

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, 2019

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-11388

VIVEVE MEDICAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

04-3153858

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

345 Inverness Drive South

Building B, Suite 250

Englewood, CO 80112

(Address of principal executive offices)

(Zip Code)

(720) 696-8100

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically 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 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

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

As of May 8, 2019, the issuer had 46,489,010 shares of common stock, par value \$0.0001 per share, outstanding.

## TABLE OF CONTENTS

### Note About Forward-Looking Statements

	Page No.
<b>PART I FINANCIAL INFORMATION</b>	
<b>Item 1.</b> Condensed Consolidated Financial Statements (unaudited)	4
<b>Item 2.</b> Management's Discussion and Analysis of Financial Condition and Results of Operations	23
<b>Item 3.</b> Quantitative and Qualitative Disclosures About Market Risk	31
<b>Item 4.</b> Controls and Procedures	31
<b>PART II OTHER INFORMATION</b>	
<b>Item 1.</b> Legal Proceedings	31
<b>Item 1A.</b> Risk Factors	32
<b>Item 2.</b> Unregistered Sales of Equity Securities and Use of Proceeds	32
<b>Item 3.</b> Defaults Upon Senior Securities	32
<b>Item 4.</b> Mine Safety Disclosures	32
<b>Item 5.</b> Other Information	32
<b>Item 6.</b> Exhibits	33
<b>SIGNATURES</b>	34

## NOTE ABOUT FORWARD-LOOKING STATEMENTS

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

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

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

**PART I. FINANCIAL INFORMATION**

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

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

	<b>March 31,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
	(unaudited)	(1)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 17,821	\$ 29,523
Accounts receivable, net of allowance for doubtful accounts of \$395 and \$284 as of March 31, 2019 and December 31, 2018, respectively	4,778	5,704
Inventory	3,867	4,119
Prepaid expenses and other current assets	3,117	2,558
Total current assets	<u>29,583</u>	<u>41,904</u>
Property and equipment, net	2,832	2,916
Investment in limited liability company	1,718	1,843
Other assets	719	171
Total assets	<u>\$ 34,852</u>	<u>\$ 46,834</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities:		
Accounts payable	\$ 2,686	\$ 3,994
Accrued liabilities	4,802	6,766
Total current liabilities	7,488	10,760
Note payable, noncurrent portion	30,927	30,528
Other noncurrent liabilities	1,023	634
Total liabilities	<u>39,438</u>	<u>41,922</u>
Commitments and contingences (Note 8)		
Stockholders' equity (deficit):		
Common stock, \$0.0001 par value; 75,000,000 shares authorized as of March 31, 2019 and December 31, 2018; 46,435,802 and 46,363,945 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively	5	5
Additional paid-in capital	160,823	160,292
Accumulated deficit	<u>(165,414)</u>	<u>(155,385)</u>
Total stockholders' equity (deficit)	<u>(4,586)</u>	<u>4,912</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 34,852</u>	<u>\$ 46,834</u>

(1) The condensed consolidated balance sheet as of December 31, 2018 has been derived from the audited consolidated financial statements as of that date.

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

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
Revenue	\$ 3,012	\$ 3,699
Cost of revenue	1,941	2,352
Gross profit	<u>1,071</u>	<u>1,347</u>
Operating expenses:		
Research and development	2,480	3,756
Selling, general and administrative	6,626	8,931
Restructuring costs	742	-
Total operating expenses	<u>9,848</u>	<u>12,687</u>
Loss from operations	(8,777)	(11,340)
Interest expense, net	(1,116)	(1,070)
Other expense, net	(11)	(10)
Net loss from consolidated companies	(9,904)	(12,420)
Loss from minority interest in limited liability company	(125)	(249)
Comprehensive and net loss	<u>\$ (10,029)</u>	<u>\$ (12,669)</u>
Net loss per share:		
Basic and diluted	<u>\$ (0.22)</u>	<u>\$ (0.49)</u>
Weighted average shares used in computing net loss per common share:		
Basic and diluted	<u>46,371,891</u>	<u>25,846,724</u>

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

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

	Common Stock, \$0.0001 par value		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount			
<b>Balances as of December 31, 2018</b>	<b>46,363,945</b>	<b>\$ 5</b>	<b>\$ 160,292</b>	<b>\$ (155,385)</b>	<b>\$ 4,912</b>
Stock-based compensation expense	-	-	470	-	470
Issuance of common shares from employee stock purchase plan	43,759	-	35	-	35
Issuance of restricted common shares in connection with consulting agreement	27,473	-	25	-	25
Issuance of common shares in connection with restricted stock award to employee	625	-	1	-	1
Net loss	-	-	-	(10,029)	(10,029)
<b>Balances as of March 31, 2019</b>	<b>46,435,802</b>	<b>\$ 5</b>	<b>\$ 160,823</b>	<b>\$ (165,414)</b>	<b>\$ (4,586)</b>

	Common Stock, \$0.0001 par value		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount			
<b>Balances as of December 31, 2017</b>	<b>19,503,558</b>	<b>\$ 2</b>	<b>\$ 102,979</b>	<b>\$ (105,581)</b>	<b>\$ (2,600)</b>
February 2018 Offering, net of issuance costs	11,500,000	1	32,224	-	32,225
November 2017 ATM Facility, net of issuance cost	208,277	-	1,011	-	1,011
Stock-based compensation expense	-	-	645	-	645
Issuance of restricted stock awards to directors and consultant	22,137	-	108	-	108
Issuance of common shares from employee stock purchase plan	20,744	-	65	-	65
Cumulative effect adjustment from adoption of new accounting standard – ASC 606	-	-	-	177	177
Net loss	-	-	-	(12,669)	(12,669)
<b>Balances as of March 31, 2018</b>	<b>31,254,716</b>	<b>\$ 3</b>	<b>\$ 137,032</b>	<b>\$ (118,073)</b>	<b>\$ 18,962</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>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (10,029)	\$ (12,669)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for doubtful accounts	111	42
Depreciation and amortization	311	150
Stock-based compensation	496	753
Non-cash interest expense	399	386
Amortization of operating lease right-of-use assets and accretion of operating lease liabilities	10	-
Loss from minority interest in limited liability company	125	249
Changes in assets and liabilities:		
Accounts receivable	815	(828)
Inventory	206	(1,497)
Prepaid expenses and other current assets	(559)	(561)
Other noncurrent assets	17	(2)
Accounts payable	(1,310)	(934)
Accrued and other liabilities	(2,202)	(366)
Other noncurrent liabilities	52	86
Net cash used in operating activities	(11,558)	(15,191)
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(179)	(462)
Net cash used in investing activities	(179)	(462)
<b>Cash flows from financing activities:</b>		
Proceeds from sale of common stock, net of issuance costs	-	33,236
Proceeds from issuance of common shares from employee stock purchase plan	35	65
Net cash provided by financing activities	35	33,301
Net increase (decrease) in cash and cash equivalents	(11,702)	17,648
Cash and cash equivalents - beginning of period	29,523	20,730
Cash and cash equivalents - end of period	\$ 17,821	\$ 38,378
<b>Supplemental disclosure:</b>		
Cash paid for interest	\$ 675	\$ 653
Cash paid for income taxes	\$ -	\$ -
<b>Supplemental disclosure of cash flow information as of end of period:</b>		
Issuance of note payable in settlement of accrued interest	\$ 318	\$ 305
Net transfer of equipment between inventory and property and equipment	\$ 46	\$ 59
<b>Supplemental cash flow information related to leases was as follows:</b>		
Operating cash outflows from operating leases	\$ 73	
Right-of-use assets obtained in exchange for operating lease liabilities (upon adoption of ASC 842)	\$ 629	

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*, or 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.

