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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO**

Commission File Number 001-38238

Venus Concept Inc.
(Exact name of Registrant as specified in its Charter)

Delaware	**06-1681204**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

235 Yorkland Blvd. Suite 900
Toronto, Ontario M2J 4Y8
(877) 848-8430

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	**VERO**	**The Nasdaq Global Market**

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

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

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

Table of Contents

As of June 30, 2021, (the last business day of the registrant’s most recently completed second quarter), the aggregate market value of Registrant’s common stock, par value $0.0001, held by non-affiliates of the Registrant was $107,494,503 based upon the closing price of $3.11 per share as reported for such date by the Nasdaq Global Market. Shares of the Registrant's common stock held by executive officers and directors of the Registrant and by certain stockholders who owned 10% or more of the outstanding common stock have been excluded if such persons were deemed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of Registrant’s Common Stock outstanding as of March 24, 2022 was 63,999,044.

DOCUMENTS TO BE INCORPORATED BY REFERENCE

Certain information required in Items 10, 11, 12, 13 and 14 of Part III of this Annual Report on Form 10-K (the "Annual Report") is incorporated by reference from our definitive Proxy Statement for our 2021 Annual Meeting of Stockholders (our "Proxy Statement") which will be filed with the Securities and Exchange Commission (the "SEC") within 120 days after the end of the fiscal year ended December 31, 2021.

Table of Contents

SAFE HARBOR STATEMENT AND RISK FACTOR SUMMARY

Safe Harbor Statement

This Annual Report on Form 10-K for the year ended December 31, 2021 contains "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "1933 Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "1934 Act"). Any statements contained herein that are not of historical facts may be deemed to be forward-looking statements. In some cases, you can identify these statements by words such as such as "anticipates," "believes," "plans," "expects," "projects," "future," "intends," "may," "should," "could," "estimates," "predicts," "potential," "continue," "guidance," and other similar expressions that are predictions of or indicate future events and future trends. These forward-looking statements are based on current expectations, estimates, forecasts, and projections about our business and the industry in which we operate and management's beliefs and assumptions and are not guarantees of future performance or developments and involve known and unknown risks, uncertainties, and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this Annual Report on Form 10-K may turn out to be inaccurate.

The factors which we currently believe could have a material adverse effect on our business operations and financial performance and condition include, but are not limited to, those risks and uncertainties that are detailed in the "Risk Factor Summary" below and under Item 1A. of Part I of this Annual Report on Form 10-K. In addition, many of these risks and uncertainties are currently amplified by and may continue to be amplified by the COVID-19 pandemic and the impact of varying governmental responses that affect our customers and the economies where we operate. You are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these statements. The forward-looking statements are based on information available to us as of the filing date of this Annual Report on Form 10-K. Unless required by law, we do not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks we describe in the reports we will file from time to time with the Securities and Exchange Commission (the "SEC"), after the date of this Annual Report on Form 10-K.

This Annual Report Form 10-K also contains estimates, projections and other information concerning our industry, our business, and the markets in which we compete, including data regarding the estimated size of these markets. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained this industry, business, market and other data from reports, research surveys, studies and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data and similar sources.

Risk Factor Summary

Our business is subject to a number of risks, a summary of which is set forth below. These risks are discussed more fully in Part I, Item 1A. Risk Factors.

Risks Related to Our Business

- Our subscription-based model exposes us to the credit risk of our customers over the life of the subscription agreement. If our customers fail to make the monthly payments under their subscription agreements, our financial results may be adversely affected.

Risks Related to Intellectual Property

- Our commercial success is dependent in part on obtaining, maintaining, and enforcing our intellectual property rights, including our patents and the patents we exclusively license. If we are unable to do so, our ability to compete effectively in the market will be impaired.

Risks Related to Government Regulation

- Our devices and our operations are subject to extensive government regulation and oversight both in the United States and abroad, and our failure to comply with applicable requirements could harm our business.

- Our systems may cause or contribute to adverse medical events that we are required to report to the United States Food and Drug Administration (the "FDA"), and if we fail to do so, we would be subject to sanctions that could harm our reputation, business, financial condition, and results of operations.

Risks Related to Our Operations in Israel

- We conduct a significant portion of our operations in Israel and therefore our business, financial condition and results of operations may be adversely affected by political, economic, and military conditions in Israel.

Risks Related to Our Common Stock

- The market price of our common stock may be volatile, and you may not be able to resell our common stock at or above the price you paid.

- We do not intend to pay dividends on our common stock, and, consequently, our stockholders' ability to achieve a return on their investment will depend on appreciation in the price of our common stock.

- Our executive officers, directors and certain of our shareholders who are affiliated with our directors will have the ability to control or significantly influence all matters submitted to our stockholders for approval.

PART I

Item 1. Business.

Overview

Venus Concept Inc. (referred to herein, together with its subsidiaries unless the context otherwise denotes, as the “Company,” “Venus Concept,” “us” or “we”) is an innovative global medical technology company that develops, commercializes, and delivers minimally invasive and non-invasive medical aesthetic and hair restoration technologies. Our aesthetic systems have been designed on a cost-effective, proprietary and flexible platform that enables us to expand beyond the aesthetic industry’s traditional markets of dermatology and plastic surgery, and into non-traditional markets, including family and general practitioners and aesthetic medical spas. In the years ended December 31, 2021 and 2020, a substantial majority of our systems delivered in North America were in non-traditional markets.

In November 2019, we completed our business combination with Venus Concept Ltd., an Israeli corporation ("Venus Ltd."), and the business of Venus Ltd., became the primary business of the Company (the "Merger"). The Merger significantly expanded our presence and capability in the hair restoration market with the addition of the ARTAS System to our device portfolio. The ARTAS iX Robotic Hair Restoration System was launched in July 2018, which we believe is the first and only intelligent robotic solution to offer precise, minimally invasive, repeatable harvesting and implantation functionality in one platform. Through our NeoGraft device, which we acquired in 2018, we offer an automated hair restoration system that facilitates the harvesting of follicles during a follicular unit extraction (“FUE”) process, improving the accuracy and speed over commonly used manual extraction instruments. The ARTAS System complements our NeoGraft hair restoration system and allows us to penetrate a broader segment of the hair restoration market. Our hair restoration systems are sold primarily to plastic surgeons and dermatologists, although many of our customers come from other specialties in medicine.

In addition to our hair restoration systems, we have developed and commercialized nine aesthetic technology platforms. Our product portfolio consists of the Venus Versa, Venus Legacy, Venus Velocity, Venus Fiore, Venus Viva/Venus Viva MD, Venus Glow, Venus Bliss, Venus Bliss Max and Venus Epileve. We have received clearances from the FDA, for our aesthetic and hair restoration devices classified as Class II or greater by the FDA as described in greater detail in this Annual Report on Form 10-K. Outside the United States, we market our technologies in over 60 countries across Europe, the Middle East, Africa, Asia-Pacific and Latin America. Because each country has its own regulatory scheme and clearance process, not every device is cleared or authorized for the same indications in each market in which a particular system is marketed.

Venus Viva®, Venus Viva (logo)®,Venus Viva® MD, Venus Legacy®, Venus Legacy (logo)®, Venus Concept®, Venus Concept (logo)®, Venus Versa®, Venus Versa (logo)®, Venus Fiore®, Venus Fiore (logo)®, Venus Freedom™, Venus Bliss™, Venus Bliss (logo)®, Venus Bliss Max™, NeoGraft®, Venus Concept (logo)®, Venus Glow™®, Venus Glow (logo)®, ARTAS®, ARTAS iX®, AIME™, NanoFractional RF®, Delivering the Promise®, and (MP)2® are trademarks of the Company and its subsidiaries. Our logo and our other trade names, trademarks and service marks appearing in this document are our property. Other trade names, trademarks and service marks appearing in this document are the property of their respective owners. Solely for convenience, our trademarks and trade names referred to in this document appear without the TM or the ® symbol, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights, or the rights of the applicable licensor to these trademarks and trade names.

To address the financial barriers faced by physicians and aesthetic service providers, we focus our medical aesthetic product sale strategy on a subscription-based business model in North America and in certain of our well-established direct global markets. Traditional energy-based aesthetic devices can require substantial financial commitments, where next generation products often launch within 18 to 24 months of purchase, making it financially difficult for aesthetic service providers to access the market’s newest technologies, and for providers in non-traditional markets to justify the significant investment. Our subscription-based model is designed to provide a lower initial barrier to ownership and provide customers with greater flexibility than traditional equipment leases secured through finance companies. This significantly reduces the upfront financial commitment, without onerous credit and disclosure requirements, making this business model increasingly appealing and affordable to non-traditional physicians and medical aesthetic spas. If the economic circumstances are appropriate, we provide customers in good standing with the opportunity to upgrade to our newest available or alternative technology throughout the subscription period. To ensure that each monthly payment is made on time and that the customers’ systems are serviced in accordance with the terms of the warranty, every product purchased under a subscription agreement requires a monthly activation code, which we provide to the customer upon receipt of each monthly payment.

To support the growth initiatives of our customers, we have developed a customer business development program that provides the support and tools necessary for our customers to effectively launch, promote, and grow their businesses, while also supporting the sale of our products and ancillary services. These interactions help in further building our customer relationships.

As of December 31, 2021, we operated directly in 18 international markets through our 15 direct offices in the United States, Canada, United Kingdom, Japan, South Korea, Mexico, Argentina, Colombia, Spain, France, Germany, Australia, China, Hong Kong, and Israel.

Subscription-Based Business Model

We generate revenue under our subscription-based business model and from traditional system sales. We commenced a subscription-based model in North America in 2011 and, for the years ended December 31, 2021 and 2020, approximately 55% and 46%, respectively, of aesthetic systems we delivered were sold under the subscription-based model. For the years ended December 31, 2021 and 2020, approximately 51% and 54% respectively, of our total system revenues were derived from the subscription-based model. We have also launched our subscription-based model in targeted international markets in which we operate directly. We do not currently offer the ARTAS iX System under the subscription-based model.

Our subscription model includes an up-front fee and a monthly payment schedule, typically over a period of 36 months, with approximately 40% to 45% of total contract payments collected in the first year. For accounting purposes, these arrangements are considered to be sales-type finance leases, where the present value of all cash flows to be received under the subscription agreement is recognized as revenue upon shipment to the customer and achievement of the required revenue recognition criteria.

Market Overview

Aesthetic Procedures

The market for aesthetic procedures is large, growing, global in scale, and comprised of both surgical and non-surgical procedures. The International Society of Aesthetic Plastic Surgery (“ISAPS”) reported approximately 24.5 million cosmetic procedures worldwide in 2020. Total cosmetic procedures worldwide in 2020 was comprised of approximately 10 million surgical cosmetic procedures and approximately 14.5 million non-surgical cosmetic procedures. Total non-surgical procedures worldwide in 2020 included approximately 10.5 million injectable procedures – primarily neurotoxin and hyaluronic acid fillers – with the remaining 4.0 million non-surgical, non-injectable procedures worldwide in 2020 representing annual addressable procedure opportunity for our minimally invasive and non-invasive medical aesthetic technologies.

Based on data from Medical Insights reports published in 2021, we estimate the global energy-based aesthetic device market totaled approximately $1.7 billion in 2020. We also estimate this market will increase at 11.3% compound annual growth rate, or CAGR, to more than $2.8 billion by the end of 2025. This is in addition to the body shaping and skin tightening market which totaled $1.0 billion and is projected to grow to $2.0 billion by 2025, at a of 15.3%.

Hair Restoration Procedures

According to the “2020 Practice Census Results Report” from the International Society of Hair Restoration (“ISHRS”), an estimated 735,312 patients worldwide had a surgical hair restoration procedure in 2019, compared to an estimated 635,189 patients in 2016. The ISHRS estimated the global market for surgical hair restoration treatments totaled $4.6 billion in 2019, compared to $4.1 billion in 2016, representing approximately a 10% increase over the period.

We believe several factors are contributing to the growth in the aesthetic and hair restoration markets, including:

- *Continuing focus on body image and appearance*. Both women and men continue to be concerned with their body image and appearance. Additionally, the population and wealth of the aging “baby boomer” demographic and its desire to retain a youthful appearance have driven the growth in aesthetic and hair restoration procedures.

- *Wide acceptance of aesthetic procedures.* According to the American Society for Aesthetic Plastic Surgery (“ASAPS”), in 2020, people in the U.S. spent more than $9.3 billion on combined surgical and non-surgical aesthetic procedures. The number of non-surgical procedures has increased, growing 174% from 2000 to 2020, and the number of surgical procedures growing 22% over the same period.

