and 2021.

### Warrants for Common Stock

As of March 31, 2022, outstanding warrants to purchase shares of common stock were as follows:

<u>Issuance Date</u>	<u>Exercisable for</u>	<u>Expiration Date</u>	<u>Exercise Price</u>	<u>Number of Shares Outstanding Under Warrants</u>
February 2015	Common Shares	February 17, 2025	\$ 4,000.00	79
March 2015	Common Shares	March 26, 2025	\$ 2,720.00	2
May 2015	Common Shares	May 12, 2025	\$ 4,240.00	37
December 2015	Common Shares	December 16, 2025	\$ 5,600.00	31
April 2016	Common Shares	April 1, 2026	\$ 6,080.00	25
June 2016	Common Shares	June 20, 2026	\$ 4,980.00	101
May 2017	Common Shares	May 25, 2027	\$ 9,500.00	223
November 2019	Common Shares	November 26, 2024	\$ 18.36	989,379
November 2019	Common Shares	November 26, 2024	\$ 2.82	285,632
April 2020	Common Shares	April 21, 2025	\$ 2.82	413,210
January 2021	Common Shares	January 19, 2026	\$ 3.40	8,104,880
				<u>9,793,599</u>

In connection with the 2017 Loan Agreement, the Company issued warrants to purchase a total of 223 shares of common stock at an exercise price of \$9,500.00 per share. The warrants have a contractual life of ten years and are exercisable immediately in whole or in part. The fair value of the warrants, along with financing and legal fees, are recorded as debt issuance costs and presented on 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, 2022 and 2021, the Company recorded \$1,000 and \$1,000, respectively, of interest expense relating to the debt issuance costs using the effective interest method. As of March 31, 2022, the unamortized debt discount was \$4,000.

In connection with the January 2021 Offering, warrants to purchase up to 8,117,640 shares of common stock were issued in the offering. The warrants to purchase one share of common stock have an exercise price of \$3.40 per share and expire on the fifth anniversary of the date of issuance.

As a result of the closing of the January 2021 Offering at an effective price of \$3.40 per share of its common stock, the per share exercise price of our previously issued Series B, A-2 and B-2 common stock warrants was automatically reduced pursuant to the terms of the warrants. The exercise price for Series B warrants was reduced from \$6.10 per share to \$3.40 per share. The exercise price for Series A-2 and B-2 warrants was reduced from \$6.371 per share to \$3.40 per share. There was no change to the quantity of warrant shares. The Company determined the incremental fair value on Series B, A-2 and B-2 warrants due to the reduction of exercise price on the date of such modification to be approximately \$287,000 using the Black-Scholes option pricing model. Assumptions used were as follows:

<u>Series B Warrants</u>	<u>Immediately before Modification</u>	<u>Immediately After Modification</u>
Exercise price	\$ 6.10	\$ 3.40
Common stock price	\$ 3.19	\$ 3.19
Expected term (in years)	3.9	3.9
Average volatility	90%	90%
Risk-free interest rate	0.33%	0.33%
Dividend yield	0%	0%

  

<u>Series A-2 and B-2 Warrants</u>	<u>Immediately before Modification</u>	<u>Immediately After Modification</u>
Exercise price	\$ 6.37	\$ 3.40
Common stock price	\$ 3.19	\$ 3.19
Expected term (in years)	4.3	4.3
Average volatility	90%	90%
Risk-free interest rate	0.33%	0.33%
Dividend yield	0%	0%

The incremental fair value of the Series B, A-2 and B-2 warrants is included in other income (expense) on the condensed consolidated statement of operations and comprehensive loss, with a corresponding increase to additional paid-in capital on the condensed consolidated balance sheet.

In February 2021, a total of 40,000 shares of common stock were issued in connection with the exercise of Series B warrants for gross proceeds of approximately \$136,000 and a total of 8,760 shares of common stock were issued in connection with the exercise of January 2021 warrants for gross proceeds of approximately \$30,000.

In March 2021, a total of 4,000 shares of common stock were issued in connection with the exercise of January 2021 warrants for gross proceeds of approximately \$13,000.

No shares issuable pursuant to warrants have been cancelled during the three months ended March 31, 2022 and 2021.

No shares issuable pursuant to warrants expired during the three months ended March 31, 2022 and 2021.

As of March 31, 2022, there were no Series A warrants to purchase shares of common stock and Series B warrants to purchase a total of 285,632 shares of common stock outstanding.

As of March 31, 2022, there were Series A-2 warrants to purchase a total of 392,830 shares of common stock and Series B-2 warrants to purchase a total of 20,380 shares of common stock outstanding.

As of March 31, 2022, there were January 2021 warrants to purchase a total of 8,104,880 shares of common stock outstanding.

## 12. **Summary of Stock Options**

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

The Company has issued equity awards in the form of stock options (both incentive stock options and non-qualified stock options) and deferred restricted stock awards or units, 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, 2022, there were outstanding stock option awards issued from the 2006 Plan covering a total of 12 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 \$9,920.00 per share and the weighted average remaining contractual term is 0.8 years.

Effective January 1, 2022, the total common stock reserved for issuance under the 2013 Plan was increased by 1,076,833 shares from 3,940,136 shares to a total of 5,016,969 shares under the evergreen provision of the 2013 Plan.