***Public Offerings***

In December 2018, in connection with the closing of a public offering (the “December 2018 Offering”), the Company issued an aggregate of 14,728,504 shares of common stock, including the shares issued in connection with the exercise of the underwriters’ overallotment option, at a public offering price of \$1.50 per share for gross proceeds of approximately \$22,093,000. The net proceeds to the Company, after deducting underwriting discounts and commissions and other offering expenses, were approximately \$20,385,000.

In February 2018, in connection with the closing of a public offering (the “February 2018 Offering”), the Company issued an aggregate of 11,500,000 shares of common stock, including the shares issued in connection with the exercise of the underwriters’ overallotment option, at a public offering price of \$3.00 per share for gross proceeds of approximately \$34,500,000. The net proceeds to the Company, after deducting underwriting discounts and commissions and other offering expenses, were approximately \$32,214,000.

The Company established an “at-the-market” equity offering program through the filing of a prospectus supplement to its shelf registration statement on Form S-3, which was filed on November 8, 2017, under which the Company may offer and sell, from time-to-time, up to \$25,000,000 aggregate offering price of shares of its common stock (the “November 2017 ATM Facility”). During the three months ended March 31, 2019, the Company sold zero shares of common stock under the November 2017 ATM Facility. During the three months ended March 31, 2018, the Company sold 208,277 shares of common stock under the November 2017 ATM Facility for net proceeds of approximately \$1,011,000. As of March 31, 2019, the Company has sold 336,498 shares of common stock under the November 2017 ATM Facility for net proceeds of approximately \$1,318,000.

***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, 2018, which was filed with the Securities and Exchange Commission on March 15, 2019. The results of operations for the three months ended March 31, 2019 are not necessarily indicative of the results for the year ending December 31, 2019 or any future interim period.

***Liquidity and Management Plans***

The Company has adopted the Financial Accounting Standards Board’s (“FASB”) Accounting Standard Codification (“ASC”) Topic 205-40, Presentation of Financial Statements – Going Concern, which requires that management evaluate whether there are relevant conditions and events that, in the aggregate, raise substantial doubt about the entity’s ability to continue as a going concern and to meet its obligations as they become due within one year after the date that the financial statements are issued.



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, 2019, the Company had accumulated a deficit of \$165,414,000, cash and cash equivalents of \$17,821,000 and working capital of \$22,095,000. Additionally, the Company used \$11,558,000 in cash for operations in the three months ended March 31, 2019. The Company will require additional cash funding to fund operations through May 9, 2020. Accordingly, management has concluded that the Company does not have sufficient funds to support operations within one year after the date the financial statements are issued and, therefore, the Company concluded there was substantial doubt about the Company's ability to continue as a going concern. Based on management's plans to reduce operating expenses, including a reduction in force in January 2019, and the availability of our November 2017 ATM Facility, the Company believes that this substantial doubt has been alleviated.

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

### ***Changes in Accounting Policies***

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

### ***Adoption of New Accounting Standard - Leases***

The Company adopted FASB's Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842), as of January 1, 2019, using the modified retrospective approach. The modified retrospective approach provides a method for recording existing leases at the beginning of the period of adoption. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed us to carry forward the historical lease classification and we elected the hindsight practical expedient to determine the lease term for existing leases. We determined that the renewal options for the facilities lease would be reasonably certain to be renewed and as such, included that renewal period in determining the expected lease term of that lease. Adoption of the new standard resulted in the recording of operating lease right-of-use assets of \$629,000 and operating lease liabilities of \$629,000, as of January 1, 2019. The standard did not have an impact on our consolidated results of operations, cash flows or stockholders' equity previously reported. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

The effect of the changes made to our consolidated January 1, 2019 balance sheet for the adoption of the new lease standard was as follows (in thousands):

	December 31, 2018	Adjustments Due to Adoption of ASC 842	January 1, 2019
Other assets	\$ 171	\$ 629 <sup>(1)</sup>	\$ 800
Total assets	\$ 46,834	\$ 629 <sup>(1)</sup>	\$ 47,463
Accrued liabilities	\$ 6,766	\$ 230 <sup>(2)</sup>	\$ 6,996
Total current liabilities	\$ 10,760	\$ 230 <sup>(2)</sup>	\$ 10,990
Other noncurrent liabilities	\$ 634	\$ 399 <sup>(2)</sup>	\$ 1,033
Total liabilities	\$ 41,922	\$ 629 <sup>(2)</sup>	\$ 42,551
Total liabilities and stockholders' equity	\$ 46,834	\$ 629 <sup>(2)</sup>	\$ 47,463

(1) Represents capitalization of operating lease right-of-use assets and reclassification of deferred rent.

(2) Represents recognition of operating lease liabilities.

### ***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 ("FDA") 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 RF, or radio frequency, generator housed in a table-top console, a reusable handpiece and a single-use treatment tip. Included with the system are single-use accessories (e.g. RF return pad, coupling fluid), as well as a 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 a single contract manufacturer. Also, certain other components and materials that comprise the device are currently manufactured by a single supplier or a limited number of suppliers. A significant supply interruption or disruption in the operations of the contract manufacturer or these third-party suppliers would adversely impact the production of our products for a substantial period of time, which could have a material adverse effect on our business, financial condition, operating results and cash flows.

In North America, the Company sells its products primarily through a direct sales force to health care practitioners. Outside North America, the Company sells through an extensive network of distribution partners. During the three months ended March 31, 2019, three distributors, collectively, accounted for 42% of the Company's revenue. During the three months ended March 31, 2018, two distributors, collectively, accounted for 54% of the Company's revenue. There were no direct sales customers that accounted for more than 10% of the Company's revenue during the three months ended March 31, 2019 and 2018.

As of March 31, 2019, four distributors, collectively, accounted for 62% of total accounts receivable, net. As of December 31, 2018, three distributors, collectively, accounted for 54% 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 \$395,000 as of March 31, 2019 and \$284,000 as of December 31, 2018.

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

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

Sales of our products are subject to regulatory requirements that vary from country to country. The Company has regulatory clearance 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, Latin America, Europe, the Middle East and Asia Pacific. In North America, we market and sell primarily through a direct sales force. Outside of North America, 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. 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, 2019 or December 31, 2018. The Company had customer contracts liabilities in the amount of \$679,000, primarily related to marketing programs that performance had not yet been delivered to its customers as of March 31, 2019 and \$686,000 as of December 31, 2018.

The following table reflects the changes in our customer contract liabilities for the three months ended March 31, 2019:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>Three Months Change</u>
<b>Customer contracts liabilities:</b>			
Marketing programs	\$ 627	\$ 639	\$ (12)
Other	52	47	5
Total	<u>\$ 679</u>	<u>\$ 686</u>	<u>\$ (7)</u>

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, 2019 and 2018, the Company did not have any contracts for the sale of its products with its customers with a significant financing component.

#### *Contract Costs*

The Company has elected the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less. During the three months ended March 31, 2019 and 2018, the Company expensed the incremental costs of obtaining the contract as an expense when incurred as the amortization period was one year or less.

#### *Shipping and Handling*

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

#### *Revenue by Geographic Area*

Management has determined that the sales by geography is a key indicator for understanding the Company's financials because of the different sales and business models that are required in the various regions of the world (including regulatory, selling channels, pricing, customers and marketing efforts). The following table presents the revenue from unaffiliated customers disaggregated by geographic area for the three months ended March 31, 2019 and 2018 (in thousands):

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<u>2019</u>	<u>2018</u>
North America	\$ 1,792	\$ 2,606
Asia Pacific	967	891
Europe and Middle East	246	202
Latin America	7	-
Total	<u>\$ 3,012</u>	<u>\$ 3,699</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. 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. No impairment charges have been recorded in the condensed consolidated statements of operations during the three months ended March 31, 2019 and 2018.

#### ***Product Warranty***

The Company's products are generally subject to warranties between one and three years, which provides for the repair, rework or replacement of products (at the Company's option) that fail to perform within stated 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 at their fair value on the measurement date and are subject to periodic adjustment as the underlying equity instruments vest.