- *Broader availability of minimally and non-invasive procedures.* Technological developments have resulted in the introduction of a broader range of safe, effective, easy-to-use, and low-cost minimally invasive and non-invasive aesthetic procedures, with fewer side effects. This has resulted in wider adoption of aesthetic procedures by practitioners. According to the ASAPS, nonsurgical procedures were performed more often in 2019 than surgical procedures. There has also been a market shift to less invasive hair restoration procedures such as FUE which, according to ISHRS, have increased from less than 10% of hair restoration procedures performed in 2004 to about 66% in 2019.

- *Increased physician focus and changing practitioner economics.* Managed care and government payor reimbursement restrictions in the United States, and similar payment-related constraints outside of the United States, are motivating practitioners to establish or expand their elective aesthetic practices with procedures that are paid for directly by patients. As a result, in addition to traditional aesthetic providers, non-traditional providers have begun to perform these procedures.

- *Increasingly affordable treatment solutions.* New, lower cost technologies combined with procedure pricing pressures will broaden the patient population for minimally invasive and non-invasive aesthetic procedures, which we believe will continue to contribute to increased market demand.

Aesthetic Solutions

Traditional Aesthetic Treatment Options and Their Limitations

We believe that several limitations have restricted the growth of traditional aesthetic technologies and that patients who do not require significant skin tightening, cellulite reduction, circumferential reduction or body contouring will explore non-invasive alternatives to minimize the pain, expense, downtime, and surgical risks associated with current invasive procedures. Most existing non-invasive procedures are based on various forms of directed energy treatments, such as Radiofrequency (“RF”), Intense Pulsed Light (“IPL”), lasers using various wavelengths, shockwave therapy or ultrasound.

Most traditional aesthetic technologies present several limitations, including surgical risks, potentially painful and medication-dependent surgical recovery, pain and discomfort, potentially undesired results. In addition, traditional aesthetic technologies are limited in efficacy by the relative skill and technique of the operator, and patient access to invasive treatments is often limited by cost.

Our Aesthetic Technology Solutions

We have designed a suite of medical aesthetic systems that use our proprietary multipolar pulsed technology ("$(MP)^2$") technology to address the limitations of existing medical aesthetic technologies and procedures. Our systems have the following characteristics:

- *Non-invasive.* Our systems use technologies that are primarily non-invasive. Our core $(MP)^2$ technology combines multipolar RF and magnetic pulse synthesizers to homogenously raise temperature over the entire treatment area and multiple skin layers. Controlled, targeted, uniform heat distribution and the ability to maintain clinically acceptable therapeutic temperature for the entire treatment results in no heat spikes (thermal surges) and eliminates the need for topical cooling agents.

- *Easy-to-use and delegable technology.* We believe that the effective use of our aesthetic systems is not technique-dependent and requires limited training and skills to obtain successful aesthetic results. This allows physicians to leverage their own time and increase throughput since procedures can be performed by non-physician operators, subject to local regulations. We design our systems to be easy to operate with this benefit in mind.

- *Results for broad range of skin types.* Our $(MP)^2$ technology uses proprietary algorithms that harness the benefits of both RF and Pulsed Electromagnetic Field Therapy ("PEMF") therapy. This resulting energy matrix penetrates multiple layers of skin, raising temperature homogenously and effectively. We believe this type of skin penetration improves treated conditions and provides visible results for a broad range of skin types.

- *Technology enables products to be designed for affordability.* Our technology enables us to focus on designing and manufacturing products at an affordable cost. We offer our products at competitive prices without sacrificing quality, while maintaining our margin objectives. Our competitive prices and subscription model also allow our customers the ability to offer more affordable treatment options to patients.

Our Competitive Advantages for the Aesthetic Market

- *Expands potential market.* Our subscription-based model enables us to sell to both traditional and non-traditional customers without the involvement of third-party lenders, which allows us to reach many customers who choose not to purchase competitors' aesthetic products because of the barriers associated with equipment financing.

- *Mitigates credit risk*. Our 30-day activation code technology helps to mitigate the risk that our customers will default on their payments by disallowing use of the system until we receive the monthly payment.

- *Maintains strong customer relationships.* Our subscription-based model requires us to maintain awareness of customer views and expectations, which allows us to provide high-quality services and maintain an on-going relationship with customers on an ongoing basis. Our "high-touch" customer philosophy leads to continuous interactions with our customers and enables us to cultivate strong and long-term relationships.

- *Controls secondary market resales*. Our 30-day activation code technology also reduces the risk that our products will be resold in the secondary market without authorization. This allows us to control the various distribution channels for our products and maximize the value of our products after purchase.

- *Opportunities for access to the newest available Venus Concept's technology and revenue enhancement.* Our customers have the opportunity throughout the subscription period to upgrade into our newest available or alternative technology. Our subscription model also allows customers to participate in the most current marketing and branding activities we offer. Our quarterly educational webinars, online promotions events, and periodic remote consultations lead to continuing client interaction and the ability to expand the client's business and service offerings.

Competitive Advantages for Our Customers in the Aesthetic Market

- *Return on investment.* By spreading payments over a 36-month period, our subscription-based model is designed to help our customers achieve positive cash-flow from their investment in our systems, thus reducing a portion of implementation risk and concerns associated with large initial capital outlays.

- *Expansion of services.* Our aesthetic systems allow customers to expand the services offered within their practices. A majority of our systems can be used to treat more than one clinical indication, and some products can be purchased as a modular platform that can be modified to match the needs of a growing aesthetic business. To the extent we are successful in receiving FDA and other clearances for additional clinical indications, the value of our modular platform technologies to customer practices may be further enhanced.

- *Leverage physician time and clinic infrastructure.* Subject to the local laws of each state in the United States and in other jurisdictions, our physician customers may delegate these non-invasive procedures to nurse practitioners, technicians, and other non-physician trained operators as long as the systems are operated under the physician supervision. We believe that this creates leverage to save physician time and requires the use of less practice infrastructure.

- *Less onerous credit and disclosure requirements for physicians and clinics.* Our subscription-based model allows our customers to purchase our products without the involvement of third-party lenders or leasing companies that require borrowers to undergo burdensome application, review and fee requirements.

- *Opportunity to upgrade.* If the economic conditions are appropriate, our customers in good standing have the opportunity under the subscription-based model to "upgrade" into our newest available or alternative technology, which allows these customers to employ our latest technologies in their practices.

- *Customer Business Development program.* Our customer business development program offers marketing and clinical support to our customers. These services focus on improving practice or clinic revenue performance, as well as the customers' overall financial and business metrics. In addition, we provide remote educational programs that focus on driving best practices and increasing clinical and economic performance of our customers.

Hair Restoration Solutions

The treatments for hair loss can broadly be divided between non-surgical options and surgical procedures.

Non-Surgical Options

Traditional non-surgical options for hair loss include prescription therapeutics and non-prescription remedies. In the United States, the FDA has authorized two prescription therapeutics for hair loss: Rogaine which is applied topically, and Propecia which is ingested in pill form. Both Rogaine and Propecia have several drawbacks, including limited efficacy in some individuals, potential side effects and the need for strict patient compliance for the treatment to have meaningful effect.

Surgical Procedures

Surgical procedures to address hair loss, specifically follicular unit transplantation ("FUT Strip Surgery") and FUE, continue to evolve and become more popular. FUE is significantly less invasive than FUT Strip Surgery, which requires the physician to surgically remove a large strip of the patient's scalp and implant individual hair follicles from the strip into the patient's scalp. This procedure results in a linear scar at the donor area. In a FUE procedure, the physician or technician removes individual hair follicles from the patient's scalp without removing a strip of tissue. Because a strip of the patient's scalp is not removed, a FUE procedure avoids a long linear scar and reduces the post-operative pain and numbness associated with strip surgery. FUE can be performed with manual hand-held punches, automated hand-held devices (e.g. NeoGraft) or robotically with the ARTAS System.

Limitation of Traditional Hair Loss Treatment Options

While FUT Strip Surgery and FUE surgery using a hand-held device ("Manual FUE"), can provide significant, long-term results in restoring hair, there are several limitations associated with these procedures, including the demanding training and major investment of time required for a physician or technician to become proficient, the labor intensive nature of the procedures, the ability of physician or technician to effective create sites for hair follicle implantation, and the risk of inconsistence of physician or technician performance.

Our Hair Loss Treatment Solutions

The ARTAS Solution

We believe the ARTAS System addresses many of the shortcomings of other hair restoration procedures. The ARTAS System is capable of robotically assisting a physician through many of the most challenging steps of the hair restoration process, including the dissection of hair follicles, site planning and recipient site making. We believe, with this assistance, the ARTAS System can help shorten the often-long learning curve for both physicians and technicians to become proficient in performing hair restoration procedures. In addition, we believe that by assisting the physician and technicians with many of the repetitive tasks associated with the hair restoration procedures, the ARTAS System can make hair restoration procedures less labor intensive and can reduce operator fatigue, thereby reducing inconsistent results. Further, we believe the ARTAS System's site making functionality, which includes an enhanced imaging system and sophisticated algorithms, helps physicians avoid damaging existing follicles and enables them to create a more natural, aesthetically pleasing outcome for the patient. In March 2018, we received 510(k) clearance from the FDA to expand the ARTAS technology to include implantation of harvested hair follicles into our ARTAS iX System for sale in the United States. In December 2018, we completed the International Organization for Standardization (ISO) audit and are compliant with CE Mark requirements which allow for the sale of the ARTAS iX System with implantation functionality in Europe.

We strategically market the ARTAS System to hair restoration surgeons, dermatologists, plastic surgeons and aesthetic physicians. We believe we can reach our target physician customers effectively through focused marketing efforts. These efforts include participation in trade shows, scientific meetings, educational symposiums, webinars, online advertising and other activities. For physicians who purchase the ARTAS System, we provide comprehensive clinical training and practice-based marketing support. For example, we believe we help our physician customers increase the number of procedures performed by assigning a business development manager ("BDM") to aid in building the physician-customer's hair restoration practice. Support from a BDM includes assistance with recruitment, consultation, and conversion of patients. Additionally, BDMs deploy patient marketing materials, assist with social media and digital marketing strategies, and provide other marketing and sales support.

Advantages of the ARTAS Procedure

Patient Value. We believe the ARTAS System significantly improves the patient experience and outcome in hair transplantation procedures in the following ways:

- The ARTAS procedure provides patients with a minimally invasive, less painful alternative to FUT Strip Surgery. The ARTAS System has a faster recovery time and avoids the long linear scar at the back of the patient's head.

- Through the ARTAS System, the dissection of grafts is performed in a manner that leaves only small pinpoint scars that heal faster and are less detectable than the larger post-operative linear scar that would be produced from FUT Strip Surgery. As a result, an ARTAS procedure can, in many cases, offer a shorter recovery time and can enable patients to resume their daily lifestyle faster than with strip surgery. In addition, the ARTAS procedure allows patients to wear their hair shorter without a noticeable scar.

- The ARTAS site making functionality translates the physician-patient site design onto the patient's recipient area. The ARTAS System's enhanced imaging system and sophisticated algorithms enable the ARTAS System to rapidly create recipient sites at precise depths, replicate pre-existing hair angles, avoid damaging the healthy pre-existing hair and adjust the distribution of the recipient sites to optimally fill in the transplantation area. We believe these elements can contribute to a superior aesthetic outcome.

Physician Value. We believe the ARTAS System provides physicians with compelling economic benefits and enables physicians to achieve consistent reproducible results. As a result, we believe the ARTAS procedure also offers an attractive addition to existing dermatology, plastic surgery or aesthetics practices whether they do or do not currently provide hair restoration procedures in the following ways:

- We believe the ARTAS System and ARTAS 3D pre-operative planning software application provide compelling benefits for physicians. The ARTAS System's image-guided robotic capabilities allow physicians to perform procedures with fewer staff than what might be required for a traditional FUT Strip Surgery or a Manual FUE procedure. With the robotic assistance provided by the ARTAS System, we believe physicians and technicians will be able to perform the complicated, repetitive and often tedious task of dissecting hair grafts with less fatigue and greater productivity than would be possible in a Manual FUE procedure.

- Hair restoration procedures are generally paid for by the patient and do not involve the complexity of securing reimbursement from third-party payors.

- As we provide high quality training for physicians and their clinical teams on the use of the ARTAS System and because the robotic system and its intelligent algorithms assist these teams in performing hair restoration procedures, we believe we can significantly shorten the learning curve necessary for hair transplantation procedures using the ARTAS System. This shortened learning curve can reduce barriers to entry for a new hair restoration practice. It can also ease the adoption of a new technology into existing practices.