As of March 31, 2022, there were outstanding stock option awards issued from the 2013 Plan covering a total of 4,109,997 shares of the Company's common stock and there remain reserved for future awards 234,319 shares of the Company's common stock. The weighted average exercise price of the outstanding stock options is \$6.05 per share and the remaining contractual term is 9.0 years.

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

	Three Months Ended March 31, 2022			
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Options outstanding, January 1, 2022	3,173,103	\$ 7.51	9.0	\$ -
Options granted	941,000	\$ 1.26		
Options exercised	-			
Options canceled	(4,094)	\$ 7.69		
Options outstanding, March 31, 2022	<u>4,110,009</u>	\$ 6.08	9.0	\$ -
Vested and exercisable and expected to vest, March 31, 2022	3,818,956	\$ 6.34	9.0	\$ -
Vested and exercisable, March 31, 2022	995,692	\$ 15.65	8.4	\$ -

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, 2022.

The options outstanding and exercisable as of March 31, 2022 were as follows:

Range of Exercise Prices	Number Outstanding as of March 31, 2022	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Number Exercisable as of March 31, 2022	Weighted Average Exercise Price
\$1.26 - \$1.26	941,000	\$ 1.26	9.8	39,212	\$ 1.26
\$2.28 - \$2.96	2,207,000	\$ 2.73	9.2	387,341	\$ 2.73
\$3.06 - \$3.40	10,000	\$ 3.20	9.0	1,833	\$ 3.26
\$4.45 - \$4.80	11,900	\$ 4.72	8.7	3,832	\$ 4.71
\$5.10 - \$5.40	88,000	\$ 5.28	8.5	62,563	\$ 5.34
\$6.90 - \$6.90	5,400	\$ 6.90	8.0	2,700	\$ 6.90
\$8.60 - \$8.91	827,800	\$ 8.69	7.7	481,974	\$ 8.69
\$10.90 - \$13.60	15,500	\$ 12.64	7.9	12,865	\$ 13.00
\$380.00 - \$9,920.00	3,409	\$ 2,878.01	6.0	3,372	\$ 2,890.61
Total:	<u>4,110,009</u>	\$ 6.08	9.0	<u>995,692</u>	\$ 15.65

#### *Deferred Restricted Stock Units*

As of March 31, 2022, there are 674,000 shares of unvested restricted stock outstanding that have been granted by the Company pursuant to deferred restricted stock units ("RSUs") under the 2013 Plan.

During the three months ended March 31, 2022, no RSUs for shares of common stock were granted by the Company.

In January 2021, the Company granted annual equity awards to employees and board members for 690,000 shares of common stock issuable upon vesting of RSUs under the 2013 Plan. The RSUs vest in full on the second anniversary of the grant date.

During the three months ended March 31, 2022, no RSUs for shares of common stock were cancelled. During the three months ended March 31, 2021, RSUs for 3,000 shares of common stock were cancelled.

#### *Deferred Restricted Stock Awards*

As of March 31, 2022, there are 228 shares of unvested restricted stock outstanding that have been granted by the Company pursuant to deferred restricted stock awards ("RSAs") under the 2013 Plan.

During the three months ended March 31, 2022 and 2021, no RSAs for shares of common stock were granted by the Company.

During the three months ended March 31, 2022, no RSAs for shares of common stock were cancelled. During the three months ended March 31, 2021, RSAs for 2 shares of common stock were cancelled.

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

In September 2020, the board of directors approved the suspension of the Company's 2017 Employee Stock Purchase Plan (the "2017 ESPP") following the twelfth offering period and the ESPP purchase on September 30, 2020.

In June 2021, the Company's stockholders approved an amendment to the 2017 ESPP to increase the number of shares of common stock reserved for issuance thereunder from 400 to 500,378 shares and to increase the number of shares available in an offering period from 2 to 2,000 per participant (subject to adjustment in the event of certain changes to the Company's capital structure and other similar events).

Following the Company's annual stockholders' meeting, the board of directors approved to reactivate the ESPP effective with the offering period beginning on July 1, 2021.

The activity of the Company's 2017 ESPP for the three months ended March 31, 2022 is described as follows:

- The fifteenth offering period under the Company's 2017 ESPP began on January 1, 2022, and ended on March 31, 2022, and 20,691 shares were issued on March 31, 2022 at a purchase price of \$0.90.

The Company estimated the fair value of purchase rights under the ESPP using the Black-Scholes option valuation model and the straight-line attribution approach.

As of March 31, 2022, the remaining shares available for issuance under the 2017 ESPP were 451,179 shares.

### **Stock-Based Compensation**

During the three months ended March 31, 2022, the Company granted stock options to employees and nonemployees to purchase 941,000 shares of common stock with a weighted average grant date fair value of \$0.92 per share. During the three months ended March 31, 2021, the Company granted stock options to employees and nonemployees to purchase 7,000 shares of common stock with a weighted average grant date fair value of \$2.19 per share.