#### ***Comprehensive Loss***

Comprehensive loss represents the changes in equity of an enterprise, other than those resulting from stockholder transactions. Accordingly, comprehensive loss may include certain changes in equity that are excluded from net loss. For the three months ended March 31, 2019 and 2018, the Company's comprehensive loss is the same as its net loss.

#### ***Net Loss per Share***

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

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
Stock options to purchase common stock	5,593,130	3,690,902
Warrants to purchase common stock	642,622	642,622
Restricted common stock awards	419,147	22,500

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

In June 2018, the FASB issued ASU 2018-07, “Stock Compensation (Topic 718) – Improvements to Nonemployee Share- Based Payment Accounting”. The intent of this guidance is to simplify the accounting for nonemployee share-based payment accounting. The amendments in this guidance expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. Consistent with the accounting requirement for employee share-based payment awards, nonemployee share-based payment awards within the scope of Topic 718 are measured at grant-date fair value of the equity instruments that an entity is obligated to issue when the good has been delivered or the service has been rendered and any other conditions necessary to earn the right to benefit from the instruments have been satisfied. Equity- classified nonemployee share-based payment awards are measured at the grant date. Consistent with the accounting for employee share-based payment awards, an entity considers the probability of satisfying performance conditions when nonemployee share-based payment awards contain such conditions. This guidance is effective for annual reporting periods beginning after December 15, 2018, including interim periods within the reporting period. We adopted this guidance as of January 1, 2019 and the adoption of the guidance did not have a significant impact on the condensed consolidated financial statements.

We have reviewed other recent accounting pronouncements and concluded they are either not applicable to the business, or no material effect is expected on the 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, 2019 and December 31, 2018.

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, 2019, and December 31, 2018 approximate fair value because of the short maturity of these instruments. Based on borrowing rates currently available to the Company for loans with similar terms, the carrying value of the note payable approximates fair value.

There were no changes in valuation techniques from prior periods.

### **4. Investment in Limited Liability Company**

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

Under the terms of the Distributorship Agreement, ICM agreed to not directly or indirectly appoint or authorize any third party to market, promote, distribute or sell any of the licensed products to any licensed medical professional offices and hospitals in the United States. In exchange, the Company agreed to not market, promote, distribute or sell (or contract to do so) any product which substantially replicates all or almost all of the key features of the licensed products. The Company has a minimum purchase requirement to purchase a certain quantity of ICM products per month during the term of this Distributorship Agreement. In addition, the parties agreed to certain mutual marketing obligations to promote sales of the licensed products. As of March 31, 2019, the Company has purchased approximately 4,800 units of ICM products. The Company paid ICM approximately \$27,000 for product related costs during the three months ended March 31, 2019. There were no amounts due to ICM for the accounts payable as of March 31, 2019 and December 31, 2018.

In connection with the Distributorship Agreement, the Company also entered into a Membership Unit Subscription Agreement with ICM and the associated limited liability company operating agreement of ICM, pursuant to which the Company invested \$2,500,000 in, and acquired membership units of, ICM. This investment has been recorded in investment in a limited liability company in the condensed consolidated balance sheets. The Company used the equity method to account for the investment in ICM because the Company does not control it but has the ability to exercise significant influence over it. As of March 31, 2019, the Company owns approximately 9% 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, 2019, the allocated net loss from ICM's operations was \$125,000 that was recorded as loss from minority interest in limited liability company in the condensed consolidated statements of operations.

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.

## 5. Accrued Liabilities

Accrued liabilities consisted of the following as of March 31, 2019 and December 31, 2018 (in thousands):

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Accrued sales commission	\$ 817	\$ 1,743
Customer contracts liabilities	679	686
Accrued interest	675	683
Accrued payroll and other related expenses	670	877
Accrued bonuses	613	837
Accrued professional fees	492	978
Current operating lease liabilities	238	-
Accrued clinical trial costs	127	84
Travel and entertainment	114	280
Accrued sales & use tax	102	259
Other accruals	275	339
Total accrued liabilities	<u>\$ 4,802</u>	<u>\$ 6,766</u>

## 6. Note Payable

On May 22, 2017, the Company entered into a Term Loan Agreement (the "2017 Loan Agreement") with affiliates of CRG LP ("CRG"). The credit facility consists of \$20,000,000 drawn at closing and access to additional funding of up to an aggregate of \$10,000,000 for a total of \$30,000,000 available under the credit facility. On December 29, 2017, the Company accessed the remaining \$10,000,000 available under the credit facility.

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

The 2017 Loan Agreement has a six-year term with four years of interest-only payments after which quarterly principal and interest payments will be due through the maturity date. Amounts borrowed under the 2017 Loan Agreement accrue interest at an annual fixed rate of 12.5%, 4.0% of which may, at the election of the Company, be paid in-kind during the interest-only period by adding such accrued amount to the principal loan amount each quarter. During the three months ended March 31, 2019 and 2018, the Company paid interest in-kind of \$318,000 and \$305,000, respectively, which was added to the total outstanding principal loan amount. The Company is also required to pay CRG a final payment fee upon repayment of the loans in full equal to 5.0% of the sum of the aggregate principal amount plus the deferred interest added to the principal loan amount during the interest-only period. The Company accounts for the final payment fee by accruing the fee over the term of the loan using the effective interest rate method. As of March 31, 2019, interest accrued related to the final payment fee in the amount of \$573,000 was included in other noncurrent liabilities in the condensed consolidated balance sheets.

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

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

The terms of the 2017 Loan Agreement also require the Company to meet certain financial and other covenants. These covenants require the Company to maintain cash and cash equivalents of \$2.0 million and, each year through the end of 2022, to meet a minimum total annual revenue threshold. In the event that the Company does not meet the minimum total annual revenue threshold for a particular year, then the Company can retroactively cure the shortfall by either issuing additional equity in exchange for cash or incurring certain additional permitted indebtedness, in each case, in an amount equal to 2.0 times the shortfall. Any such amounts shall be applied to prepay the loans. The 2017 Loan Agreement also contains customary affirmative and negative covenants for a credit facility of this size and type, including covenants that limit or restrict the Company's ability to, among other things, incur indebtedness, grant liens, merge or consolidate, dispose of assets, make investments, make acquisitions, enter into transactions with affiliates, pay dividends or make distributions, license intellectual property rights on an exclusive basis or repurchase stock, in each case subject to customary exceptions. As of March 31, 2019, the Company was in compliance with all covenants.

As of March 31, 2019 and December 31, 2018, \$30,927,000 and \$30,528,000, respectively, was recorded on the balance sheets under the 2017 Loan Agreement, respectively, which is net of the remaining unamortized debt discount.

In connection with the 2017 Loan Agreement, the Company issued two 10-year warrants to CRG to purchase a total of 222,049 shares of the Company's common stock at an exercise price of \$9.50 per share (See Note 9).

As of March 31, 2019, future minimum payments under the note payable are as follows (in thousands):

<b>Year Ending December 31,</b>	
2019 (remaining 9 months)	\$ 2,103
2020	2,901
2021	16,673
2022	19,306
2023	6,220
Total payments	47,203
Less: Amount representing interest	(15,135)
Present value of obligations	32,068
Less: Unamortized debt discount	(1,141)
Note payable, noncurrent portion	<u>\$ 30,927</u>

## 7. Leases

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

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

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

Rent expense for the three months ended March 31, 2018 was \$138,000.



In September 2018, the Company entered into a 36-month noncancelable operating lease agreement for office equipment. The lease commenced on September 20, 2018. The monthly payment is approximately \$3,000.

After the adoption of ASU 842 – Leases on January 1, 2019, 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 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 at March 31, 2019 and January 1, 2019:

	<u>March 31, 2019</u>	<u>January 1, 2019</u>
<b>Assets:</b>		
Operating lease right-of-use assets	\$ 565	\$ 629
<b>Liabilities:</b>		
Current operating lease liabilities	\$ 238	\$ 230
Noncurrent operating lease liabilities	337	399
	<u>\$ 575</u>	<u>\$ 629</u>

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

The operating leases expense for the three months ended March 31, 2019 was \$75,000.