Clinically-Established Results. Four peer-reviewed clinical publications have demonstrated the quality and consistency of grafts produced by the ARTAS System. One published study indicated average damage rates for the hair follicles, or transection rates, with the ARTAS System were as low as 6.6%, with a second study documenting average transection rates as low as 4.9% in a separate population of patients. The third study documented that the ARTAS System can be programmed by the physician to select follicular units with larger groupings of hairs while skipping single hair grafts, which allows physicians to choose particular follicular units depending on the hair density they are trying to achieve, providing a clinical benefit as measured by the increase in hairs per harvest of 17% and as measured by the increase in hairs per graft of 11.4%. Results were statistically significant with a p-value less than 0.01. This study also demonstrates the ability of robotic follicular unit graft selection to increase the number of hairs a physician can extract for each incision made in the donor area. The fourth study demonstrated that FUE cases larger than 2,500 grafts, or mega-sessions, are possible using the ARTAS System. These peer-reviewed publications demonstrate the reproducibility and consistency of dissection results from the ARTAS System in a diverse group of patients, even as the system is used by different clinicians. To our knowledge, there are no other peer-reviewed clinical publications that demonstrate the reproducibility of results utilizing other products in FUE or strip surgery procedures. We continue to encourage scientific research in the study of hair restoration to improve our technology, solutions, enhance understanding of our industry and educate physicians on the capabilities of the ARTAS System.

The NeoGraft Solution

We believe that NeoGraft offers a technology solution that complements our robotic hair restoration system and provides an alternative to FUT Strip Surgery and Manual FUE procedures for our customers and their patients.

Patient Value

- Unlike traditional FUT Strip Surgery procedures, the NeoGraft system is minimally invasive. In a FUE procedure using NeoGraft, rather than surgically removing a portion of the patient’s scalp, each hair graft is individually dissected from the scalp for transplantation. Because a strip of the patient’s scalp is not removed, a FUE procedure avoids a long linear scar and reduces the post-operative pain and healing process, reducing the risk of potential infection and pain.

- In addition to treating male pattern hair loss for patients with black and brown straight hair, the NeoGraft may also be used for women and people with curly or light-colored hair.

- NeoGraft can be used for fine tuning of small, specific areas of the scalp, temples and temporal peaks.

Physician Value

- The highly ergonomic mechanical NeoGraft system works as a natural extension of the surgeon's hand, allowing for faster and more accurate harvesting of hair follicles. NeoGraft patients may reach their goal with less time in the procedure room or fewer FUE procedures.

- Our NeoGraft system is a lower priced option to our ARTAS System making it a feasible alternative for physicians who do not perform a large volume of hair restoration surgeries.

Our Strategy

Our goal is to become a leading global provider of minimally invasive and non-invasive medical aesthetic and hair restoration technologies and their complimentary products. To achieve this goal, we intend to:

- *Broaden our portfolio of product offering*. We continue to invest in and leverage the extensive energy-based technology developed by our experienced research and development team in Israel, and we believe that collaboration with the experienced robotic research and development team in the United States will bring new and innovative technology solutions to the hair restoration and non-invasive and minimally invasive categories of aesthetic medicine.

- *Apply robotic technologies to new applications.* Our research and development teams in Israel and the United States continue to collaborate on the development of new and innovative technology solutions to the non-invasive and minimally invasive categories of aesthetic medicine. We are working on robotically assisted minimally invasive solutions for aesthetic procedures that are primarily treated by surgical intervention. We have commenced a good laboratory practice pre-clinical trial with our Aime device, the results of which will be submitted to the FDA for clearance of fractional skin (tissue) excision and resurfacing. In addition, we commenced enrollment for our multicentered clinical trial for treatment of wrinkles on the cheeks in March 2022. We also believe that robotics, machine vision and artificial intelligence can provide significant improvements in the delivery of neurotoxins and volumizers. We are currently investigating the application of our robotic technology to the safe and precise delivery of injectable treatments.

- *Hair restoration market.* We continue to focus on providing a complete set of products and services to the hair restoration market. With ARTAS and NeoGraft, we believe that our hair restoration product offering serves a broad segment of the market.

- *Expand FDA (and other regulatory agencies) cleared indications for our products.* We intend to seek additional regulatory clearances from the FDA, the National Medical Products Administration (NMPA, previously CFDA), Health Canada and other national regulatory bodies and to extend the scope of our existing FDA clearance and CE Mark certifications. Additionally, we intend to expand the scope of marketable indications for our technologies in other markets.

- *Leverage our subscription-based model to new market channels.* Our subscription-based model offers our customers an alternative to using third-party lenders and reduces their initial capital expenditure. We believe that with ever increasing restrictions on government reimbursement for medical procedures, there is a large, predominantly untapped market of physicians and physician-owned clinics that are seeking new “pay out-of-pocket” revenue streams. Limited availability of cost-effective capital financing to many non-traditional customers makes it more difficult for these types of providers to build new revenue streams. Our technology and subscription-based model are designed to specifically target, support and address these issues, enabling us to expand into previously untapped markets.

- *Expand into non-traditional markets.* We intend to continue to market our systems to providers of aesthetic services in the large and under-penetrated non-traditional aesthetic market. We believe the ease of use of our technologies makes our systems suitable for adoption by physicians and other providers in non-traditional markets, including general and family practitioners and aesthetic medical spas.

- *Enhance our international operations.* We have built a direct sales force through wholly owned subsidiaries in the United States, Canada, United Kingdom, Japan, South Korea, Mexico, Argentina, Colombia, Spain, France, Germany, Israel, Australia and China, with a majority-owned subsidiary in Hong Kong and a strong and growing network of international distributors and strategic partners. We have implemented a strategy to bolster our sales and marketing capabilities internationally and believe we are well positioned to continue to grow our revenue from customers located outside North America.

- *Increase consumer awareness and demand for our products*. We intend to continue to employ targeted marketing strategies to engage consumers through social and digital media marketing programs in order to generate awareness of and demand for our technologies, with an emphasis on targeting the non-traditional physician market. In furtherance of this strategy, we will continue to leverage current global brand ambassadorships and related media assets to drive promotional activity related to our key products.

Our Aesthetic Technologies

We use a variety of technologies that allow us to expand into non-traditional physician markets. One differentiating technology is our proprietary (MP)^2 technology, which synergizes PEMF and a multipolar RF matrix. Our (MP)^2 technology is applicable to a wide range of non-invasive skin tightening, wrinkle reduction, body contouring, cellulite, and fat reduction, which have been cleared in the United States, Canada, and Europe, and we have commenced our entrance into the rapidly growing feminine wellness market both domestically and internationally. We also currently have solutions based on other technologies such as fractional ablative RF, IPL and laser technologies, affording a broader set of solution options to address key markets for hair removal, and vascular pigmented lesions, circumference reduction and fat reduction (lipolysis). As part of our strategy, our Venus Velocity, Venus Viva, Venus Viva MD, Venus Fiore, Venus Bliss, Venus Bliss Max, Venus Epileve, ARTAS and NeoGraft systems come with integrated internet of things capabilities.

Our (MP)^2 Proprietary Technology

Our proprietary (MP)^2 technology employs both PEMF and multipolar RF energy in a synergistic manner. (MP)^2 is noninvasive and because (MP)^2 disperses heat equally across the treatment area, it does not produce potentially painful localized heat spikes, and unlike other devices employing RF, (MP)^2 does not require local cooling during treatment.

PEMFs energy is created by running short pulses of electrical current through metal coils, which results in the formation of electromagnetic fields. Electromagnetic fields, in turn, influence the behavior of charged particles, including various biomolecules, within the range of the electromagnetic field to cause one or more desired effects at the cellular level. The non-thermal impact of PEMF therapy is used for aesthetic application requiring enhanced collagen synthesis, for treatment of wounds, and in the management of postsurgical pain and edema.

RF energy, on the other hand, delivers radiofrequency energy that manifests itself as heat within various layers of the skin. The heat generated in the tissue by application of RF energy directly affects fibroblasts, extra cellular matrix and fat cells, thereby triggering natural wound healing processes of the skin and resulting in synthesis of new collagen and elastin fibers. In addition, under predetermined conditions, the heat causes contraction of collagen fibers and lipolysis. In our (MP)^2 technology, we employ a multipolar matrix of RF circuits to produce heat, which is distributed evenly across the treatment area and volume in a proprietary pattern, which results in the quick and uniform heating of the skin layers without overheating any particular area of the skin.

Elements of (MP)^2 Technology

Benefits of (MP)^2 Technology

Our proprietary (MP)^2 technology enables medical and aesthetic practitioners to offer a wide range of non-invasive skin tightening and body contouring solutions with a technology that is cleared for various indications by the FDA, Health Canada and the European Union (CE Mark). Additional benefits of using our (MP)^2 technology include:

- Delivery of RF energy in a uniform manner. The volumetric homogeneous distribution of heat reduces localized temperature spikes and eliminates the requirement to use a cooling aid, resulting in comfortable treatments.

- Ergonomic handpieces designed to increase comfort and reduce operator fatigue. The (MP)^2 technology offers a user-friendly interface designed to facilitate intuitive operation, and in most cases does not require an extensive training process.

Our Additional Key Technologies

In addition to our core (MP)^2 technology, we have technologies that use fractional RF (delivery of ablation and coagulation to pre-determined fractions of the skin), IPL and laser technologies that allow us to address key markets for skin resurfacing, wrinkle reduction, body contouring, noninvasive lipolysis and circumference reduction, hair removal, acne treatment and treatment of vascular and pigmented lesions. In offering these solutions in the markets where we have marketing clearances or approvals, our goal is to provide improved technologies that are safe and effective for their intended uses and economically viable for our customers.

Fractional Ablative RF

Fractional ablative/coagulative techniques improve the appearance of skin surfaces by micro-injuring the skin in a fractional manner to trigger a healing response in the treated area. This both tightens the skin and elicits collagen formation, thus rejuvenating the skin surface. Because our fractional RF technology does not use lasers or other light technologies, which are skin color dependent, fractional RF can be used on patients of all skin tones. Fractional RF technology has been incorporated into our Venus Viva applicator, supported by our Venus Viva, Venus Viva MD and Venus Versa systems.

Intense Pulsed Light

Our IPL devices employ non-laser high intensity light sources as part of a high-output flash lamp to produce a broad wavelength of non-coherent light, usually in the 400 to 1200 nm range, that may be further filtered to narrower bands per specific absorption coefficients of predetermined chromophore targets and may be applied to remove unwanted hair as well as vascular and pigmented lesions.

We have incorporated IPL technology into our Venus Versa system to expand that treatment offering and to build a modular, upgradable platform that affords a comprehensive solution for common aesthetic treatments. Specifically, the IPL capability permits users of the Venus Versa systems to offer their patients the service options of removing unwanted hair, treating acne vulgaris, and treating vascular and pigmented dermal lesions.

Diode Lasers

Diode laser technology is a recognized technology for hair removal and lipolysis. The Venus Velocity and Venus Epileve systems achieve hair removal, permanent hair reduction and treatment of ingrown hair using the diode laser. Both devices employ the laser energy to the treatment area through a chilled sapphire light guide that conductively cools the skin surface simultaneously with the delivery of laser energy that is absorbed in the hair follicle pigment, thereby maintaining a lower temperature in the epidermis to enhance the comfort of the procedure and avoid potential epidermal damage while destroying the hair for hair removal. The Venus Velocity and the Venus Epileve systems allow us to expand our offering in the hair reduction market, which is one of the most popular non-invasive energy-based aesthetic procedures in the United States.

Our laser technology is also incorporated into our Venus Bliss and Venus Bliss Max devices. The diode laser system is intended for non-invasive lipolysis of the abdomen and flanks in individuals with a Body Mass Index of 30 or less. The 1064 nm laser emission performs hyperthermic treatment of the subcutaneous tissue layers and generates an injury to adipocytes (fat cells) through direct heating. The disrupted fat cells and other cellular debris are then removed through the body naturally.

Our Robotic Technology

We believe our robotic technology has improved multiple phases of the hair transplantation procedure, which include harvesting, recipient site making and implantation.