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2022</b>	<b>2021</b>
Expected term (in years)	6	5
Average volatility	88%	87%
Risk-free interest rate	1.43%	0.82%
Dividend yield	0%	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 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 for options, RSUs and ESPP shares included in the condensed consolidated statements of operations for the three and nine months ended March 31, 2022 and 2021 (in thousands):

	March 31,	
	2022	2021
Cost of revenue	\$ 65	\$ 55
Research and development	123	97
Selling, general and administrative	772	658
Total	<u>\$ 960</u>	<u>\$ 810</u>

As of March 31, 2022, the total unrecognized compensation cost in connection with unvested stock options was approximately \$,020,000. These costs are expected to be recognized over a period of approximately 2.8 years.

The fair value of the RSUs is determined on the grant date based on the fair value of the Company's common stock. The fair value of the RSUs is recognized as expense ratably over the vesting period of two years. For the three months ended March 31, 2022 and 2021, the stock-based compensation expense for RSUs was \$274,000 and \$222,000, respectively.

As of March 31, 2022, the total unrecognized compensation cost in connection with unvested RSUs was approximately \$77,000. These costs are expected to be recognized over a period of approximately 0.8 years.

For the three months ended March 31, 2022, the stock-based compensation expense for ESPP shares was not significant.

### 13. 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, 2022 and 2021. The Company expects that its effective tax rate for the full year 2022 will be 0%.

### 14. 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. The Company's first generation Viveve System which consists of a generator, handpiece and disposable treatment tip was designed and manufactured by Stellartech. Stellartech was the sole source supplier for this version of the Viveve System. Under the Agreement, the Company agreed to purchase 300 generators manufactured by Stellartech. The price per unit was variable and dependent on the volume and timing of units ordered. The Company purchased 855 units through September 2019. The Company no longer manufacture generators, handpieces or disposable treatment tips at Stellartech. However, the Company continues to have technology licenses with Stellartech. In conjunction with the Agreement, Stellartech purchased 38 shares of Viveve, Inc.'s common stock. Under the Agreement, the Company paid Stellartech approximately \$0 and \$77,000 for goods and services during the three months ended March 31, 2022 and 2021, respectively. The amounts due to Stellartech for accounts payable as of March 31, 2022 and December 31, 2021 was \$0 and \$0, respectively.

In August 2017, the Company entered into a Distributorship Agreement with ICM. Under the terms of the Distributorship Agreement, the Company had a minimum purchase requirement to purchase a certain quantity of ICM products per month during the term of this agreement. In February 2019, the Company executed a mutual termination of the Distributorship Agreement with ICM. As a result, the Company no longer has a minimum purchase requirement to purchase a certain quantity of ICM products per month. (See Note 4 – Investment in Unconsolidated Limited Liability Company for transactions with ICM.)

## 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, 2021, as filed with the Securities and Exchange Commission on March 17, 2022. 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* (“CMRF”). Our proprietary CMRF technology is delivered through RF, handpiece and treatment tip that, collectively, we refer to as the Viveve® System. The Viveve System is currently marketed and sold for a number of indications, depending on the relevant country-specific clearance or approval. Currently, the Viveve System is cleared for marketing in 50 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.)
General surgical procedures for electrocoagulation and hemostasis of vaginal tissue and for the treatment of vaginal laxity	29
For treatment of vaginal laxity	5
For treatment of the vaginal introitus, after vaginal childbirth, to improve sexual function	9
General surgical procedures for electrocoagulation and hemostasis and for the treatment of vaginal laxity	1
For vaginal rejuvenation	1
For treatment of vaginal laxity, urinary incontinence and sexual function	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 primarily market and sell through distribution partners. As of March 31, 2022, we have a global installed base of 895 Viveve Systems and we have sold approximately 63,600 single-use treatment tips worldwide.

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 (“FDA”) and other governmental clearance or approval for the sale of our product for all desired indications and whether there will be a demand for the Viveve System, 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. 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 limited revenue to date and our limited ability to market and sell our products 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

#### **PURSUIT – U.S. Pivotal SUI Trial**

The Company received FDA approval of its investigational device exemption (IDE) application to conduct its U.S. pivotal, multicenter PURSUIT trial for improvement of Stress Urinary Incontinence (SUI) in women in July 2020, as well as FDA approval of requested amendments to the IDE protocol in December 2020. Initiation of the PURSUIT trial was announced by the Company on January 21, 2021 and completion of subject enrollment was reported on December 14, 2021. Topline results are anticipated at the end of 2022.

PURSUIT is a randomized, double-blinded, sham-controlled trial with an enrollment of 415 subjects with moderate SUI ( $\geq 10\text{ml} - 50\text{ml}$  urine leakage on the 1-hour Pad Weight Test) at approximately 30 study sites in the U.S. Randomized in a 2:1 ratio for active and sham treatments, subjects in the active treatment arm received a CMRF treatment (90J/cm<sup>2</sup> RF and cryogen-cooling), while subjects in the control arm received an inert sham treatment.