As of March 31, 2019, the maturity of operating lease liabilities was as follows:

<b><u>Year Ending December 31,</u></b>		
2019 (remaining nine months)	\$	222
2020		303
2021		<u>137</u>
Total lease payments		662
Less: Interest		<u>(87)</u>
Present value of lease liabilities	<u>\$</u>	<u>575</u>

The weighted average remaining lease term was approximately 26 months as of March 31, 2019. The weighted average discount rate for the three months ended March 31, 2019 was 12.5%.

## **8. 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 amount of future payments the Company could be required to make under these arrangements is not determinable. The Company has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the estimated fair value of these agreements is minimal.

### ***Loss Contingencies***

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

### **9. Common Stock**

In March 2019, the Company issued 27,473 restricted shares of its common stock at a value of \$0.91 per share, or an aggregate value of approximately \$25,000.

In December 2018, in connection with the closing of the December 2018 Offering, the Company issued an aggregate of 14,728,504 shares of common stock, including the shares issued in connection with the exercise of the underwriters' overallotment option, at a public offering price of \$1.50 per share for gross proceeds of approximately \$22,093,000. The net proceeds to the Company, after deducting underwriting discounts and commissions and other offering expenses, were approximately \$20,385,000.

In June 2018, the Company issued 100,000 restricted shares of its common stock at a value of \$2.56 per share, or an aggregate value of approximately \$256,000.

In February 2018, in connection with the closing of the February 2018 Offering, the Company issued an aggregate of 11,500,000 shares of common stock, including the shares issued in connection with the exercise of the underwriters' overallotment option, at a public offering price of \$3.00 per share for gross proceeds of approximately \$34,500,000. The net proceeds to the Company, after deducting underwriting discounts and commissions and other offering expenses, were approximately \$32,214,000.

Through the November 2017 ATM Facility, the Company may offer and sell, from time-to-time, up to \$25,000,000 aggregate offering price of shares of its common stock. During the three months ended March 31, 2019, the Company sold zero shares of common stock under the November 2017 ATM Facility. During the three months ended March 31, 2018, the Company sold 208,277 shares of common stock under the November 2017 ATM Facility for net proceeds of approximately \$1,011,000. As of March 31, 2019, the Company has sold 336,498 shares of common stock under the November 2017 ATM Facility for net proceeds of approximately \$1,318,000.

## Warrants for Common Stock

As of March 31, 2019, outstanding warrants to purchase shares of common stock were as follows:

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

In connection with the 2017 Loan Agreement, the Company issued warrants to purchase a total of 222,049, shares of common stock at an exercise price of \$9.50 per share. The warrants have a contractual life of ten years and are exercisable immediately in whole or in part. The Company determined the fair value of the warrants on the date of issuance to be \$940,000 using the Black-Scholes option pricing model. Assumptions used were dividend yield of 0%, volatility of 55.1%, risk free interest rate of 2.25% and a contractual life of ten years. The fair value of the warrants along with financing and legal fees totaling \$790,000, are recorded as debt issuance costs and presented in the condensed consolidated balance sheets as a deduction from the carrying amount of the note payable. The debt issuance costs are amortized to interest expense over the loan term. During the three months ended March 31, 2019 and 2018, the Company recorded \$83,000 and \$77,000, respectively, of interest expense relating to the debt issuance costs using the effective interest method.

No shares issuable pursuant to warrants were issued in connection with the exercise of warrants during the three months ended March 31, 2019 and 2018.

No shares issuable pursuant to warrants have been cancelled during the three months ended March 31, 2019 and 2018.

## 10. Summary of Stock Options

### Stock Option Plans

The Company has issued equity awards in the form of stock options and restricted stock awards (“RSAs”) 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, 2019, there are outstanding stock option awards issued from the 2006 Plan covering a total of 10,434 shares of the Company’s common stock and no shares are available for future awards. The weighted average exercise price of the outstanding stock options is \$10.05 per share and the weighted average remaining contractual term is 3.84 years.

As of March 31, 2019, there are outstanding stock option awards issued from the 2013 Plan covering a total of 5,582,696 shares of the Company’s common stock and there remain reserved for future awards 678,216 shares of the Company’s common stock. The weighted average exercise price of the outstanding stock options is \$3.26 per share, and the remaining contractual term is 8.2 years.

In January 2019, the board of directors approved the 2019 evergreen provision increasing the total stock reserved for issuance under the 2013 Plan by 2,043,142 shares from 4,914,016 shares to a total of 6,957,158 shares, which was effective January 1, 2019.

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

	Three Months Ended March 31, 2019			
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Options outstanding, beginning of period	4,014,475	\$ 4.56	7.4	\$ -
Options granted	2,145,000	\$ 1.24		
Options exercised	-			
Options canceled	(566,345)	\$ 4.63		
Options outstanding, end of period	<u>5,593,130</u>	\$ 3.28	8.2	\$ -
Vested and exercisable and expected to vest, end of period	5,291,876	\$ 3.33	8.1	\$ -
Vested and exercisable, end of period	1,725,352	\$ 5.04	5.6	\$ -

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, 2019.

The options outstanding and exercisable as of March 31, 2019 are as follows:

Range of Exercise Prices	Number Outstanding as of March 31, 2019	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Number Exercisable as of March 31, 2019	Weighted Average Exercise Price
\$1.00 - \$1.97	2,655,417	\$ 1.38	9.67	183,487	\$ 1.51
\$2.02 - \$2.83	97,500	\$ 2.42	8.93	12,240	\$ 2.64
\$3.03 - \$3.82	484,376	\$ 3.55	8.81	93,126	\$ 3.77
\$4.30 - \$4.97	1,000,954	\$ 4.52	7.69	437,550	\$ 4.55
\$5.01 - \$5.67	630,739	\$ 5.35	5.98	411,788	\$ 5.35
\$6.00 - \$6.61	463,483	\$ 6.02	3.47	415,932	\$ 6.02
\$7.00 - \$7.92	250,227	\$ 7.68	6.93	160,795	\$ 7.68
\$9.92	10,424	\$ 9.92	3.85	10,424	\$ 9.92
\$59.60 - \$149.04	<u>10</u>	\$ 149.04	2.56	<u>10</u>	\$ 149.04
Total:	<u>5,593,130</u>	\$ 3.28	8.16	<u>1,725,352</u>	\$ 5.04

#### **Restricted Stock Awards ("RSA")**

During the three months ended March 31, 2019, the Company granted RSAs for 364,072 shares of common stock under the 2013 Plan to employees as part of their 2018 annual performance bonuses. The bonuses for 2018 performance were paid 50% in cash and 50% in the form of RSAs that will vest in full upon FDA approval of the Viveve System for improvement of sexual function or stress urinary incontinence in the United States. The RSAs were granted in January 2019. A total of 1,800 shares pursuant to these RSAs were cancelled in March 2019. As of March 31, 2019, zero shares were vested and issued.

As of March 31, 2019, there are 419,147 shares of unvested restricted stock outstanding that have been granted pursuant to RSAs.

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

The sixth offering period under the Company's 2017 Employee Stock Purchase Plan (the "2017 ESPP") began on January 1, 2019 and ended on March 31, 2019, and 43,759 shares were issued on March 29, 2019 at a purchase price of \$0.80.

As of March 31, 2019, the remaining shares available for issuance under the 2017 ESPP were 212,560 shares.

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
Expected term (in years)	0.25	0.25
Average volatility	74%	59%
Risk-free interest rate	2.45%	1.39%
Dividend yield	0%	0%

The weighted average grant date fair value of the purchase rights issued under the 2017 ESPP during the three months ended March 31, 2019 and 2018 was \$0.33 and \$1.30, respectively.