Harvesting

During the harvesting phase of an ARTAS hair restoration procedure, the robotic arm and integrated vision system work in tandem to identify the optimal hair follicles to be used in the procedure. The ARTAS vision system uses proprietary algorithms to identify individual hair follicles, growth angle, density, thickness, length and follicle grouping and to determine which grafts to dissect and the optimal order in which they should be dissected. The algorithms recalculate 60 times per second, accommodating patient movement, to provide the physician with accurate up-to-date information during the course of the procedure. We believe these assessments directly correlate to the quality of the outcome, the state of the donor area and the potential viability for subsequent harvesting for future transplantation procedures.

Once optimal hair follicles for transplant are identified by the ARTAS vison system, these follicles are dissected using a sharp needle to score the epidermis and a punch, coaxial with the needle, to separate the graft from the surrounding tissue. In the final step of the harvesting phase, the grafts are removed by the physician or the technician, cleaned, inspected, and prepared for implantation. During the procedure, the physician can customize the dissection incisions by choosing a needle and punch that will produce 0.8mm, 0.9mm or 1.0mm incisions.

The needle travels at speeds that produce targeted precision and a cleanly scored incision. In a clinical setting, the ARTAS System has been shown to move from graft to graft at a rate of approximately one to three seconds, thereby enabling the ARTAS System to dissect a graft every two to five seconds, or approximately 720 to over 1,800 grafts per hour.

Recipient Site Making

Prior to the ARTAS System, creating sites to receive harvested grafts was performed manually using a hand-held tool or needle to create hundreds or thousands of tiny incisions in the scalp. This is a critical step as it creates the hair pattern in which the harvested grafts will grow.

The ARTAS System site making functionality incorporates artificial intelligence and robotics precision to strategically make surgical incision sites for implanting hair follicles, while identifying and avoiding injuring healthy follicles in proximity of the implantation sites. This allows the patient's hair to look more natural and prevents damaging existing healthy hair in the transplant area which we believe results in patients with more hair than if the sites were created manually.

Robotic recipient site making is performed by the physician, who develops the ARTAS System treatment plan, or map, identifying where to make the incisions on the patient's scalp. The treatment plan is prepared using three-dimension modeling software that takes a picture of the patient's recipient area and generates a three-dimensional map that is utilized by the ARTAS System. With entry angle accuracy, consistency and precise depth control, the ARTAS System creates the recipient sites using a small solid core needle or a blade at a rate of approximately 2,500 to 3,000 sites per hour, which is significantly faster than the approximately 1,500 sites per hour achieved manually.

Implantation

Customers utilizing an ARTAS iX System can utilize the robotic functionality of the system to assist in implanting the dissected follicles. We believe this robotic implantation functionality will help further shorten the learning curve, improve the consistency and reproducibility of results by protecting permanent hair, reduce inconsistencies associated with manual implantation, potentially reduce the amount of time each graft spends outside of the scalp and decrease the overall time required for implantation

Our Products

Our product portfolio includes nine energy-based systems that provide solutions for various non-invasive aesthetic applications using Venus Concept's (MP)^2 technology, as well as the VariPulse, and/or fractional ablative RF, IPL, or laser technologies. We offer two hair restoration solutions, NeoGraft and ARTAS, and a series of topical serums to be used with our Venus Glow system.

Product name	Technology	Regulatory Clearance
Venus Legacy 	Venus Legacy combines (MP)^2 with Venus Concept's VariPulse technology, which is a software controlled vacuum application, delivering alternating negative and positive pressure to the tissue in three predefined programs, to achieve lymphatic drainage, and ease applicator movement as vacuum is applied, and real-time thermal feedback to act as a workstation, providing homogeneous heating to multiple tissue depths while allowing for adjustable pulsed suction.	**United States** • The Venus Legacy BX is a noninvasive device intended for use in dermatological and general surgical procedures for females for the noninvasive treatment of moderate to severe facial wrinkles and rhytides in Fitzpatrick Skin Types I-IV. • The Venus Legacy CX using the LB2 and LF2 applicators is intended for the treatment of the following medical conditions for delivery of non-thermal RF combined with massage and magnetic field pulses: relief of minor muscle aches and pain; relief of muscle spasm; temporary improvement of local blood circulation; and temporary reduction in the appearance of cellulite. **Canada** Temporary increase of skin tightening, temporary circumferential reduction, temporary cellulite reduction, temporary and wrinkle reduction. **European Union (CE Mark)** Increase of skin tightening, temporary circumferential reduction, cellulite reduction and wrinkle reduction.

Product Name	Technology	Regulatory Clearance
Venus Versa 	Venus Versa is a versatile system based on a multi-application approach. It is a modular and upgradable platform that offers the most in-demand aesthetic treatments by supporting 10 optional applicators which utilize Venus Concept's (MP)2, and IPL and NanoFractional RF technologies. Designed as an open platform, the Venus Versa can be configured to best suit a practice's needs with the ability to add additional applications as the practice grows or changes. Depending on the applicator, or the applicator's sequence of use, the platform can provide multiple aesthetic solutions.	**United States, European Union and Canada** The Venus Versa system is a multi-application device intended for use in aesthetic and cosmetic procedures. The SR515 and SR580 IPL applicators are indicated for treatment of benign pigmented epidermal and cutaneous lesions including, hyperpigmentation, melasma, ephelides (freckles), lentigines, nevi, cafe-au-lait macules, benign cutaneous vascular lesions including port wine stains, hemangiomas, facial, truncal and leg telangiectasias, rosacea, angiomas and spider angiomas, poikiloderma of civatte, leg veins and venous malformations. The HR650, HR690, HR650XL and HR690XL IPL applicators are indicated for the removal of unwanted hair and to effect stable long-term or permanent hair reduction for Skin Types I-IV. Permanent hair reduction is defined as the long-term stable reduction in the number of hairs re-growing when measured at 6, 9, and 12 months after the completion of a treatment regimen. The ACDUAL applicator is intended to be used for the treatment of acne vulgaris. The Viva applicator is intended for dermatological procedures requiring ablation and resurfacing of the skin. The Diamondpolar and Octipolar applicators (United States only) are noninvasive devices intended for use in dermatologic and general surgery procedures for females for the noninvasive treatment of moderate to severe facial wrinkles and rhytides in Fitzpatrick skin types I-IV. The Octipolar applicator (European Union and Canada only), is designed for use in temporary body contouring via skin tightening, circumferential reduction, and cellulite reduction.

Product Name	Technology	Regulatory Clearance
Venus Viva and Venus Viva MD 	Venus Viva is an advanced, portable, fractional RF system for dermatological procedures requiring ablation and resurfacing of the skin. Venus Viva uses (Nano)Fractional RF and Smart Scan technologies. The combination of technologies allows ablation/coagulation heated zone density control and pattern generation via a proprietary tip. The energy is delivered through 160 (Viva) or 80 (Viva MD) pins per tip into the treated skin and maintains the surrounding tissue intact and healthy to support the healing process.	**United States, European Union and Canada** The Venus Viva SR is intended for dermatological procedures requiring ablation and resurfacing of the skin. **European Union and Canada** Using the Diamondpolar applicator for treatment of moderate to severe wrinkles and rhytides in Fitzpatrick skin types I-IV.

Product Name	Technology	Regulatory Clearance
Venus Velocity 	The Venus Velocity system uses pulsed laser energy of 800 mm that is absorbed by a chromophore or pigmented target (e.g., melanin in hair follicles) that has high optical absorption at the selected laser wavelength than the surrounding tissue. Different chromophores are targeted for different clinical indications. The selective absorption of different wavelengths leads to localized heating and thermal denaturation and destruction of the anatomic hair follicle target with minimal effect on surrounding tissues. The chilled sapphire light guide conductively cools the skin simultaneously with the delivery of laser energy, thereby maintaining low temperature in the epidermis to enhance the comfort of the procedure and avoid potential epidermal damage.	**United States, European Union and Canada** The Venus Velocity is intended for all Fitzpatrick skin types, including tanned skin, for use in dermatology, general and plastic surgery applications for: • Hair removal; • Permanent hair reduction (defined as the long-term stable reduction in the number of hairs regrowing when measured at 6, 9, and 12 months after the completion of a treatment regimen); and • Treatment of pseudofolliculitis barbae.

Product Name	Technology	Regulatory Clearance
Venus Fiore 	Venus Fiore incorporates Venus Concept's (MP)2 technology, supporting three different applicators. Venus Fiore has a desktop configuration and is portable and compact. It incorporates ATC technology, allowing the operator to choose a target temperature within the therapeutic range and have the system adjust the output power accordingly, to automatically maintain the desired temperature. The applicator incorporates three pairs of electrodes, each pair of electrodes accompanied by a temperature sensor, allowing the operator to control the temperature in the distal, middle and proximal thirds of the applicator independently. Venus Fiore has received clearance in United States, Canada, the European Union and Israel.	**United States** The Venus Fiore device (K211461) is intended for the treatment of the following medical conditions; using the Pearl, Diamond and Slim applicators for delivery of non-thermal RF combined with massage and magnetic field pulses: -Relief of minor muscle aches and pain, relief of muscle spasm. -Temporary improvement of local blood circulation. -Temporary reduction in the appearance of cellulite. **European Union and Canada** The Venus Fiore system is intended for the following: • With the VG applicator – For improvement of symptoms of vaginal laxity and vaginal atrophy. • With the MP applicator – For dermatological procedures requiring increasing of skin tightening improvement in skin laxity of the Mons Pubis (MP) area. • With the LA applicator – For dermatological procedures for skin tightening improvement in skin laxity of the Labia Majora (LA) area. **Israel** Aesthetic and functional treatment of the vagina, labia and mons pubis.

Product Name	Technology	Regulatory Clearance
Venus Bliss 	The Venus Bliss device consists of a console (main unit), one RF applicator and four diode laser applicators. The system, via its different applicator types, delivers laser and/or bipolar RF energies, vacuum pressure, and pulsed magnetic fields to the skin and the underlying tissues of the treatment area. Venus Bliss delivers laser energy to the subcutaneous tissue layers via the four diode laser applicators connected to the console. The console utilizes diode laser modules as sources of optical energy and the optical output is fiber-coupled through the applicator to the treatment area so to increase the temperature of the fat resulting in fat breakdown (lipolysis). In addition, the Venus Bliss device through the (MP)2 applicator provides RF treatments combined with emitted magnetic fields and vacuum massaging. The RF heating effect, together with the non-thermal magnetic fields and vacuum, leads to the temporary reduction in the appearance of cellulite, temporary relief of muscle pain and spasm, and improvement of local blood circulation in the subdermal layers.	**United States and Canada** Using the diode laser system, the Venus Bliss device is intended for non-invasive lipolysis of the abdomen and flanks in individuals with a Body Mass Index (BMI) of 30 or less. Using the $(MP)^2$ applicator (United States only) for delivery of RF energy combined with massage and magnetic field pulses, the Venus Bliss device is intended for the treatment of the following medical conditions: • Relief of minor muscle aches and pain, relief of muscle spasm • Temporary improvement of local blood circulation • Temporary reduction in the appearance of cellulite. Using the (MP2) applicator (European Union and Canada only) is intended for: • Temporary increase of skin tightening. • Temporary circumferential reduction. • Temporary cellulite reduction. • Temporary wrinkle reduction. (Canada only)
Venus Bliss Max 	The Venus Bliss Max device is a computerized system comprised of a system console (main unit), four (4) Diode Laser applicators, one (1) MP2 (RF+ PEMF+ Vacuum) applicator and four (4) FlexMAX (EMS) applicators. The system delivers laser, bipolar RF and biphasic electrical energies, vacuum pressure, and pulsed electromagnetic fields (PEMF) to the skin and the underlying tissues of the treatment area. The device provides individual adjustment of laser power, EMS intensity level, and RF power, in addition to vacuum levels, for each patient. The console of the Venus Bliss Max device contains a power supply unit, Laser, RF, and EMS controllers, (power modules, on main board), a suction module (vacuum), a controller unit (on main board), Laser water cooling system (power module, on main board), a touch- screen user interface and display panel. The applicators are connected to the console via a cable. The RF applicator is comprised of various combinations of RF electrodes, magnetic coils, and vacuum conduits. The Laser applicators are comprised of a light guide, touch sensors and light-emitting diodes. The EMS applicator is comprised of two electrodes and a light indicator.	**United States** The Venus Bliss Max device is a diode laser system intended for non-invasive lipolysis of the abdomen and flanks in individuals with a Body Mass Index (BMI) of 30 or less. In addition, the Venus Bliss Max device is intended for the treatment of the following medical conditions; using the MP^2 applicator for delivery of RF energy combined with massage and magnetic field pulses: • Relief of minor muscle aches and pain, relief of muscle spasm • Temporary improvement of local blood circulation • Temporary reduction in the appearance of cellulite. In addition, the Venus Bliss Max device using the FlexMAX applicators is intended for muscle conditioning to stimulate healthy muscles. The Venus Bliss Max device using the FlexMAX applicators is not intended to be used in conjunction with therapy or treatment of medical diseases or medical conditions of any kind. The Venus Bliss Max device using the FlexMAX applicators is intended to be operated by a trained professional