The primary efficacy endpoint of the PURSUIT trial is a comparison of the proportion of patients who experience greater than 50% reduction in urine leakage compared to baseline on the standardized 1-hour Pad Weight Test at 12 months post-treatment versus an inert sham procedure. The study also includes several secondary endpoints, including: proportion of patients who experience greater than 50% reduction in urine leakage on the standardized 1-hour Pad Weight Test at three and six months post-treatment, percentage change from baseline in the 1-hour Pad Weight Test at three, six and 12 months, percent of subjects with no incontinence episodes at three, six and 12 months post treatment as assessed with the three-day bladder voiding diary, and change from baseline in the MESA Questionnaire (Medical, Epidemiologic and Social Aspects of Aging), Incontinence Quality of Life (I-QOL), Patient Global Impression of Improvement (PGI-1) Questionnaire, and International Consultation on Incontinence Modular Questionnaire-Urinary Incontinence Short Form (ICIQ-UI-SF) at three, six, nine and 12 months post-treatment. Subject safety will be monitored throughout the study.

### ***New Category III CPT Code for SUI Procedure***

In early July 2021, the Company announced that the American Medical Association (“AMA”) had issued a new Category III Current Procedural Terminology (“CPT”®) code for the Company’s dual-energy procedure effective January 1, 2022. The new code establishes a long-term pathway for potential reimbursement for Viveve’s noninvasive treatment under evaluation in the PURSUIT trial to improve SUI in women if approved by the FDA for this indication. The new Category III CPT code for Viveve’s SUI procedure is defined as: endovaginal cryogen-cooled, monopolar radiofrequency remodeling of the tissue surrounding the female bladder neck and proximal urethra for urinary incontinence.

### ***Impact of the Coronavirus***

As of the filing of this Quarterly Report, the United States and many other countries continue to face outbreaks or resurgences of the highly transmissible pathogenic coronavirus and its variants, which has resulted in a widespread global health crisis, adversely affected general commercial activity and the economies and financial markets of many countries and may continue to adversely affect our business, financial condition and results of operations. The extent to which the coronavirus impacts us will depend on future developments, which are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others.

### ***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 Viveve System.

In June 2019, in addition to a capital sales model, we began a new recurring revenue rental model for the U.S. sales of the Viveve System. Sale of Viveve products outside of the U.S. will continue to be supported by our international distributors.

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.

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 current operations through December 2022; however, we will continue to require funds to fully implement our plan of operation. Our operating costs include employee salaries and benefits, compensation paid to consultants, professional fees and expenses, costs associated with our clinical trials, capital costs for research and other equipment, costs associated with research and development activities including travel and administration, legal expenses, sales and marketing costs, general and administrative expenses, and other costs associated with an early stage public company subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We also expect to incur expenses related to obtaining regulatory clearance 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, 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, 2022 and 2021*

### Revenue

	Three Months Ended		Change	
	2022	2021	\$	%
	(in thousands, except percentages)			
Revenue	\$ 1,641	\$ 1,450	\$ 191	13%

We recorded revenue of \$1,641,000 for the three months ended March 31, 2022, compared to revenue of \$1,450,000 for the three months ended March 31, 2021, an increase of \$191,000, or approximately 13%. The increase in revenue was primarily due to higher average selling prices of Viveve Systems and higher sales volume of treatment tips sold globally, partially offset by a decrease in rental revenue from a lower rental installed base. Sales in the first quarter of 2022 included eight Viveve Systems sold and approximately 2,750 disposable treatment tips sold globally. Sales in the first quarter of 2021 included eight Viveve Systems sold and approximately 2,450 disposable treatment tips sold globally.

Under the recurring revenue rental program, we placed seven Viveve Systems in the U.S. market in the first quarter of 2022; however, these new placements were offset by the non-renewal of subscriptions for four Viveve Systems during the period. In the first quarter of 2021, we placed four Viveve Systems under the subscription offering program in the U.S. market; but these new placements were offset by the negative impact of the COVID-19 crisis on our sales activity in the period which resulted in the non-renewal of subscriptions for six Viveve Systems during the period. Rental revenue on these leases is recognized on a straight-line basis over the term of the lease. For the three months ended March 31, 2022 and 2021, rental revenue recognized during the period was \$261,000 and \$366,000, respectively.

### Gross profit

	Three Months Ended		Change	
	2022	2021	\$	%
	(in thousands, except percentages)			
Gross profit	\$ 320	\$ 382	\$ (62)	(16)%

Gross profit was \$320,000 or 20% of revenue, for the three months ended March 31, 2022, compared to a gross profit of \$382,000, or 26% of revenue, for the three months ended March 31, 2021, a decrease of \$62,000, or approximately 16%. The decrease in gross profit was primarily due to higher inventory related costs, partially offset by higher average selling prices of Viveve Systems during the period.

### Research and development expenses

	Three Months Ended March 31,		Change	
	2022	2021	\$	%
	(in thousands, except percentages)			
Research and development	\$ 2,140	\$ 1,930	\$ 210	11%

Research and development expenses totaled \$2,140,000 for the three months ended March 31, 2022, compared to research and development expense of \$1,930,000 for the three months ended March 31, 2021, an increase of \$210,000, or approximately 11%. Spending on research and development increased primarily due to higher personnel costs and additional stock-based compensation expense for equity awards, and increased engineering and development work related to our products. Research and development expense in the first quarter of 2021 also included spending on advertising and marketing services related to the enrollment of subjects for the PURSUIT trial; such spending was no longer needed in the first quarter of 2022 due to completion of subject enrollment in the fourth quarter of 2021.