#### ***Stock-Based Compensation***

During the three months ended March 31, 2019 and 2018, the Company granted stock options to employees to purchase 2,117,500 and 1,251,171 shares of common stock, respectively, with a weighted average grant date fair value of \$1.24 and \$ 2.77 per share, respectively. There were no stock options exercised during the three months ended March 31, 2019 and 2018.

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
Expected term (in years)	5	5
Average volatility	73%	76%
Risk-free interest rate	2.53%	2.48%
Dividend yield	0%	0%

During the three months ended March 31, 2019 and 2018, the Company granted stock options to nonemployees to purchase 27,500 and 2,388 shares of common stock, respectively, with a weighted average grant date fair value of \$1.22 and \$2.98, respectively. There were no stock options exercised by nonemployees during the three months ended March 31, 2019 and 2018.

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
Expected term (in years)	5	10
Average volatility	73%	77%
Risk-free interest rate	2.49%	2.73%
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 employee stock options represents the weighted average period the stock options are expected to remain outstanding and is based on the history of exercises and cancellations on all past option grants made by the Company, the contractual term, the vesting period and the expected remaining term of the outstanding options. The risk-free interest rate is based on the U.S. Treasury interest rates whose term is consistent with the expected life of the stock options. No dividend yield is included as the Company has not issued any dividends and does not anticipate issuing any dividends in the future.

The following table shows stock-based compensation expense included in the condensed consolidated statements of operations for the three months ended March 31, 2019 and 2018 (in thousands):

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
Cost of revenue	\$ 32	\$ 11
Research and development	40	122
Selling, general and administrative	424	620
Total	<u>\$ 496</u>	<u>\$ 753</u>

As of March 31, 2019, the total unrecognized compensation cost in connection with unvested stock options was approximately \$4,607,000. These costs are expected to be recognized over a period of approximately 2.6 years.

#### **11. 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, 2019 and March 31, 2018. The Company expects that its effective tax rate for the full year 2019 will be 0%.

#### **12. Related Party Transactions**

In June 2006, the Company entered into a Development and Manufacturing Agreement (the "Agreement") with Stellartech Research Corporation ("Stellartech"). The Agreement was amended on October 4, 2007. Under the Agreement, the Company agreed to purchase 300 generators manufactured by Stellartech. As of March 31, 2019, the Company has purchased 809 units. The price per unit is variable and dependent on the volume and timing of units ordered. In conjunction with the Agreement, Stellartech purchased 37,500 shares of Viveve, Inc.'s common stock. Under the Agreement, the Company paid Stellartech approximately \$1,489,000 and \$3,273,000 for goods and services during the three months ended March 31, 2019 and 2018, respectively. The amounts due to Stellartech for accounts payable as of March 31, 2019 and December 31, 2018 were approximately \$619,000 and \$960,000, respectively.

#### **13. Restructuring Costs**

In January 2019, the Company implemented a strategic organizational realignment plan to reduce operating expenses and prepare the Company for expanded indications for its CMRF technology platform for improved sexual function and stress urinary incontinence in women. The restructuring included a reduction in headcount of approximately 40 full-time employees. The total restructuring costs were approximately \$742,000 and have been recorded in operating expenses in the condensed consolidated statements of operations. As of March 31, 2019, approximately \$24,000 remains unpaid and is included in accrued liabilities. This amount is expected to be paid in the quarter ended June 30, 2019. The restructuring contributed to a reduction in total operating expenses in the first quarter of 2019 as planned and is expected to result in additional operating cost savings throughout the remainder of this year.

## 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, 2018, as filed with the Securities and Exchange Commission on March 15, 2019. 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 a radiofrequency generator, 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 60 countries throughout the world under the following indications for use:

Indication for Use:	No. of Countries:
General surgical procedures for electrocoagulation and hemostasis	3 (including the U.S.)
General surgical procedures for electrocoagulation and hemostasis of vaginal tissue and for the treatment of vaginal laxity	32
For treatment of vaginal laxity	6
For treatment of the vaginal introitus, after vaginal childbirth, to improve sexual function	16
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, 2019, we have sold 746 Viveve Systems and approximately 35,500 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. As noted above, our operations to date have been primarily funded through the sales of our securities, bank term loans and loans from related parties. Various factors, including our limited operating history with limited revenues 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

#### Effective Shelf Registration Statements

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

### ***December 2018 Offering***

In connection with the closing of the December 2018 Offering, the Company issued an aggregate of 14,728,504 shares of common stock, including the shares issued in connection with the exercise of the underwriters' overallotment option, at a public offering price of \$1.50 per share for gross proceeds of approximately \$22,093,000. The net proceeds to the Company, after deducting underwriting discounts and commissions and other offering expenses, were approximately \$20,385,000.

### ***"At-the-Market" Offering***

The Company established an "at-the-market" equity offering program through the filing of a prospectus supplement to its shelf registration statement on Form S-3, which was filed on November 8, 2017, under which the Company may offer and sell, from time-to-time, up to \$25,000,000 aggregate offering price of shares of its common stock (the "November 2017 ATM Facility"). As of March 31, 2019, the Company has sold 336,498 shares of common stock under the November 2017 ATM Facility for gross proceeds of approximately \$1,631,000. The net proceeds to the Company, after deducting underwriting discounts and commissions and other offering expenses, were approximately \$1,318,000.

### ***CE Mark Clearance for Next Generation 2.0 Platform in Europe***

In April 2019, the Company received CE Mark clearance for its next generation Viveve 2.0 CMRF system and tips in European Union and European Economic Area countries. As part of our ongoing regulatory strategy to expand the commercial launch of our Viveve 2.0 platform globally, the Company's next generation system and its consumable treatment tips are now available in over 30 countries in Europe. The Company's 2.0 platform significantly reduced manufacturing costs for both the next generation system and for the consumable tips since becoming available in the U.S. and it should have a positive impact on our overall gross margins going forward.

### ***Enrollment Completed in VIVEVE II Clinical Study***

In March 2019, enrollment was completed for the VIVEVE II (Viveve treatment of the Vaginal Introitus to EVAluate Effectiveness clinical study following IDE approval by the FDA. This is a prospective, randomized, double-blind, sham controlled study to evaluate the efficacy and safety of the Viveve System to improve symptoms of female sexual dysfunction, associated with vaginal laxity. Nineteen active clinical sites in the United States enrolled 250 female patients who were pre-menopausal, 18 years of age or older who experienced at least one full term vaginal delivery at least twelve months prior to enrollment date, randomized in a 2:1 ratio to either an active treatment group or sham-control group. Patients will be followed for twelve months post-treatment to assess the primary effectiveness and safety endpoints of the study with data being collected at one, three, six, nine and twelve months. Patients randomized to the sham arm will be offered the opportunity to receive a Viveve treatment once they have completed the twelve-month evaluation following the sham intervention.

The primary efficacy endpoint of the study is the mean change from baseline in the Female Sexual Function Index (FSFI) total score at twelve months post treatment. Secondary endpoints include evaluation of the mean change from baseline of the total FSFI score at six months, as well as evaluation of the mean change from baseline of the six different domains within the FSFI at six and twelve months. At months six and twelve, in addition to the FSFI, subjects will be asked to complete the Patient's Global Impression of Improvement (PGI-I). Subjects will also be assessed for adverse events throughout the study. The Company intends to report final twelve-month clinical data from the study in the second quarter of 2020.

### ***Enrollment Completed in LIBERATE-International SUI Trial***

In January 2019, enrollment was completed for the LIBERATE-International study in SUI. The study was conducted in Canada to support SUI indications in Canada, the European Union and several other international countries. LIBERATE International is a randomized, double-blind, sham-controlled study conducted at 9 sites in Canada and included enrollment of 99 patients suffering from mild-to-moderate SUI. Patients were randomized in a 2:1 ratio to either an active treatment group or sham-control group. Patients will be followed for six months post-treatment to assess the primary effectiveness and safety endpoints of the study with data being collected at one, three and six months.