Product Name	Technology	Regulatory Clearance
Venus Glow 	Venus Glow consists of a console and applicator. It is used to improve skin appearance using powerful tri-modality treatment combining a rotating tip, a vacuum modality and a jet. Venus Glow deep-cleans pores by removing impurities such as daily dirt and debris, dry or dead skin cells, and excess sebum.	**United States (listed as a Class I device by the FDA)** Motorized dermabrasion device. **Canada** (listed as a Class I device). **European Union** Not a medical device.
NeoGraft 	Venus Concept's NeoGraft device is an advanced hair restoration technology with an automated FUE and implantation system. The procedure leaves no linear scar and is minimally invasive.	**United States (listed as a Class I device by the FDA)** Surgical instrument motors and accessories that are intended for use during surgical procedures to provide power to operate various accessories or attachments to cut hard tissue or bone and soft tissue. **Canada** (listed as Class I without indication) **European Union** Hair Transplant device
Venus Epileve 	The Venus Epileve system uses pulsed laser energy of 800 mm that is absorbed by a chromophore or pigmented target (e.g., melanin in hair follicles) while skin surface is being chilled, for different indications of hair removal and permanent hair reduction. Venus Epileve is intended to provide an entry level, affordable solution for non-traditional markets for hair removal of all skin types.	**European Union and Canada** The Venus Epileve is intended for all Fitzpatrick skin types, including tanned skin, for use in dermatology, general and plastic surgery applications for hair removal, permanent hair reduction (defined as the long-term stable reduction in the number of hairs re-growing when measured at 6, 9, and 12 months after the completion of a treatment regimen); and treatment of pseudofolliculitis barbae.

Product Name	Technology	Regulatory Clearance
ARTAS iX 	The ARTAS System is comprised of the cart, which includes the robotic arm, integrated vision system, artificial intelligence algorithms and a series of proprietary end effectors employed in an automatic manner. The accessories at the distal end of the robotic arm, such as the automated needle and punch, that interact with the patient's scalp and hair follicles and perform various clinical functions including hair follicle harvesting and implantation.	**United States and Canada** Harvesting hair follicles from the scalp in men diagnosed with androgenic alopecia who have black or brown straight hair. The ARTAS System is intended to assist physicians in identifying and extracting hair follicles units from the scalp during hair transplantation, creating recipient sites and implanting the harvested hair follicles. **European Union** Computer assisted hair follicle harvesting, incision making and implantation system.

Products in Development

Our ongoing research and development activities are primarily focused on improving and enhancing our current technologies, products, and services, as well as expanding our current product offering with the introduction of new products for different aesthetic, medical and hair restoration applications. We are currently developing the following products and technologies:

Skin Resurfacing and Wrinkle Treatment on the Aime Platform

The skin resurfacing and wrinkle treatment technology contained in our upcoming Aime platform is intended to provide a non-surgical alternative to lift and tighten skin for procedures typically requiring surgical intervention. It uses mechanical vision, artificial intelligence and robotics to achieve the intended outcomes. The punches utilized for coring are designed not to leave scars on tissue. The skin will be contracted and smoothed after coring by applying a flexible patch to the area which will allow healing of the skin with predefined directional effect.

Venus Astera

We are working on the next generation of the well-established Venus Legacy product line. This device is intended to extend the capabilities of the original Venus Legacy system product line by combining $(MP)^2$ and VariPulse technologies with real-time thermal feedback and ATC to provide homogeneous heating to multiple tissue depths while allowing for adjustable pulsed suction to further support deep energy penetration. This will result in enhanced lymphatic drainage and improved circulation stimulation. The device will come with both hand-held and hands-free applicators which will include both EMS and $(MP)^2$ technologies.

In addition, our research and development efforts also currently include research to expand indications, broaden our offering of system applicators, advance our proprietary (MP)2 technology, add new technologies and indications, continue to support our harvesting and site making functions, as well as the implantation functionality for the ARTAS iX System, develop design improvements and new products, and implement a technology platform to record and collect information on each treatment procedure.

VeroGrafter Services

In the United States, we offered the services of a group of independently contracted technicians who are certified to assist physicians during a hair restoration procedure. These technicians, who we marketed as “VeroGrafters”, must successfully complete a yearly certification process to remain active. VeroGrafters service was offered for NeoGraft and ARTAS procedures until it was discontinued in the fourth quarter of 2021.

Clinical Developments

We continue to invest in research and development to support our technology, marketing and post-marketing surveillance. We also have a portfolio of 20 peer-reviewed publications and more than 20 white papers, many of which pertain to indications cleared outside of the United States to educate users in other countries and to study expanded indications in the United States. Authors for several of these publications hold stock options in Venus Concept or were paid consultants for us.

Research has shown that $(MP)^2$ technology improves aspects of textural lesions and body contouring. The fractional RF has been shown to improve skin structure, including wrinkles and scars through ablation and resurfacing. IPL technology used in the Venus Versa has shown to be versatile and effective for treating vascular and pigmented lesions, acne and rosacea. Our diode laser technology has been shown to be effective for lipolysis and reduction of fat layer thickness, as well as efficiently effecting hair reduction/removal. Additionally, the Venus Fiore device has demonstrated ability to improve symptoms related to vaginal atrophy.

We have a number of ongoing clinical trials covering both new technologies and the development of expanded indications for existing technology. Clinical trials are conducted frequently to develop new technologies and support existing technologies and their respective enhancements and upgrades.

Sales and Marketing

We market and sell our products and services to the traditional medical aesthetic market including plastic surgeons and dermatologists, as well as to a broad base of non-traditional physician markets, including general and family practitioners and aesthetic medical spas.

Direct Sales

We currently provide our subscription model and traditional sales model, as well as the associated marketing support programs through our wholly-owned subsidiaries in the United States, Canada, United Kingdom, Japan, South Korea, Mexico, Argentina, Colombia, Spain, France, Germany, Israel, Australia, and China as well as through Venus Concept's majority-owned subsidiary in Hong Kong.

Direct sales force. In the United States and select international markets, we use our direct sales force to sell our systems and other products and services. As of December 31, 2021, we had a direct sales and marketing team of approximately 166 employees, managed by one President of Global Sales, four Vice Presidents of Sales for various international markets and one Vice President of Global Marketing. We plan to continue to expand our direct sales organization in the United States and other international markets of focus to help facilitate further adoption among a broad market.

Distributors. In countries where we do not operate directly, we sell our products through distributors. As of December 31, 2021, we had distribution agreements in over 60 countries. We enter into both exclusive and non-exclusive distribution agreements, which generally provide the distributor with a right to distribute certain of our products within a designated territory. Each agreement sets forth the minimum quarterly purchase commitments and if the distributor fails to meet its minimum purchase commitments, we have the ability to either convert any exclusive distribution rights to non-exclusive rights during the then-remaining term or terminate the agreement. To provide more comprehensive customer support, these agreements require our distributors to provide after sales service to customers, such as training and technical support, and various marketing activities, such as preparing and executing marketing plans and working with key market leaders in the designated territory to promote the product.

Marketing and Branding Programs

We are focused on, and invest heavily in, direct-to-consumer marketing initiatives to increase awareness of our products and services. We believe our marketing activities are both cost effective and critical in supporting the continued growth and development of our business. As of December 31, 2021, we had a Vice President of Global Marketing, with regional Marketing Managers in Europe, Middle East and Africa, and Latin America. We have an internal team of digital media, brand, marketing operations and events specialists that support North America and our regional Marketing Managers.

We implemented business to business and business to customer public relations outreach strategies that incorporates both digital media and top national media channels in the fashion and beauty industries and have a presence on the most popular social media channels, such as Facebook, Twitter, YouTube, Pinterest, LinkedIn and Instagram. We also attend major medical and scientific meetings, as well as trade shows. Since some countries require customized marketing programs, we have hired country-specific marketing managers to ensure that marketing programs are executed successfully in those jurisdictions.

Customer Support

We provide our customers and authorized distributors with customer support through our fully integrated marketing program and strong clinical and technical support teams.

Customer Business Development Program

To support the growth initiatives of our customers, we have built a business development strategy that provides customers with a fully integrated marketing support program with business and marketing tools to grow their practices, improve their financial and business performance, and maximize their return on investment while also providing sales strategies related to our products and ancillary services. Our customer business development program includes the following features:

- Inclusion in an advanced clinic directory that is promoted online to consumers. The full-page listing includes the clinic’s contact information, business hours, website, social media profiles and a full list of available Venus Concept device treatments.
- A comprehensive device launch plan, guidance on effective pricing and bundling strategies and involved in short and long-term business goal reviews and tracking.
- Online courses and private remote workshops related to business strategies and clinic efficiency including customer retention and conversion strategies, effective patient consultation, credentialing, Venus Concept devices sales talking points, telephone skills, cross-selling and up-selling techniques, and photography best practices. Our workshops related to marketing strategies include search engine optimization essentials and cover social media and marketing strategies.
- New Customer Launch's Kits comprised of a starter package with marketing materials necessary to introduce and promote new Venus Concept products with a heavy emphasis on a digital and social media strategy.
- Analysis of business practices with instruction on effective patient consultation and conversion strategies.
- Analysis of current social media and online marketing efforts and guidance on how to attract and convert potential consumers more efficiently.
- For hair restoration customers, access to specialized VeroHair 12 Step Program designed to assist ARTAS and NeoGraft customers with building a successful hair restoration practice.

Technical and Clinical Support

We provide a warranty for the majority of our products against defects in materials and workmanship under normal use and service for a period of one year, with certain other products carrying a different warranty correlating to the number of uses the product undergoes or based upon the perishability of the product. Once the warranty expires, our customers have the option of purchasing an extended warranty service contract, which is typically for a term of one to three years.

We maintain a technical and clinical support team to field inquiries, troubleshoot product issues, facilitate sales activities and support the commercial activities of our direct offices and its international distributors. We provide immediate response technical support to our physician customers and distributors year-round. In the event that an issue arises, our technical support personnel will work with our customers to determine if a technical issue may be resolved over the telephone or requires a service visit. In markets where we do not have our own service engineers, the service and support of our products is managed by our independent distributors. In order to maximize customer “up time,” we proactively deploy replacement systems, modules, and components to strategic hubs worldwide.

Manufacturing and Quality Assurance

We have our own research and development centers in Yokneam, Israel, and San Jose, California and use three ISO-certified contract manufacturers in Karmiel, Israel, Mazet, France and Weston, Florida. We assemble the ARTAS System in San Jose, California, while reusable and disposable kits are assembled exclusively for us by NPI Solutions, Inc. (“NPI”) based in Morgan Hill, California.

We work closely with our manufacturers and perform final quality control testing using our own employees stationed in the manufacturing facilities around the world. Having over 85% of the production of our systems in close proximity to our research and development and operations facilities enables us to control the entire process from product development through manufacturing and final testing, allowing us to provide advanced, high-quality systems as well as the flexibility to create customized solutions for our customers. Also, using multiple manufacturers allows us a greater degree of flexibility in adjusting production levels to meet fast changing market demand. We do not have any long-term supply agreements for components.

Manufacturing facilities that produce medical devices intended for distribution in the United States and internationally are subject to regulation and periodic unannounced inspection by the FDA and other domestic and international regulatory agencies. In the United States, we are required to manufacture our products in compliance with the FDA’s Quality System Regulations (“QSR”), which covers the methods and documentation of the design, testing, control, manufacturing, labeling, quality assurance, packaging, storage, and shipping of our products. In international markets, we are required to obtain and maintain various quality assurance and quality management certifications. We conform with and are in full compliance with ISO:13485:2016, CE (MDD→ MDR) and MDSAP.

We maintain a quality system designed to be compliant with quality system management and QSR and have procedures in place to ensure that all products and materials we purchase conform to our specifications, including evaluation of suppliers, and where required, qualification of the components supplied. We believe that our current facilities are adequate to support our operations.