### Selling, general and administrative expenses

	Three Months Ended March 31,		Change	
	2022	2021	\$	%
	(in thousands, except percentages)			
Selling, general and administrative	\$ 3,653	\$ 3,581	\$ 72	2%

Selling, general and administrative expenses totaled \$3,653,000 for the three months ended March 31, 2022, compared to \$3,581,000 for the three months ended March 31, 2021, an increase of \$72,000, or approximately 2%. The increase in selling, general and administrative expenses was primarily due to higher personnel costs and additional stock-based compensation expense for equity awards, partially offset by reduced spending for sales and marketing efforts during the period.

### Modification of warrants

	Three Months Ended March 31,		Change	
	2022	2021	\$	%
	(in thousands, except percentages)			
Modification of warrants	\$ -	\$ 287	\$ (287)	(100)%

In January 2021, the Company reduced the exercise price of the outstanding Series B, A-2 and B-2 warrants pursuant to the terms of the warrants. The exercise price for Series B warrants was reduced from \$6.10 per share to \$3.40 per share. The exercise price for Series A-2 and B-2 warrants was reduced from \$6.371 per share to \$3.40 per share. The Series B, A-2 and B-2 warrant exercise price reduction resulted in the recognition of a modification expense of \$287,000.

### Interest expense, net

	Three Months Ended March 31,		Change	
	2022	2021	a\$	%
	(in thousands, except percentages)			
Interest expense, net	\$ 270	\$ 234	\$ 36	15%

During the three months ended March 31, 2022, we had interest expense, net of \$270,000 compared to interest expense, net of \$234,000 for the three months ended March 31, 2021, a change of \$36,000, or approximately 15%. The increase resulted primarily from a higher term loan balance compared to the first quarter of 2021 due to the interest in-kind which was added to the total outstanding principal loan amount.

### Other expense, net

	Three Months Ended March 31,		Change	
	2022	2021	\$	%
	(in thousands, except percentages)			
Other expense, net	\$ 21	\$ 65	\$ (44)	(68)%

During the three months ended March 31, 2022, we had other expense, net of \$21,000 compared to \$65,000 for the three months ended March 31, 2021.

### Loss from investment in unconsolidated limited liability company

	Three Months Ended March 31,		Change	
	2022	2021	\$	%
	(in thousands, except percentages)			
Loss from investment in unconsolidated limited liability company	\$ 122	\$ 76	\$ 46	61%

The Company uses the equity method to account for its investment in InControl Medical, LLC ("ICM"). For the three months ended March 31, 2022, the allocated net loss from ICM's operations was \$122,000 compared to \$76,000 for the three months ended March 31, 2021.

### Liquidity and Capital Resources

#### Comparison of the Three Months Ended March 31, 2022 and 2021

Since inception, the Company has sustained significant operating losses and such losses are expected to continue for the foreseeable future. As of March 31, 2022, we had an accumulated deficit of \$247,739,000, cash and cash equivalents of \$14,045,000 and working capital of \$7,236,000. We used cash of \$5,087,000 for operations during the three months ended March 31, 2022. As of the date our condensed consolidated financial statements for the three months ended March 31, 2022 were issued, we did not have sufficient cash to fund our operations through May 31, 2023, without additional financing and, therefore, we concluded there was substantial doubt about our ability to continue as a going concern within one year after the date the condensed consolidated financial statements were issued.

Management currently believes that it will be necessary for us to raise additional funding. We may obtain additional funding in the future through the issuance of our common stock, or through other equity or debt financing. The failure to raise additional funding when needed could have a material adverse effect on our business and financial condition. We may not be able to obtain additional financing as needed on acceptable terms, or at all, which may require us to reduce our operating costs and other expenditures, including reductions of personnel, salaries and capital expenditures. Alternatively, or in addition to such potential measures, we may elect to implement additional cost reduction actions as we may determine are necessary and in our best interests. Any such actions undertaken might limit the Company's ability to achieve its strategic objectives.

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

	Year Ended March 31,	
	2022	2021
Net cash used in operating activities	\$ (5,087)	\$ (3,253)
Net cash used in investing activities	(49)	(85)
Net cash provided by financing activities	19	25,261
Net increase (decrease) in cash and cash equivalents	\$ (5,117)	\$ 21,923

#### 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 \$5,087,000 for the three months ended March 31, 2022 compared to \$3,253,000 used for the three months ended March 31, 2021. 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, 2022 consisted of a net loss of \$5,886,000 adjusted for non-cash expenses including bad debt recovery of \$1,000, depreciation and amortization of \$204,000, stock-based compensation of \$960,000, non-cash interest expense of \$161,000, a loss from investment in unconsolidated limited liability company of \$122,000, a loss on disposal of property and equipment of \$1,000, and cash outflows from changes in operating assets and liabilities of \$648,000. The change in operating assets and liabilities was primarily due to decrease in accounts receivable of \$41,000, an increase in inventory of \$33,000, an increase in prepaid expenses and other current assets of \$338,000, a decrease in other assets of \$112,000, an increase in accounts payable \$122,000, an increase in accrued liabilities of \$311,000, and a decrease of other noncurrent liabilities of \$863,000.