The primary efficacy endpoint is the 6-month change from baseline in the one-hour pad weight test, and the study protocol includes 6 months of safety follow-up, as well as assessments of other secondary endpoints, including: 24-hour pad weight test, daily incontinence episodes, as well as composite scores from the validated UDI-6, IIQ-7, and ICIQ-UI-SF outcome questionnaires.

Health Canada issued an authorization to conduct the investigational testing. The treatment portion of the trial has been completed, and if the results are favorable, the company expects to use the study for a registration filing in Canada, the EU and other countries outside the US for the improvement of SUI symptoms. There can be no assurance that any regulatory authority will approve our applications.



### ***Reported Positive Twelve-Month Data from SUI Feasibility Study***

In December 2018, the Company reported positive twelve-month interim data from its SUI feasibility study. At twelve months post-treatment, 72% of women experienced improvement in one-hour pad weight test and 60% of patients experienced significant benefit as they had  $\leq$  1 gram of urine leakage in the one-hour pad weight test at twelve months. A clinically meaningful benefit was achieved across all patient-reported SUI symptoms and quality of life outcome measures. No device-related safety issues were reported for any of the patients.

This single-arm feasibility study included 36 subjects with mild to moderate SUI (based on the one-hour pad weight test) who underwent treatment with Viveve's CMRF technology under a proprietary treatment protocol. Clinical results included the objective one-hour pad weight assessment and seven-day bladder voiding diary, as well as composite scores from multiple validated patient-reported outcomes, including: UDI-6 (Urogenital Distress Inventory-Short Form), IIQ-7 (Incontinence Impact Questionnaire) and ICIQ-UI-SF (International Consultation on Incontinence Questionnaire-Urinary Incontinence-Short Form).

### ***Submission of IDE to FDA for Approval to Conduct SUI Trial in the United States***

In September 2018, the Company submitted an Investigational Device Exemption (IDE) to the U.S. Food and Drug Administration (FDA) for authorization to begin LIBERATE-U.S., a multicenter, randomized, double-blinded, sham-controlled trial to evaluate the safety and efficacy of the Company's proprietary technology for the improvement of stress urinary incontinence (SUI) in women. Intended enrollment for the LIBERATE-U.S. trial is approximately 240 subjects at up to 25 study sites in the United States. Subjects will be randomized in a 2:1 ratio for active and sham treatments.

The expected primary efficacy endpoint in the study is the proportion of patients experiencing a greater than 50% reduction in Pad Weight Gain in the standardized 1-hour Pad Weight Test at 12 months post-treatment. The 1-hour Pad Weight Test is an FDA recommended endpoint in SUI clinical research. The proposed study design also includes a variety of secondary and exploratory endpoints including safety, efficacy, as measured by a three-day voiding diary, and Quality of Life benefits measured by the Urogenital Distress Inventory-6 (UDI-6), International Consultation on Incontinence Modular Questionnaire-Urinary Incontinence Short Form (ICIQ-UI-SF), and Incontinence Quality of Life (I-QOL).

Viveve has had ongoing discussions with the FDA and a resultant safety case protocol is currently under formal review by the Agency. The Company anticipates positive feedback from the Agency in the near future and to conduct the additional safety testing. Upon completion of said testing, the Company plans to re-submit the IDE to the FDA in the third quarter 2019.

### ***Strategic Organizational Realignment***

In January 2019, the Company implemented a strategic and organizational realignment plan (the "Strategic Organizational Realignment") to reduce operating expenses and prepare the Company for expanded indications for its CMRF technology platform for improved sexual function and stress urinary incontinence in women. The Strategic Organizational Realignment included a reduction in total headcount of approximately 40 full-time employees. It also included a nearly two-thirds reduction in the Company's direct sales organization, which has been repositioned to provide targeted market development activities to further expand awareness and adoption of Viveve's CMRF technology in the before mentioned medical specialties. The Company's current and prospective aesthetic medicine customers in the U.S. will be supported by a network of distributor partners under Viveve's direction. International commercial distribution will remain unchanged through Viveve's global network of distributor partners. The total restructuring costs for employee severance and other related termination benefits recorded in the quarter ended March 31, 2019 was approximately \$742,000. As of March 31, 2019, approximately \$24,000 remains unpaid and is included in accrued liabilities. This amount is expected to be paid in the quarter ended June 30, 2019. This restructuring contributed to a reduction in our total operating expenses in the first quarter of 2019 as planned and is expected to result in additional operating cost savings throughout the remainder of this year.

### ***Adoption of New Accounting Standard - Leases***

The Company adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASU") No. 2016-02, Leases (Topic 842), as of January 1, 2019, using the modified retrospective approach. The modified retrospective approach provides a method for recording existing leases at the beginning of the period of adoption. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed us to carry forward the historical lease classification and we elected the hindsight practical expedient to determine the lease term for existing leases. We determined that the renewal options for the facilities lease would be reasonably certain to be renewed and as such, included that renewal period in determining the expected lease term of that lease. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods

## 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 to include plastic surgeons, general surgeons, urologists and urogynecologists.

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 activities for at least the next nine months; however, we may require additional capital from the sale of equity or debt securities to fully implement our plan of operation. Our operating costs include employee salaries and benefits, compensation paid to consultants, professional fees and expenses, costs associated with our clinical trials, capital costs for research and other equipment, 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 on Form 10-Q, we do not have any committed sources of financing and there are no assurances that we will be able to secure additional funding, or if we do secure additional financing that it will be on terms that are favorable to us. If we cannot obtain financing, then we may be forced to curtail our operations or consider other strategic alternatives.

## Results of Operations

*Comparison of the Three Months Ended March 31, 2019 and 2018*

### Revenue

	Three Months Ended March 31,		Change	
	2019	2018	\$	%
Revenue	\$ 3,012	\$ 3,699	\$ (687)	(19)%

(in thousands, except percentages)

We recorded revenue of \$3,012,000 for the three months ended March 31, 2019, compared to revenue of \$3,699,000 for the three months ended March 31, 2018, a decrease of \$687,000, or approximately 19%. The decrease in revenue was primarily due to sales of 43 Viveve Systems (which included 25 Viveve Systems sold in the U.S. market – 15 Viveve Systems through direct sales and 10 Viveve Systems through our U.S. distribution partner) and lower quantities of disposable products sold (which included approximately 2,300 disposable treatment tips sold globally) in the first quarter of 2019. Sales in the first quarter of 2018 included 53 Viveve Systems (which included 38 Viveve Systems sold in the U.S. market through direct sales) and approximately 5,400 disposable treatment tips.

### Gross profit

	Three Months Ended March 31,		Change	
	2019	2018	\$	%
				(in thousands, except percentages)
Gross profit	\$ 1,071	\$ 1,347	\$ (276)	(20)%

Gross profit was \$1,071,000, or 36% of revenue, for the three months ended March 31, 2019, compared to a gross profit of \$1,347,000, or 36% of revenue, for the three months ended March 31, 2018, a decrease of \$276,000, or approximately 20%. The decrease in gross profit was primarily due to the unit volume mix of products sold during the period.

### Research and development expenses

	Three Months Ended March 31,		Change	
	2019	2018	\$	%
				(in thousands, except percentages)
Research and development	\$ 2,480	\$ 3,756	\$ (1,276)	(34)%

Research and development expenses totaled \$2,480,000, for the three months ended March 31, 2019, compared to research and development expense of \$3,756,000 for the three months ended March 31, 2018, a decrease of \$1,276,000, or approximately 34%. Spending on research and development decreased in the first quarter of 2019 primarily due to reduced engineering and development work related to our products in the period as well as certain cost savings in connection with the Company's Strategic Organizational Realignment, partially offset by higher clinical study costs associated with our clinical development programs in female sexual function and SUI. Research and development spending in the first quarter of 2018 included higher costs associated with engineering and development work with our contract manufacturer related to product improvement efforts primarily for our next generation 2.0 platform in advance of the 2018 commercial product release.