Intellectual Property

Portfolio

We rely on a combination of patent, copyright, trademark and trade secret laws, and confidentiality and invention assignment agreements to protect our intellectual property rights. As of December 31, 2021, our patent portfolio is comprised of:

- 12 issued U.S. patents which cover our (MP)2, fractional RF and Directional Skin Tightening technology that are associated with six different patent families (the earliest of which will expire in 2028), 8 pending U.S. patent applications, 23 issued foreign counterpart patents, and 9 pending foreign counterpart patent applications;
- 7 issued foreign patents covering the NeoGraft system and its methods of use (the earliest of which expire in 2022); and
- 97 issued U.S. patents primarily covering the ARTAS System and methods of use (the earliest of which expire in 2025, 3 pending U.S. patent applications, 148 issued foreign counterpart patents, and 14 pending foreign counterpart patent applications.

As of December 31, 2021, our trademark portfolio included the following trademark registrations, pending trademark applications or common law trademark rights, among others: Venus Concept, Venus Fiore, Venus Freedom, Venus Glow, Venus Legacy Venus Viva and Venus Viva MD, Venus Versa, Venus Bliss, Venus Bliss Max, ARTAS, ARTAS iX, AIME™, Venus Concept delivering the promise (logo), NeoGraft and (MP)2. We continue to file new trademark applications in many countries to protect our current and future products and related slogans.

License Agreement with HSC Development LLC and James A. Harris, MD

In July 2006, we entered into a license agreement (the “HSC License Agreement”) with HSC Development LLC, or HSC, and James A. Harris, M.D., as amended, pursuant to which we received an exclusive, worldwide license to develop, manufacture and commercialize products covered by any of the licensed patent rights or that incorporate the licensed technology in the field of performance of hair removal and implantation, including transplantation, procedures using a computer controlled system in which a needle or other device carried on a mechanized arm is oriented to a follicular unit for extraction of same, or to an implant site for implantation of a follicular unit, or some combination thereof. Under the HSC License Agreement, we developed the ARTAS System to be utilized as a robotic system to assist a physician in performing hair restoration procedures. In consideration for the license, we issued to HSC 25,000 shares of our common stock, prior to the Company’s 1-for-10 reverse stock split, and paid HSC a one-time payment of $25,000. The license grant is perpetual, and the license agreement does not provide a right for HSC or Dr. Harris to terminate the HSC License Agreement. The licensed patents cover, in general, a method and device for the extraction of follicular units from a donor area on a patient. The method includes scoring the outer skin layers with a sharp punch, and then inserting a blunt punch into the incision to separate the hair follicle from the surrounding tissue and fatty layer. The method and device significantly decrease the amount of follicular transection and increase the rate at which follicular units can be extracted. There are other embodiments not herein disclosed. The licensed patents will expire from 2025 through 2030.

Competition

The medical technology and aesthetic product markets are highly competitive and dynamic and are characterized by rapid and substantial technological development and product innovation. Demand for our systems is impacted by the products and procedures offered by our competitors. Certain of our systems also compete against conventional non-energy-based treatments, such as neurotoxins and dermal fillers, chemical peels, and microdermabrasion. In the United States, we compete against companies that have developed minimally invasive and non-invasive medical aesthetic procedures. Outside of the United States, likely due to less stringent regulatory requirements, there are more aesthetic products and procedures available in international markets than are cleared for use in the United States. Sometimes, there are also fewer limitations on the claims our competitors in international markets can make about the effectiveness of their products and the manner in which they can market them. As a result, we may face a greater number of competitors in markets outside of the United States. We also compete generally with medical technology and aesthetic companies, including those offering products and services unrelated to skin treatment. Recently, there has been consolidation in the aesthetic industry leading to companies combining their resources, which increases competition and could result in increased downward pressure on our system prices.

In the surgical hair restoration market, we consider our direct competition to be FUT Strip Surgeries and Manual FUE procedures. Many of our surgical device and equipment competitors have greater capital resources, sales and marketing operations and service infrastructures than we do, as well as longer commercial histories and more extensive relationships with physicians. FUT Strip Surgery and some Manual FUE procedures have a greater penetration into the hair restoration market, due in part to having a longer history in the market. Our indirect competition in the hair restoration market also includes non-surgical treatments for hair loss, such as prescription therapeutics, including Propecia, and non-prescription remedies, such as wigs, hair pieces and spray-on applications.

We believe that our competitors' systems compete largely based on the following factors:

- company and product brand recognition;
- effective marketing and education;
- sales force experience and access;
- product support and service;
- technological innovation, product enhancements and speed of innovation;
- pricing and revenue strategies;
- product reliability, safety and durability;
- ease of use;
- consistency, predictability and durability of aesthetic results; and
- procedure costs to patients.

Government Regulation

The design, development, manufacture, testing and sale of our products are subject to regulation by numerous governmental authorities, including the FDA, and corresponding state and foreign regulatory agencies.

Regulation by the FDA

In the United States, the Federal Food, Drug, and Cosmetic Act ("FDCA"), the FDA regulations and other federal and state statutes and regulations govern, among other things, medical device design and development, preclinical and clinical testing, premarket clearance or approval, registration and listing, manufacturing, labeling, storage, advertising and promotion, sales and distribution, export and import, and post-market surveillance. The FDA enforces the FDCA, and the regulations promulgated pursuant to the FDCA.

Each medical device that we wish to distribute commercially in the United States requires marketing authorization from the FDA prior to distribution unless an exemption applies. The two primary types of FDA marketing authorizations applicable to a device are premarket notification, also called 510(k) clearance, and premarket approval ("PMA"). The type of marketing authorization is generally linked to the classification of the device. The FDA classifies medical devices into one of three classes (Class I, II, or III) based on the degree of risk the FDA determines to be associated with a device and the level of regulatory control deemed necessary to ensure the device's safety and effectiveness for its intended use(s). Devices requiring fewer controls because they are deemed to pose lower risk are placed in Class I or II. Class III devices are those for which insufficient information exists to assure safety and effectiveness solely through general or special controls and include life-sustaining, life-supporting or implantable devices, devices of substantial importance in preventing impairment of human health, or which present a potential, unreasonable risk of illness or injury.

Most Class I devices and some Class II devices are exempted by regulation from the 510(k) clearance requirement and can be marketed without prior authorization from the FDA. By contrast, devices placed in Class III generally require PMA approval or approval of a *de novo* reclassification petition prior to commercial marketing. The FDA's 510(k) clearance process usually takes from three to nine months but can take longer. For products requiring PMA approval, the regulatory process generally takes from one to three years or more, from the time the application is filed with the FDA and involves substantially greater risks and commitment of resources than either the 510(k) clearance or *de novo* processes.

510(k) Clearance

To obtain 510(k) clearance for a medical device, an applicant must submit a premarket notification to the FDA demonstrating that the device is "substantially equivalent" to a previously cleared 510(k) device or a device that was in commercial distribution before May 28, 1976 for which the FDA has not yet called for PMA approval, commonly known as the "predicate device." A device is substantially equivalent if, with respect to the predicate device, it has the same intended use and has either (i) the same technological characteristics or (ii) different technological characteristics and the information submitted demonstrates that the device is as safe and effective as a legally marketed device and does not raise different questions of safety or effectiveness. After a device receives 510(k) marketing clearance, any modification that could significantly affect its safety or effectiveness, or that would constitute a major change or modification in its intended use, will require a new 510(k) marketing clearance or, depending on the modification, a de novo classification or PMA approval.

We have made modifications to our products in the past and have determined based on our review of the applicable FDA regulations and guidance that in certain instances new 510(k) clearances or PMA approvals were not required.

PMA Approval

A PMA application must be submitted if the device cannot be cleared through the 510(k) process and is found ineligible for *de novo* reclassification. PMA applications must be supported by valid scientific evidence, which typically requires extensive data, including technical, preclinical, clinical, and manufacturing data, to demonstrate to the FDA's satisfaction the safety and effectiveness of the device. A PMA application must also include, among other things: a complete description of the device and its components; a detailed description of the methods, facilities and controls used to manufacture the device; and proposed labeling. Approval of FDA review of an initial PMA application may require several years to complete.

Clinical Trials

Clinical trials are almost always required to support the FDA's approval of a premarket approval application and are sometimes required for 510(k) clearances. If a device presents a "significant risk," as defined by the FDA, to human health, the device sponsor may need to file an investigational device exemption ("IDE") application with the FDA and obtain an IDE approval prior to commencing the human clinical trials. The IDE application must be supported by appropriate data, such as animal and laboratory testing results, showing that it is safe to test the device in humans and that the testing protocol is scientifically sound. The IDE application must be approved in advance by the FDA for a specified number of patients, unless the product is deemed a "non-significant risk" device and eligible for more abbreviated IDE requirements. Clinical trials for a significant risk device may begin once the IDE application is approved by the FDA and the appropriate institutional review boards ("IRB"). Clinical trials are subject to extensive monitoring, recordkeeping and reporting requirements.

Similarly, in Europe a clinical study must be approved by the local ethics committee and in some cases, including studies of high-risk devices, by the ministry of health in the applicable country. In the EU, physico-chemical tests carried out on the medical device may be necessary in order to obtain the CE mark. These tests must be performed by accredited laboratories for Class II b and III medical devices. The reports and tests are required to be filed in a technical file submitted to the notified body for validation of and obtaining the CE mark. Regulation 2017/745 (MDR) applicable as of May 2021 in the EU will significantly strengthen the requirements for clinical evaluation (EC). The clinical evaluation for Class II b and Class III medical devices will be based on a critical evaluation of relevant scientific publications, the results of all available clinical investigations as well as the consideration of other medical devices with the same purpose. Regulation 2017/745 notably requires the manufacturer to carry out a post-marketing safety monitoring plan, which includes post-marketing clinical follow-ups (SCAC) in order to update information about the devices marketed throughout its life cycle, and notably any adverse effects.

Post-market Regulation

Any devices that are manufactured or distributed pursuant to clearance or approval by the FDA are subject to pervasive and continuing regulation by the FDA and certain state agencies. After a device is placed on the market, numerous regulatory requirements continue to apply. These include establishment registration and device listing with the FDA, QSR requirements, labeling and marketing regulations, clearance or approval of product modifications, medical device reporting regulations, correction, removal and recall reporting regulations, Unique Device Identifiers (UDI) compliance, the FDA's recall authority, and post-market surveillance activities and regulations.

We may be subject to similar foreign laws that may include applicable post-marketing requirements such as safety surveillance. Our manufacturing processes are required to comply with the applicable portions of the QSR, which cover the methods and the facilities and controls for the design, manufacture, testing, production, processes, controls, quality assurance, labeling, packaging, distribution, installation and servicing of finished devices intended for human use. The QSR also requires, among other things, maintenance of a device master file, device history file, and complaint files. As a manufacturer, we are subject to periodic scheduled or unscheduled inspections by the FDA. A failure to maintain compliance with the QSR requirements could result in the shut-down of, or restrictions on, our manufacturing operations and the recall or seizure of products. The FDA has broad regulatory compliance and enforcement powers. If the FDA determines that we failed to comply with applicable regulatory requirements, it can take a variety of compliance or enforcement actions. For additional information on these potential actions and other governmental regulation risks, see Part I, Item 1A "*Risk Factors—Risks Related to Government Regulation*" included elsewhere in this report.

Fraud and Abuse Regulations

Federal and state governmental agencies subject the healthcare industry to intense regulatory scrutiny, including heightened civil and criminal enforcement efforts. These laws constrain the sales, marketing and other promotional activities of medical device manufacturers by limiting the kinds of financial arrangements they may have with physicians and other potential purchasers of their products. Violations may result in substantial civil penalties, including treble damages, and criminal penalties, including imprisonment, fines and exclusion from participation in federal health care programs. The Federal False Claims Act also contains "whistleblower" or "qui tam" provisions that allow private individuals to bring actions on behalf of the government alleging that the defendant has defrauded the government.

Venus Concept's products, and treatment using our products, are not reimbursable by Medicare, Medicaid or other federal health care programs, or by commercial insurance. As a result, many federal and state fraud and abuse statutes do not apply to Venus Concept.

Compliance with applicable United States and foreign laws and regulations, such as import and export requirements, anti-corruption laws such as the *Foreign Corrupt Practices Act* and similar worldwide anti-bribery laws, tax laws, foreign exchange controls and cash repatriation restrictions, data privacy and data security requirements, environmental laws, labor laws and anti-competition regulations, increases the costs of doing business in foreign jurisdictions. In some cases, compliance with the laws and regulations of one country could violate the laws and regulations of another country.

Many foreign countries have similar laws relating to healthcare fraud and abuse. Foreign laws and regulations may vary greatly from country to country. Violations of these laws, or allegations of such violations, could result in fines, penalties, or prosecution and have a negative impact on our business, results of operations and reputation.