Net cash used during the three months ended March 31, 2021 consisted of a net loss of \$5,791,000 adjusted for non-cash expenses including provision for doubtful accounts \$65,000, depreciation and amortization of \$328,000, stock-based compensation of \$810,000, non-cash interest expense of \$142,000, a loss from investment in unconsolidated limited liability company of \$76,000, a loss on disposal of property and equipment of \$9,000, a noncash charge for the modification of warrants of \$287,000, and cash inflows from changes in operating assets and liabilities of \$821,000. The change in operating assets and liabilities was primarily due to a decrease in accounts receivable of \$369,000, a decrease in inventory of \$396,000, a decrease in prepaid expenses and other current assets of \$253,000, a decrease in other assets of \$150,000, an increase in accounts payable \$276,000, a decrease in accrued liabilities of \$727,000, and an increase of other noncurrent liabilities of \$104,000.

#### *Investing Activities*

Net cash used in investing activities during the three months ended March 31, 2022 and 2021 was \$49,000 and \$85,000, respectively. Net cash used in investing activities during the three months ended March 31, 2022 and 2021 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 changes to the capital equipment requirements related to our recurring revenue rental model, development programs and clinical trials and increase in the number of our employees.

#### *Financing Activities*

Net cash provided by financing activities during the three months ended March 31, 2022 was \$19,000, which was the result of proceeds from issuance of common shares from the employee stock purchase plan.

Net cash provided by financing activities during the three months ended March 31, 2021 was \$25,261,000, which was the result of net proceeds of \$25,122,000 from the January 2021 Offering net of issuance costs and proceeds of \$179,000 from exercises of common warrants, offset by transaction costs of \$40,000 in connection with the Purchase Agreement with LPC.

On July 2, 2021, 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 \$75,000,000 of our securities, including common stock, preferred stock, and/or warrants. This registration statement currently has a capacity of \$75,000,000. However, as a result of the limitations of General Instruction I.B.6. of Form S-3, or the so-called “baby shelf rules,” the amount of shares of our common stock available for sale under a registration statement on Form S-3 is limited to one-third of the aggregate market value of our common equity held by non-affiliates of the Company over any rolling 12-month period. As of December 31, 2021, we have not issued any shares or received any proceeds pursuant to the universal shelf registration statement.

The Company previously entered into a purchase agreement on June 8, 2020, as amended on March 31, 2021 (the “Purchase Agreement”) with Lincoln Park Capital Fund, LLC (“LPC”), which provided that the Company had the right, in its sole discretion, to sell to LPC, and LPC has committed to purchase from us, up to \$10,000,000 of our common stock, subject to certain limitations, from time to time over a 30-month period pursuant to the terms of the Purchase Agreement. As of March 31, 2022, the equity facility with LPC has a remaining financing commitment of approximately \$9,000,000.

#### **Contractual Payment Obligations**

In February 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 was 36 months and the monthly base rent for the first, second and third years was \$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 was 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 was to terminate in May 2021. In March 2021, the Company amended the sublease for its office building space. The lease term was extended for a period of 34 months and will terminate on March 31, 2024. The monthly gross rent for the first, second and third years of the lease extension is \$21,027.88, \$21,643.03 and \$22,258.18 per month, respectively. The Company was also provided a rent abatement for the month of June 2021. Additionally, the sublandlord agreed to perform certain construction, repair, maintenance or other tenant improvements to the subleased premises with estimated costs of approximately \$19,000.

In May 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. In December 2017, the Company accessed the remaining \$10,000,000 available under the CRG credit facility. The term of the loan is six years with the first four years being interest only. In November 2019, the Company and CRG amended the 2017 Loan Agreement concurrent with the conversion of approximately \$29,000,000 of the principal amount under the term loan with CRG (plus accrued interest, the prepayment premium and the back-end fee applicable thereto), for an aggregate amount of converted debt obligations of approximately \$31,300,000. The amounts converted into 31,300 shares of the newly authorized Series B convertible preferred stock and warrants to purchase up to 989,379 shares of common stock were also issued. The outstanding principal balance under the 2017 Loan Agreement was \$5,285,000 as of March 31, 2022.

In October 2020, the Company entered into a 36-month noncancelable operating lease agreement for office equipment. The lease commenced in December 2020 and will terminate in December 2023. The monthly payment is approximately \$2,000.

### **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. During the three months ended March 31, 2022, there were no material changes to our critical accounting policies or in the methodology used for estimates from those described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the year ended December 31, 2021, that was filed with the SEC on March 17, 2022.

### **Recent Accounting Pronouncements**

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which revises the measurement of credit losses for most financial instruments measured at amortized cost, including trade receivables, from an incurred loss methodology to an expected loss methodology which results in earlier recognition of credit losses. Under the incurred loss model, a loss is not recognized until it is probable that the loss-causing event has already occurred. The new standard introduces a forward-looking expected credit loss model that requires an estimate of the expected credit losses over the life of the instrument by considering all relevant information including historical experience, current conditions, and reasonable and supportable forecasts that affect collectability. The guidance in ASU 2016-13 is effective for the Company for financial statements issued for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years, with early adoption permitted. The Company is still evaluating the impact of the adoption of this standard.

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.

### **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, we are not aware of any trends, events or uncertainties that are likely to have a material effect on our financial condition.