### Selling, general and administrative expenses

	Three Months Ended March 31,		Change	
	2019	2018	\$	%
				(in thousands, except percentages)
Selling, general and administrative	\$ 6,626	\$ 8,931	\$ (2,305)	(26)%

Selling, general and administrative expenses totaled \$6,626,000 for the three months ended March 31, 2019, compared to \$8,931,000 for the three months ended March 31, 2018, a decrease of \$2,305,000, or approximately 26%. The decrease in selling, general and administrative expenses in the first quarter of 2019 was primarily due to certain cost savings in connection with the Company's Strategic Organizational Realignment as well as lower professional and legal fees associated with our intellectual property. Selling, general and administrative expenses in the first quarter of 2018 included higher professional and legal fees associated with strategies to protect the Company's intellectual property. In June 2018, we reached a favorable settlement in the Company's patent infringement litigation with ThermiGen, LLC.

### Restructuring costs

	Three Months Ended March 31,		Change	
	2019	2018	\$	%
				(in thousands, except percentages)
Restructuring costs	\$ 742	\$ -	\$ 742	-

In January 2019, the Company implemented the Strategic Organizational Realignment to reduce operating expenses and prepare the Company for expanded indications for its CMRF technology platform for improved sexual function and stress urinary incontinence in women. The restructuring included a reduction in headcount of approximately 40 full-time employees. The total restructuring costs recorded for the three months ended March 31, 2019 were approximately \$742,000. This restructuring contributed to a reduction in total operating expenses in the first quarter of 2019 as planned and is expected to result in additional operating cost savings throughout the remainder of this year.

**Interest expense, net**

	Three Months Ended March 31,		Change	
	2019	2018	\$	%
	(in thousands, except percentages)			
Interest expense, net	\$ 1,116	\$ 1,070	\$ 46	4%

During the three months ended March 31, 2019, we had interest expense, net of \$1,116,000, compared to \$1,070,000 for the three months ended March 31, 2018. The increase of \$46,000, or approximately 4%, resulted primarily from the additional interest expense in 2019, which was computed on a higher term loan balance compared to 2018 due to the interest in-kind which has been added to the total outstanding principal loan amount each quarterly period.

**Other expense, net**

	Three Months Ended March 31,		Change	
	2019	2018	\$	%
	(in thousands, except percentages)			
Other expense, net	\$ (11)	\$ (10)	\$ (1)	10%

During the three months ended March 31, 2019, we had other expense, net, \$11,000, compared to \$ 10,000 for the three months ended March 31, 2018.

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

	Three Months Ended March 31,		Change	
	2019	2018	\$	%
	(in thousands, except percentages)			
Loss from minority interest in limited liability company	\$ 125	\$ 249	\$ (124)	(50)%

The Company uses the equity method to account for its investment in InControl Medical, LLC ("ICM"). For the three months ended March 31, 2019, the allocated net loss from ICM's operations was \$125,000.

**Liquidity and Capital Resources***Comparison of the Three Months Ended March 31, 2019 and 2018*

At March 31, 2019, we had \$17.8 million in cash and cash equivalents. During 2018, we raised \$53.8 million from the sale of common stock. At the date our financial statements for the three months ended March 31, 2019 are issued, we did not have sufficient cash to fund our operation through May 9, 2020, 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 financial statements are issued. Based on management's plans to reduce operating expenses, including the reduction in force in January 2019, and the availability of our November 2017 ATM Facility, we believe that this substantial doubt has been alleviated.

Accordingly, we expect to satisfy our estimated liquidity needs for at least 12 months from the issuance of these condensed consolidated financial statements and have mitigated our going concern risk. However, we cannot predict, with certainty, the outcome of our future actions to generate liquidity, including the availability of additional financing.

Management currently believes that it will be necessary for us to raise additional funding in the form of an equity financing of common stock, but there can be no assurance that such funding will be available to us on favorable terms, if at all. The failure to raise capital 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):

	Three Months Ended	
	March 31,	
	2019	2018
Net cash used in operating activities	\$ (11,558)	\$ (15,191)
Net cash used in investing activities	(179)	(462)
Net cash provided by financing activities	35	33,301
Net increase in cash and cash equivalents	<u>\$ (11,702)</u>	<u>\$ 17,648</u>

#### *Operating Activities*

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

Operating activities used \$11,558,000 for the three months ended March 31, 2019 compared to \$15,191,000 used for the three months ended March 31, 2018. 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, 2019 consisted of a net loss of \$10,029,000 adjusted for non-cash expenses including provision for doubtful accounts of \$111,000, depreciation and amortization of \$311,000, stock-based compensation of \$496,000, non-cash interest expense of \$399,000, loss from minority interest in limited liability company of \$125,000 and cash outflows from changes in operating assets and liabilities of \$2,981,000. The change in operating assets and liabilities was primarily due to a decrease in accounts receivable of \$815,000, decrease in inventory \$206,000, an increase in prepaid expenses and other current assets of \$559,000 and an increase in other noncurrent assets of \$17,000, a decrease in accrued and other liabilities of \$2,202,000 and a decrease in accounts payable \$1,310,000, partially offset by an increase of other noncurrent liabilities of \$52,000. Net cash used during the three months ended March 31, 2018 consisted of a net loss of \$12,669,000 adjusted for non-cash expenses including provision for doubtful accounts of \$42,000, depreciation and amortization of \$150,000, stock-based compensation of \$753,000, non-cash interest expense of \$386,000, loss from minority interest in limited liability company of \$249,000, and cash outflows from changes in operating assets and liabilities of \$4,102,000. The change in operating assets and liabilities was primarily due to an increase in accounts receivable of \$828,000, increase in inventory of \$1,497,000, an increase in prepaid expenses and other current assets of \$561,000, a decrease in accounts payable of \$934,000, and a decrease in accrued and other liabilities of \$366,000, partially offset by an increase in other noncurrent liabilities of \$86,000.

#### *Investing Activities*

Net cash used in investing activities during the three months ended March 31, 2019 and 2018 was \$179,000 and \$462,000 respectively. Net cash used in investing activities during the three months ended March 31, 2019 and 2018 was used for the purchase of property and equipment. We expect to continue to purchase property and equipment in the normal course of our business. The amount and timing of these purchases and the related cash outflows in future periods is difficult to predict and is dependent on a number of factors including, but not limited to, any increase in the number of our employees and any changes to the capital equipment requirements related to our development programs and clinical trials.

#### *Financing Activities*

Net cash provided by financing activities during the three months ended March 31, 2019 was \$35,000, which was the result of the proceeds from purchases of common shares under the 2017 ESPP.

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

As of March 31, 2019, there is a balance of \$25,000,000 available for future issuance under the 2017 Shelf Registration Statement, and approximately \$23,369,000 available for future issuance under the November 2017 ATM Facility.

## Contractual Payment Obligations

We have obligations under a bank term loan and non-cancelable operating leases. As of March 31, 2019, our contractual obligations are as follows (in thousands):

<b>Contractual Obligations:</b>	<b>Total</b>	<b>Less than 1 Year</b>	<b>1 - 3 Year</b>	<b>3 - 5 Years</b>	<b>More than 5 Years</b>
Debt obligations (including interest)	\$ 47,203	\$ 2,814	\$ 23,888	\$ 20,501	\$ -
Non-cancellable operating lease obligations	389	298	91	-	-
<b>Total</b>	<b>\$ 47,592</b>	<b>\$ 3,112</b>	<b>\$ 23,979</b>	<b>\$ 20,501</b>	<b>\$ -</b>

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

On May 22, 2017, the Company entered into the 2017 Loan Agreement with affiliates of CRG LP ("CRG"). The credit facility consists of \$20,000,000 that was drawn at closing and the ability to access additional funding of up to an aggregate of \$10,000,000 for a total of \$30,000,000 under the credit facility. On December 29, 2017, the Company accessed the remaining \$10,000,000 available under the credit facility. The term of the loan is six years with the first four years being interest only. The outstanding principal balance under the 2017 Loan Agreement is \$32,068,000 as of March 31, 2019.