There has been a recent trend of increased foreign, federal, and state regulation of payments and transfers of value provided to healthcare professionals, such as physicians, and entities. However, certain foreign countries and the U.S. states also mandate implementation of commercial compliance programs, impose restrictions on device manufacturer marketing practices and require tracking and reporting of gifts, compensation and other remuneration to healthcare professionals and entities. Violations of these laws, or allegations of such violations, could result in fines, penalties, or prosecution and have a negative impact on our business, results of operations and reputation.

Foreign Government Regulation

The regulatory review process for medical devices varies from country to country, and many countries also impose product standards, packaging requirements, environmental requirements, labeling requirements and import restrictions on devices. Each country has its own tariff regulations, duties, and tax requirements. Failure to comply with applicable foreign regulatory requirements may subject a company to fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions, criminal prosecution, or other consequences.

European Economic Area

In the European Economic Area ("EEA"), our devices are required to comply with the Essential Requirements set forth in Annex I to the Council Directive 93/42/EEC concerning medical devices, commonly referred to as the Medical Devices Directive. Compliance with the Medical Devices Directive entitles a manufacturer to affix the CE mark to its medical devices, without which they cannot be commercialized in the EEA. To demonstrate compliance with the Essential Requirements and to obtain the right to affix the CE mark to medical devices, they must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low risk medical devices (Class I with no measuring function and which are not sterile), where the manufacturer can issue an EC Declaration of Conformity based on a self-assessment of the conformity of its products with the Essential Requirements, a conformity assessment procedure requires the intervention of a notified body, which is an organization designated by the competent authorities of an EEA country to conduct conformity assessments. The notified body typically audits and examines products' Technical File and the quality system for the manufacture, design and final inspection of our devices before issuing a CE Certificate of Conformity demonstrating compliance with the relevant Essential Requirements. Following the issuance of this a CE Certificate of Conformity, Venus Concept can draw up an EC Declaration of Conformity and affix the CE mark to the products covered by this CE Certificate of Conformity and the EC Declaration of Conformity. We have successfully completed several notified body audits since our original certification in December 2009. Following these audits, our notified body issued ISO 13485:2016 Certificate and CE Certificates of Conformity allowing it to draw up an EC Declaration of Conformity and affix the CE mark to certain of our devices since 2019 MDSAP Certificate.

After the product has been CE marked and placed on the market in the EEA, a manufacturer must comply with a number of regulatory requirements relating to:

- registration of medical devices in individual EEA countries;
- pricing and reimbursement of medical devices;
- establishment of post-marketing surveillance and adverse event reporting procedures;
- field safety corrective actions, including product recalls and withdrawals; and
- interactions with physicians.

In 2017, the European Parliament passed the Medical Devices Regulation, which repeals and replaces the EU Medical Devices Directive. Unlike directives, which must be implemented into the national laws of the EEA member States, the regulations would be directly applicable, i.e., without the need for adoption of the EEA member State laws implementing them, in all the EEA member States and are intended to eliminate current differences in the regulation of medical devices among EEA member States. The Medical Devices Regulation, among other things, is intended to establish a uniform, transparent, predictable and sustainable regulatory framework across the EEA for medical devices and in vitro diagnostic devices and ensure a high level of safety and health while supporting innovation.

The Medical Devices Regulation is now effective. The new regulations will, among other things:

- strengthen the rules on placing devices on the market and reinforce surveillance once they are available;
- establish explicit provisions on manufacturers' responsibilities for the follow-up of the quality, performance and safety of devices placed on the market;
- improve the traceability of medical devices throughout the supply chain to the end-user or patient through a unique identification number;
- set up a central database to provide patients, healthcare professionals and the public with comprehensive information on products available in the EU; and
- strengthen rules for the assessment of certain high-risk devices, such as implants, which may have to undergo an additional check by experts before they are placed on the market.

To the extent that our products have already been certified under the existing regulatory framework, the MDR allows us to market them provided that the requirements of the transitional provisions are fulfilled. In particular, the certificate in question must still be valid. Under article 120(2) MDR, certificates issued by notified bodies before May 25, 2017 will remain valid until their indicated expiry dates. By contrast, certificates issued after May 25, 2017 will be void at the latest by May 27, 2024. Accordingly, before that date, we will need to obtain new CE Certificates of Conformity. Furthermore, the regulation introduces UDI, i.e. a bar code that must be placed on the label of the device or on its packaging, and manufacturers will be obligated to file adverse effects reports via the Eudamed platform in case there is an increase in the frequency or severity of incidents related to the medical device.

Environmental Regulation

We are subject to numerous foreign, federal, state, and local environmental, health and safety laws and regulations relating to, among other matters, safe working conditions, product stewardship and environmental protection, including those governing the generation, storage, handling, use, transportation and disposal of hazardous or potentially hazardous materials. Some of these laws and regulations require us to obtain licenses or permits to conduct our operations. Environmental laws and regulations are complex, change frequently and have tended to become more stringent over time. Although the costs to comply with applicable laws and regulations have not been material, we cannot predict the impact on our business of new or amended laws or regulations or any changes in the way existing and future laws and regulations are interpreted or enforced, nor can we ensure we will be able to obtain or maintain any required licenses or permits.

Data Privacy and Data Security

We are subject to diverse laws and regulations relating to data privacy and data security, both in the United States and internationally. New global privacy rules are continually being enacted and existing ones are being updated and strengthened. Failure to comply with any privacy or data security laws or regulations or any security incident or breach involving the misappropriation, loss or other unauthorized access, use or disclosure of sensitive or confidential patient or consumer information, whether by us, one of our business associates or another third-party, could have a material adverse effect on our business, reputation, financial condition and results of operations, including but not limited to: material fines and penalties; damages; litigation; consent orders; and injunctive relief. For additional information on the risks we face with regard to data privacy and security, please see Part I, Item 1A "*Risk Factors*" included elsewhere in this report.

Because the laws and regulations continue to expand, differ from jurisdiction to jurisdiction, and are subject to evolving (and at times inconsistent) governmental interpretation, compliance with these laws and regulations may require significant additional cost expenditures or changes in products or business that increase competition or reduce revenue. Noncompliance could result in the imposition of fines, penalties, orders to stop noncompliant activities, or orders to stop doing business in a jurisdiction.

We are also subject to evolving international laws on data transfer, data localization and electronic marketing. The rules on data transfer will apply when we transfer personal data to group companies or third parties outside of certain geographies. For example, there is currently litigation challenging companies' data transfers using the EEA's standard contractual clauses and use of third party cookies. It is uncertain whether such transfers will be invalidated by the European courts. These changes may require us to find alternative bases for the compliant transfer of personal data from the EEA to the United States to change vendors, or to arrange for local storage of personal data and we are monitoring developments in this area.

Employees

As of December 31, 2021, we had a total of 407 full-time employees. Of the total number of employees, 136 were based in the United States, 82 based in Canada, 69 based in Israel, and 120 in the rest of the world. Of the total number of full-time employees, approximately 166 are direct sales representatives, including sales management.

Corporate Information

We were founded on November 22, 2002 as a Delaware corporation. Our principal executive offices are located at 235 Yorkland Blvd., Suite 900, Toronto, Ontario M2J 4Y8 Canada and our telephone number is (877) 848-8430. You may find on our website at https://www.venusconcept.com/en-us/ electronic copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the 1934 Act. Such filings are placed on our website as soon as reasonably practicable after they are filed with the SEC. Our most recent charter for our audit, compensation, and nominating and corporate governance committees and our Code of Business Conduct and Ethics and our Anti-Corruption Policy are available on our website as well. Any waiver of our Code of Business Conduct and Ethics may be made only by our board of directors. Any waiver of our Code of Business Conduct and Ethics for any of our directors or executive officers must be disclosed on a Current Report on Form 8-K within four business days, or such shorter period as may be required under applicable regulation. Information contained on, or that can be accessed through, our website is not incorporated by reference into this Annual Report on Form 10-K, and you should not consider information on our website to be part of this Annual Report on Form 10-K. We have included our website address as an inactive textual reference only.

Available Information

We file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other information with the SEC. Our filings with the SEC are available free of charge on the SEC's website at www.sec.gov and on our website under the "Investor Relations" tab as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Item 1A. Risk Factors.

Our operations and financial results are subject to various risks and uncertainties, including those described below, any of which could adversely affect our business, results of operations, financial condition and prospects. In such an event, the market price of our common stock could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also adversely affect our business operations. You should carefully consider the risks described below and the other information in this Annual Report on Form 10-K, including our audited consolidated financial statements and the related notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Risks Related to Our Business

Our subscription-based model exposes us to the credit risk of our customers over the life of the subscription agreement. In the event that our customers fail to make the monthly payments under their subscription agreements, our financial results may be adversely affected.

For the years ended December 31, 2021 and 2020, approximately 51% and 54%, respectively, of our system revenues were derived from our subscription-based model. Although the ARTAS System is not available under our subscription-based model, we expect our subscription-based business model to continue to represent the majority of our revenue for the foreseeable future. We collect an up-front fee, combined with a monthly payment schedule typically over a period of 36 months, with approximately 40% to 45% of total contract payments collected in the first year. For accounting purposes, these arrangements are considered to be sales-type finance leases, where the present value of all cash flows to be received under the subscription agreement is recognized as revenue upon shipment of the system to the customer. As part of our sales and marketing effort, we do not generally require our customers to undergo a formal credit check as is typically required with third-party equipment lease financing. Instead, to ensure that each monthly installment is made on time and that the customer's systems are serviced in accordance with the terms of the warranty, every system requires a monthly activation code, which we provide to the customer upon receiving each monthly installment. If a customer does not make timely payment of a monthly installment, the customer will not receive an activation code and will be unable to use the system. Because this process does not protect us from the economic impact of a customer's failure to make its monthly payments, we normally maintain a purchase money security interest over the devices sold under a subscription agreement and therefore enjoy priority as a secured creditor, entitling us to certain rights in the event of a customer default or bankruptcy. We cannot provide any assurance that the financial position of customers purchasing products and services under a subscription agreement will not change adversely before we receive all the monthly installment payments due under the contract. As a result of the global economic turmoil that has resulted from COVID-19, many of our customers experienced difficulty in making timely payments, or payments at all, during the pandemic which had resulted in higher than anticipated bad debt expense over the course of the 2020 and 2021 fiscal years. Despite the improvement we have seen in our collection experience, we cannot assure you that our customers will continue payments under their agreements or that we will not experience customer defaults even after local economies reopen for business. In the event that there is a default by any of the customers to whom we have sold systems under the subscription-based model, we may recognize bad debt expenses in our general and administrative expenses. If the extent of such defaults is material, it could negatively affect our results of operations and operating cash flows.

We offer credit terms to some qualified customers and distributors. In the event that any of these customers default on the amounts payable to us, our financial results may be adversely affected.

In addition to our subscription-based model, we generally offer credit terms of 30 to 90 days to qualified customers and distributors. In the event that there is a default by any of the customers or distributors to whom we have provided credit terms, we may recognize bad debt expenses in our general and administrative expenses. If the extent of such defaults is material, it could negatively affect our future results of operations and cash flows. Additionally, in the event of deterioration of general business conditions, we may be subject to increased risk of non-payment of our accounts receivables. We may also be adversely affected by bankruptcies or other business failures of our customers, distributors, and potential customers. A significant delay in the collection of accounts receivable or a reduction of accounts receivables collected may impact our liquidity or result in bad debt expenses.

Our recurring losses from operations and negative cash flows raise substantial doubt about our ability to continue as a going concern.

We have had recurring net operating losses and negative cash flows from operations, and until we generate revenue at a level to support our cost structure, we expect to continue to incur substantial operating losses and net cash outflows. As of December 31, 2021 and 2020, we had an accumulated deficit of $180.4 million and $157.4 million, respectively. Our recurring losses from operations and negative cash flows raise substantial doubt about our ability to continue as a going concern, meaning that we may be unable to continue operations for the foreseeable future or realize assets and discharge liabilities in the ordinary course of operations. In order to continue our operations, we must achieve profitable operations and/or obtain additional equity or debt financing. There can be no assurance that we will be successful in raising additional capital or that such capital, if available, will be on terms that are acceptable to us. If we are unable to raise sufficient additional capital, we may be compelled to reduce the scope of our operations and planned capital or research and development expenditures or sell certain assets, including intellectual property assets. The perception of our ability to continue as a going concern may make it more difficult for us to obtain financing for the continuation of our operations and could result in the loss of confidence by investors, suppliers and employees. Our consolidated financial statements do not include any adjustments that may result from the outcome of this uncertainty.