## **Inflation**

Inflation has increased during the periods covered by this Quarterly Report and is expected to continue to increase for the near future. Inflationary factors, such as increases in the cost of our products (and components thereof), interest rates, overhead costs and transportation costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, we may experience some effect in the near future (especially if inflation rates continue to rise) due to supply chain constraints, consequences associated with COVID-19 and increased product pricing due to semiconductor product shortages.

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

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

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

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

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

We carried out an evaluation under the supervision and with the participation of management, including our principal executive officer and principal accounting and financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2022, the end of the period covered by this Quarterly Report on Form 10-Q. Based upon the evaluation of our disclosure controls and procedures as of March 31, 2022, our Chief Executive Officer (principal executive officer) and Senior Vice President of Finance and Administration (principal accounting and financial officer) concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level. In addition, our ability to maintain an effective internal control environment has not been impacted by the COVID-19 pandemic.

#### **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.**

We are not subject to any material pending legal proceedings. From time to time, we may be involved in routine legal proceedings, as well as demands, claims and threatened litigation, which arise in the normal course of our business.

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

We incorporate herein by reference the risk factors included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the Securities and Exchange Commission on March 17, 2022.

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

#### **Recent Sales of Unregistered Equity Securities**

##### **Series B Convertible Preferred Stock**

Pursuant to the Certificate of Designation of the Company's Series B convertible preferred stock, we issued 1,263 shares of Series B convertible preferred stock in lieu of \$1,263,000 in cash dividend to holders of Series B convertible preferred stock, exempt from registration pursuant to Section 4(a)(2) of the Securities Act, on March 31, 2022.

The shares of Series B convertible preferred stock will only be convertible into common stock, following such time as we have filed an amendment to the certificate of incorporation that authorizes at least 125,000,000 shares of common stock. We may remove the requirement of authorized common stock increase for the conversion of Series B convertible preferred stock to enable CRG to convert its shares to common stock. The conversion or exercise of securities issued to affiliates of CRG are also further subject to certain beneficial ownership restrictions. If the Series B convertible preferred stock becomes convertible into common stock, it will be convertible into that number of shares of common stock determined by dividing \$1,000 by the conversion price of \$15.30.

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

Not applicable.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**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>
3.1.4(4)	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation filed September 18, 2019.</a>
3.1.5(5)	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation filed November 30, 2020.</a>
3.1.6(6)	<a href="#">Certificate of Elimination of Series A Preferred Stock.</a>
3.1.7(7)	<a href="#">Certificate of Designation of Preferences, Rights and Limitations of Series B Preferred Stock.</a>
3.1.8(8)	<a href="#">Form of Certificate of Designation of Preferences, Rights and Limitations of Series C Preferred Stock.</a>
3.1.9(9)	<a href="#">Certificate of Elimination of Series C Preferred Stock.</a>
3.2(2)	<a href="#">Amended and Restated Bylaws.</a>
3.3(10)	<a href="#">Amendment to the Amended and Restated Bylaws.</a>
10.1+*	<a href="#">Fifth Amended and Restated Viveve Medical, Inc. Independent Director Compensation Policy.</a>
10.2+(11)	<a href="#">Form of Retention Bonus Agreement.</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 Accounting and Financial 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 Accounting and Financial 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*	Inline XBRL Instance
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL and contained in Exhibit 101)

\* 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.

+ Management contract or 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 September 18, 2019.
- (5) Incorporated by reference from the Form 8-K filed with the Securities and Exchange Commission on December 1, 2020.
- (6) Incorporated by reference from the Form 8-K filed with the SEC on December 18, 2020.
- (7) Incorporated by reference from the Form S-1/A filed with the SEC on November 21, 2019.
- (8) Incorporated by reference from the Form 8-K filed with the SEC on January 19, 2021.
- (9) Incorporated by reference from the Form 10-K filed with the Securities and Exchange Commission on March 17, 2022.
- (10) Incorporated by reference from the Form 8-K filed with the Securities and Exchange Commission on June 16, 2021.
- (11) Incorporated by reference from the Form 8-K filed with the Securities and Exchange Commission on January 21, 2022.

**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 12, 2022

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

By: /s/ Scott Durbin  
Scott Durbin  
Chief Executive Officer  
(Principal Executive Officer)

By: /s/ Jim Robbins  
Jim Robbins  
Senior Vice President of Finance and Administration  
(Principal Accounting and Financial Officer)

**FIFTH AMENDED AND RESTATED VIVEVE MEDICAL, INC.  
INDEPENDENT DIRECTOR COMPENSATION POLICY**

The Board of Directors (the “Board”) of Viveve Medical, Inc. (the “Company”) has adopted the following amended and restated compensation policy (this “Policy”), effective as of April 12, 2022 (the “Effective Date”) for directors of the Company who are not employees of the Company or any parent or subsidiary of the Company, but who need not be “Independent” for the purposes of the Nasdaq Stock Market Rules (each, an “Independent Director”), to compensate such Independent Directors for their time, commitment and contributions to the Board.

**RETAINERS**

**Retainers for Serving on the Board**

Each Independent Director or his or her designee shall be paid an annual retainer of \$35,000 (which includes all meeting fees, whether in-person or telephonic).

**Retainers for Serving as Chairpersons**

An additional annual retainer shall be paid to an Independent Director or his or her designee who serves as the chairperson of the Board, Audit Committee, Compensation Committee, or Governance and Nominating Committee.