In September 2018, the Company entered into a 36-month noncancelable operating lease agreement for office equipment. The lease commenced on September 20, 2018. The monthly payment is approximately \$3,000.

## 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. Please see Note 2 to our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018, that was filed with the SEC on March 15, 2019, for a more complete description of our significant accounting policies. Except for the adoption of the new leases accounting standard on January 1, 2019, there have been no material changes to the significant accounting policies during the three months ended March 31, 2019.

## Recent Accounting Pronouncements

The Company adopted FASB's ASU No. 2016-02, Leases (Topic 842), as of January 1, 2019, using the modified retrospective approach. The modified retrospective approach provides a method for recording existing leases at the beginning of the period of adoption. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed us to carry forward the historical lease classification and we elected the hindsight practical expedient to determine the lease term for existing leases. We determined that the renewal options for the facilities lease would be reasonably certain to be renewed and as such, included that renewal period in determining the expected lease term of that lease. Adoption of the new standard resulted in the recording of operating lease right-of-use assets of \$629,000 and operating lease liabilities of \$629,000, as of January 1, 2019. The standard did not have an impact on our consolidated results of operations, cash flows or stockholders' equity previously reported. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

In June 2018, the FASB issued ASU 2018-07, "Stock Compensation (Topic 718) – Improvements to Nonemployee Share- Based Payment Accounting". The intent of this guidance is to simplify the accounting for nonemployee share-based payment accounting. The amendments in this guidance expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. Consistent with the accounting requirement for employee share-based payment awards, nonemployee share-based payment awards within the scope of Topic 718 are measured at grant-date fair value of the equity instruments that an entity is obligated to issue when the good has been delivered or the service has been rendered and any other conditions necessary to earn the right to benefit from the instruments have been satisfied. Equity- classified nonemployee share-based payment awards are measured at the grant date. Consistent with the accounting for employee share-based payment awards, an entity considers the probability of satisfying performance conditions when nonemployee share-based payment awards contain such conditions. This guidance is effective for annual reporting periods beginning after December 15, 2018, including interim periods within the reporting period. We adopted this guidance as of January 1, 2019 and the adoption of the guidance did not have a significant impact on the condensed consolidated financial statements.

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

## Off-Balance Sheet Transactions

We do not have any off-balance sheet transactions.

## **Trends, Events and Uncertainties**

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

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

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

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

We are exposed to market risk related to changes in interest rates. As of March 31, 2019, our cash and cash equivalents consisted of cash and interest-bearing accounts. Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of U.S. interest rates. However, since a majority of our investments are in highly liquid interest-bearing accounts, we do not believe we are subject to any material market risk exposure. As of March 31, 2019, we did not have any material derivative financial instruments. The fair value of our cash and cash equivalents was \$17.8 million as of March 31, 2019.

We are also exposed to market risk related to changes in foreign currency exchange rates. From time to time, we contract with vendors or service providers that are located outside the U.S., which are denominated in foreign currencies. We are subject to fluctuations in foreign currency rates in connection with these agreements. We do not currently hedge our foreign currency exchange rate risk. As of March 31, 2019, and December 31, 2018, we had minimal liabilities denominated in foreign currencies.

We do not believe that inflation had a material effect on our business, financial condition or results of operations during the three months ended March 31, 2019 and 2018.

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

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

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

We carried out an evaluation under the supervision and with the participation of management, including our principal executive officer and principal financial and accounting officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2019, the end of the period covered by this Quarterly Report. Based upon the evaluation of our disclosure controls and procedures as of March 31, 2019, our Chief Executive Officer (principal executive officer) and Vice President of Finance and Administration (principal accounting officer) concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

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

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

## **PART II-OTHER INFORMATION**

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

Except as disclosed below and in our Annual Report on Form 10-K for the year ended December 31, 2018, we are not subject to any material pending legal proceedings. From time to time, we may be involved in routine legal proceedings, as well as demands, claims and threatened litigation, which arise in the normal course of our business.

**Item 1A. Risk Factors.**

We incorporate herein by reference the risk factors included in the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 15, 2019.

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

**Unregistered Sales of Securities**

On March 12, 2019, the Company issued 27,473 shares of its common stock (the "Acorn Shares") to Acorn Management Partners, L.L.C., an accredited investor, at a price per share of \$0.91, or an aggregate offering price of approximately \$25,000, in a private offering pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"). The Company did not receive any cash proceeds from the sale, as the Acorn Shares were issued as compensation for services rendered under a consulting agreement between the parties and pursuant to the terms set forth in such consulting agreement. The Company did not engage in general solicitation or general advertising with respect to the offering.

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

Not applicable.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

Not applicable.



**Item 6. Exhibits.**

<b>Exhibit Number</b>	<b>Document</b>
3.1.1(1)	<a href="#">Certificate of Conversion for Delaware</a>
3.1.2(2)	<a href="#">Amended and Restated Certificate of Incorporation</a>
3.1.3(3)	<a href="#">Articles of Amendment to the Articles of Continuance of Viveve Medical, Inc.</a>
3.2(2)	<a href="#">Amended and Restated Bylaws</a>
101.*	<a href="#">Relocation Agreement, by and between Viveve Medical, Inc. and Jim Robbins, dated August 22, 2017</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*	XBRL Instance
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith.

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

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

**SIGNATURES**

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

Dated: May 9, 2019

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

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

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



August 22, 2017

Mr. Jim Robbins  
Via: Email – jrobbins@viveve.com

Dear Jim:

We are pleased that you have agreed to relocate to Colorado and wish you well in this next chapter of your life. Please let us know if there is anything we can do to help you make a smooth transition to Colorado.

Outlined below is the company’s Relocation Policy and Agreement. Please read carefully, sign, and date in order to receive your relocation allowance.

**Eligibility:** Your position has been moved to our Colorado headquarters and, therefore, you are eligible for relocation assistance. You must be an employee in good standing (i.e., not engaged in a Performance Improvement Plan and considered an active, regular employee of the company) in order to qualify for relocation.

**Timing of Move:** Employees who choose to relocate must complete their move within 30 days of their target move date unless approved in writing by their department head and the CEO. *Your target relocation date is January 1, 2018.*

**Relocation Allowance:** *You are eligible for a \$50,000 relocation allowance.* Please be aware that this relocation allowance is considered taxable income and will be issued via the Viveve payroll system. You are required to sign this Relocation Agreement prior to receiving this allowance.

**Repayment Clause:** Employees who receive a relocation allowance and who voluntarily resign from their position or who are terminated for cause prior to 12 months of Viveve service after their relocation will be required to repay the relocation allowance in its entirety within 60 days of their termination date.

**Additional PTO:** Employees who choose to relocate will be given an additional 40 hours of Paid Time Off in order to assist them in completing their move. Employees are asked to work closely with their managers to schedule this time off.

I have read and understand this policy and agree to abide by the terms and conditions of the policy.

*/s/ Jim Robbins* \_\_\_\_\_ *12/07/17*

Employee Date

*/s/ Patricia Scheller* \_\_\_\_\_

CEO Date

www.viveve.com 345 Inverness Drive South Bldg B STE 250 Englewood, CO 80112  
t 720.696.8150 f 720.696.8199

**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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2019

/s/ Scott Durbin  
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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2019

/s/ Jim Robbins

Jim Robbins

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, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), that, to the best of their knowledge:

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

Date: May 9, 2019

*/s/ Scott Durbin*

---

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, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), that, to the best of their knowledge:

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

Date: May 9, 2019

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