Board Chair	\$	35,000
Audit Committee Chair	\$	20,000
Compensation Committee Chair	\$	10,000
Governance and Nominating Committee	\$	7,500

**Retainers for Serving on Committees**

An additional annual retainer shall be paid to an Independent Director or his or her designee who serves on the Audit Committee, Compensation Committee, or Governance and Nominating Committee.

Audit Committee	\$	10,000
Compensation Committee	\$	5,000
Governance and Nominating Committee	\$	3,750

All retainers and additional retainers paid for serving on the board (or a committee) shall be paid quarterly in arrears and, if applicable, shall be pro-rated to reflect the number of days served by an Independent Director during any quarter.

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All Independent Directors eligible to receive compensation under the Policy shall have the option to elect to receive all or, but not less than all, of their retainer(s) in the form of an unrestricted stock award (in lieu of cash payment) under the Company's 2013 Stock Option and Incentive Plan (the "2013 Plan"). Such election is to be made annually, prior to the commencement of the fiscal year (or, for a new Independent Director, within 30 days of their election to serve as a member of the Board). The unrestricted stock awards to be granted in lieu of cash retainer payments shall be granted quarterly in arrears and shall have a fair market value on the date of grant equal to the value of the retainer(s) which would otherwise be paid in cash. The unrestricted stock awards shall be fully vested upon grant.

#### **EQUITY-BASED COMPENSATION**

Each Independent Director shall be granted the equity awards described below. The awards described below shall be granted under and shall be subject to the terms and provisions of the 2013 Plan and shall be granted subject to the execution and delivery of award agreements, including attached exhibits, in substantially the same forms previously approved by the Board, setting forth the vesting schedule applicable to such awards and such other terms as may be required by the 2013 Plan.

##### **Initial Award**

Each Independent Director, upon election to the Board, shall be granted an equity-based initial retainer award with a value at the time of issuance of 2x the Subsequent Award (as defined below) in effect at the time of election (each, an "Initial Award"). Such Initial Awards shall normally be granted at the first Board meeting following the Independent Director's election in the form of options to purchase common stock of the Company issued pursuant to the 2013 Plan ("Stock Options"), and shall vest and become exercisable in three equal annual installments on each of the first three anniversaries of the date of grant, subject to the Independent Director continuing in service on the Board through each such vesting date.

In addition, upon an Independent Director's initial election to serve as Chairman of the Board, an Independent Director shall be granted an equity-based initial retainer award in the form of a Stock Option to purchase 280,000 shares (each, a "Chairman Award"), which shall vest and become exercisable on the first anniversary of the date of grant subject to the Independent Director continuing in service as the Chairman of the Board through such vesting date; provided, however, that in the event that a non-employee director has received an Initial Award at or within 6 months prior to their election to serve as Chairman of the Board, the number of shares subject to the Chairman Award shall be reduced by the number of shares subject to the non-employee director's Initial Award.

##### **Subsequent Awards**

On January 31<sup>st</sup> of each calendar year, each Independent Director serving as of such date (excluding any non-employee director who has received an Initial Award within 6 months prior to such date) shall be automatically granted an annual equity-based retainer award in the form of a Stock Option to purchase 70,000 shares (each, a "Subsequent Award"). Subsequent Awards shall be in the form of Stock Options and shall vest and become exercisable on the first anniversary of the date of grant, subject to the Independent Director continuing in service on the Board through such vesting date.

Members of the Board who are employees of the Company or any parent or subsidiary of the Company who subsequently terminate their employment with the Company and any parent or subsidiary of the Company and remain on the Board will not receive an Initial Award, but to the extent that they are otherwise eligible, will be eligible to receive, after termination from employment with the Company and any parent or subsidiary of the Company, Subsequent Awards.

**Termination**

In the event an Independent Director's Board service terminates, the vesting and exercise of such Independent Director's Stock Options shall be subject to the terms of the applicable award agreement.

**TRAVEL EXPENSE REIMBURSEMENT**

Each of the Independent Directors shall be entitled to receive reimbursement for reasonable out-of-pocket travel expenses which they properly incur in connection with in-person attendance at and participation in Board and/or Committee meetings; provided, that Independent Directors timely submit to the Company appropriate documentation substantiating such expenses.

**EFFECTIVE DATE, AMENDMENT, REVISION AND TERMINATION**

This policy shall be reviewed and updated on an annual basis by the Compensation Committee of the Board during the annual assessment of employee compensation generally, and may be amended, revised or terminated by the Compensation Committee of the Board at any time and from time-to-time.

**Certification of Principal Executive 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 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 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 12, 2022

*/s/ Scott Durbin*

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Scott Durbin  
Chief Executive Officer  
(Principal Executive Officer)

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

I, Jim Robbins, 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 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 12, 2022

/s/ Jim Robbins

Jim Robbins

Senior Vice President of Finance and Administration  
(Principal Accounting and Financial 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, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), that, to the best of his 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 12, 2022

*/s/ Scott Durbin*  
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Scott Durbin  
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, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), that, to the best of his 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 12, 2022

*/s/ Jim Robbins*

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Jim Robbins

Senior Vice President of Finance and Administration  
(Principal Accounting and Financial Officer)