Business or economic disruptions or global health concerns could have an adverse effect on our business, operating results or financial condition.

Global business, economic disruptions and/or global health concerns could adversely affect our business result in social, economic, and labor instability in the countries in which we, the third parties with whom we engage, and our customers operate. Any of these events could negatively impact our business, operating results or financial condition. In December 2019, an outbreak of COVID-19 originated in Wuhan, China developed into a global pandemic and has resulted in multiple extended shutdowns of businesses in North and South America, Europe and Asia Pacific and gradual re-openings of economies. While we have experienced significant improvements related to revenue, cash flows and sales trends throughout fiscal year 2021, we continue to experience some negative impact our ability to conduct business in the manner planned. Disruptions to our business include restrictions on the ability of our sales and marketing personnel and distributors to travel and sell our systems, disruptions of our global supply chain and manufacturing, reduced demand and/or suspension of operations by our customers which has impacted their ability to make monthly subscription payments.

We do not yet know the full extent of the impact of COVID-19 on our business, financial condition and results of operations. While we expect continued recovery in most of the markets within which we operate in the first half of the year, the extent to which the COVID-19 pandemic may impact our business, operating results, financial condition, or liquidity in the future will depend on future developments which are evolving and uncertain, including the severity of resurgences of the virus and its variants of concern, travel restrictions, business and workforce disruptions, the timing of and extent of reopening the economic regions in which we do business and the effectiveness of actions taken to contain and treat the disease.

Our loan and security agreements contain restrictions that may limit our flexibility to effectively operate our business.

CNB Loan Agreement

We have a revolving credit facility with City National Bank of Florida ("CNB") pursuant to a loan agreement (the "CNB Loan Agreement") which, among other things, contains various covenants that limit our ability to engage in specified types of transactions and requires us to maintain either a minimum cash balance in deposit accounts or a maximum total liability to tangible net worth ratio and a minimum debt service coverage ratio. An event of default under the CNB Loan Agreement would cause a default under the Notes and the MSLP Loan Agreement, each as described below, provided that a waiver of each default by CNB will also result in the termination of the corresponding default in the Notes. Upon the occurrence, and during the continuance of, an event of default under the CNB Loan Agreement, if we are unable to repay all outstanding amounts, CNB may foreclose on the collateral granted to it to collateralize the indebtedness, which would significantly affect our ability to operate our business. In addition, the CNB Loan Agreement is secured by substantially all of our assets and the assets of certain of our subsidiaries.

For additional details of the CNB Loan Agreement, the related agreements and the covenants to which we are subject, see *Management's Discussion and Analysis of Financial Condition and Results of Operations* and Note 12 *"Credit Facility"* to the consolidated financial statements included elsewhere in this report.

Main Street Priority Lending Program Term Loan

On December 8, 2020, Venus Concept USA Inc. ("Venus USA"), a wholly-owned subsidiary of the Company, executed a loan and security agreement (the "MSLP Loan Agreement"), a Promissory Note (the "MSLP Note"), and related documents for a loan in the aggregate amount of $50.0 million for which CNB will serve as lender pursuant to the Main Street Priority Loan Facility as established by the Board of Governors of the Federal Reserve System Section 13(3) of the Federal Reserve Act (the "MSLP Loan"). Venus USA's obligations under the MSLP Loan will be secured pursuant to a Guaranty of Payment and Performance dated as of December 8, 2020 (the "Guaranty Agreement"), by and between the Company and CNB. On December 9, 2020, the MSLP Loan was funded and the transaction closed. For additional details of the MSLP Loan Agreement, see Note 10 "*Main Street Term Loan*" to our consolidated financial statements included elsewhere in this report.

The MSLP Note provides for customary events of default, including, among others, those relating to a failure to make payment, bankruptcy, breaches of representations and covenants, and the occurrence of certain events. In addition, the MSLP Loan Agreement and MSLP Note contain various covenants that limit our ability to engage in specified types of transactions. Subject to limited exceptions, these covenants limit our ability, without CNB's consent, to, among other things, sell, lease, transfer, exclusively license or dispose of our assets, incur, create or permit to exist additional indebtedness, or liens, to make dividends and other restricted payments, and to make certain changes to our ownership structure.

Madryn Credit Agreement and Exchange Agreement

On October 11, 2016, Venus Ltd. entered into a credit agreement as a guarantor with Madryn Health Partners, LP, as administrative agent, and certain of its affiliates as lenders (collectively, "Madryn"), as amended (the "Madryn Credit Agreement"), pursuant to which Madryn agreed to make certain loans to certain of Venus Concept's subsidiaries.

Contemporaneously with the MSLP Loan Agreement, the Company, Venus USA, Venus Concept Canada Corp. ("Venus Canada"), Venus Ltd., and the Madryn Noteholders (as defined below), entered into a Securities Exchange Agreement (the "Exchange Agreement") dated as of December 8, 2020, pursuant to which the Company (i) repaid on December 9, 2020, $42.5 million aggregate principal amount owed under the Madryn Credit Agreement, and (ii) issued, on December 9, 2020, to the Madryn Health Partners (Cayman Master), LP and Madryn Health Partners, LP (the "Madryn Noteholders") secured subordinated convertible notes in the aggregate principal amount of $26.7 million (the "Notes"). The Madryn Credit Agreement was terminated effective December 9, 2020 upon the funding and closing of the MSLP Loan and the issuance of the Notes.

In connection with the Exchange Agreement, we also entered into a Guaranty and Security Agreement dated as of December 9, 2020 (the "Madryn Security Agreement"), pursuant to which we agreed to grant Madryn a security interest in substantially all of our assets to secure the obligations under the Notes. The Madryn Security Agreement contains various covenants that limit our ability to engage in specified types of transactions. Subject to limited exceptions, these covenants limit our ability, without the Madryn Noteholders' consent, to, among other things, incur, create or permit to exist additional indebtedness, or liens, and to make certain changes to our ownership structure. The Madryn Security Agreement also contains a covenant which requires that if we or any of our subsidiaries that has guaranteed the Notes consummates a disposition of material assets the result of which is that less than 50% of the consolidated net tangible assets of such entities secure the Notes then, within 90 days thereafter, we and our subsidiaries party to the Madryn Security Agreement must provide certain additional collateral so that more than 50% of the consolidated net tangible assets of the Company and its subsidiaries which have guaranteed the Notes will be collateral securing the Notes.

If an Event of Default occurs, then, the Madryn Noteholders may, subject to certain terms, (i) declare the outstanding principal amount of Notes, all accrued and unpaid interest and all other amounts owing under the Notes and other transaction documents entered into in connection therewith to be immediately become due and payable without any further action or notice by any person (ii) foreclose on the collateral granted to it to collateralize the indebtedness and (ii) exercise all rights and remedies available to it under the Notes, the Madryn Security Agreement and any other document entered into in connection with the foregoing, which would significantly affect our ability to operate our business.

For additional information regarding the Madryn Credit Agreement, the Exchange Agreement, the Notes and related agreements, see Note 11 *"Madryn Long-Term Debt and Convertible Notes"* to our consolidated financial statements included elsewhere in this report.

If we default on our loans secured under the Coronavirus Aid, Relief and Economic Security (CARES) Act, we may default on our CNB Loan Agreement and/or MSLP Loan.

We and one of our subsidiaries received an aggregate of $4.1 million in funding in connection with the PPP Loans. For additional details of the PPP Loans, see *Management's Discussion and Analysis of Financial Condition and Results of Operations* included elsewhere in this report. The Company has applied for and received partial forgiveness of Venus USA PPP Loan in the amount of $1.7 million and the Venus Concept PPP Loan in the amount of $1.1 million.

The PPP Loans contain certain covenants which, among other things, restrict our use of the proceeds of the respective PPP Loan to the payment of payroll costs, interest on mortgage obligations, rent obligations and utility expenses, require compliance with all other loans or other agreements with any creditor of us or Venus USA, to the extent that a default under any loan or other agreement would materially affect our or Venus USA's ability to repay its respective PPP Loan and limit our ability to make certain changes to our ownership structure.

If we and/or Venus USA defaults on our or its respective PPP Loan (i) events of default will occur under the CNB Loan Agreement and MSLP Loan, and (ii) we and/or Venus USA may be required to immediately repay their respective PPP Loan.

We will require additional financing to achieve our goals, and a failure to obtain this necessary capital when needed on acceptable terms, or at all, could force us to delay, limit, reduce or terminate our product development, commercialization and other operations or efforts.

Since our inception, we have invested a significant portion of our efforts and financial resources in research and development and sales and marketing activities. Research and development, clinical trials, product engineering, ongoing product upgrades and other enhancements and seeking regulatory clearances and approvals to market future products will require substantial funds to complete. As of December 31, 2021, we had capital resources consisting of cash and cash equivalents of approximately $30.9 million. Further, in order to grow our business and increase revenues, we will need to introduce and commercialize new products, grow our sales and marketing force, and implement new software systems. We believe that we will continue to expend substantial resources for the foreseeable future in connection with the ongoing commercializing of our systems, increasing our sales and marketing efforts, and continuing research and development and product enhancements activities. We will have to continue to increase our revenues while effectively managing our expenses in order to achieve profitability and to sustain it. Our operating expenses may fluctuate significantly in the future because of a variety of factors, many of which are outside of our control. Our failure to control expenses could make it difficult to achieve profitability or to sustain profitability in the future.

Our budgeted expense levels are based in part on our expectations concerning future revenue from systems sales, product sales and servicing and procedure-based fees. We may be unable to reduce our expenditures in a timely manner to compensate for any unexpected shortfalls in revenue. Accordingly, a significant shortfall in market acceptance or demand for our systems and procedures could have a material adverse impact on our business and financial condition.

While we believe that the net proceeds from our recent financing activities, the proceeds from the PPP Loans and other government assistance programs, together with our existing cash and cash equivalents, will enable us to fund our operating expenses and capital expenditure requirements for at least the next 12 months, we may need to raise additional capital through public or private equity or debt financings or other sources, such as strategic collaborations sooner than expected or otherwise implement additional cost-saving initiatives. Any such financing may result in dilution to stockholders, the issuance of securities that may have rights, preferences, or privileges senior to those of holders of our common stock, the imposition of more burdensome debt covenants and repayment obligations, the licensing of rights to our technology or other restrictions that may affect our business. In addition, we may seek additional capital if favorable market conditions exist or given other strategic considerations even if we believe we have sufficient capital to fund our current or future operating plans.

Additional funds may not be available when we need them, on terms that are acceptable to us, or at all. If adequate funds are not available to us on a timely basis, we may be required to:

- delay or curtail our efforts to develop system product enhancements or new products, including any clinical trials that may be required to market such enhancements;
- delay or curtail our plans to increase and expand our sales and marketing efforts; or
- delay or curtail our plans to enhance our customer support and marketing activities.

We are restricted by covenants in the MSLP Loan, the Amended CNB Loan Agreement, the PPP Loans, the Madryn Security Agreement and other government assistance programs. These covenants restrict, among other things, our ability to incur additional indebtedness, which may limit our ability to obtain additional debt financing.

Because we incur a substantial portion of our expenses in currencies other than the U.S. dollar, our financial condition and results of operations may be adversely affected by currency fluctuations and inflation.

In the years ended December 31, 2021 and 2020, 58% and 53%, respectively, of our global revenues were denominated in U.S. dollars and our reporting currency was the U.S. dollar. We pay a meaningful portion of our expenses in New Israeli Shekels ("NIS"), Canadian Dollars ("CAD"), and other foreign currencies. Expenses in NIS and CAD accounted for 28% and 17%, respectively, of our expenses for the year ended December 31, 2021, and 17% and 9%, respectively, of our expenses for the year ended December 31, 2020. Salaries paid to our employees, general and administrative expenses and general sales and related expenses are paid in many different currencies. As a result, we are exposed to the currency fluctuation risks relating to the denomination of its future revenues in U.S. dollars. More specifically, if the U.S. dollar devalues against the CAD or the NIS, our CAD and NIS denominated expenses will be greater than anticipated when reported in U.S. dollars. Inflation in Israel compounds the adverse impact of such devaluation by further increasing the amount of our Israeli expenses. Israeli inflation may also in the future outweigh the positive effect of any appreciation of the U.S. dollar relative to the CAD and the NIS, if, and to the extent that, it outpaces such appreciation or precedes such appreciation. We generally do not engage in currency hedging to protect the Company from fluctuations in the exchange rates of the CAD, NIS, and other foreign currencies in relation to the U.S. dollar (and/or from inflation of such foreign currencies), and we may be exposed to material adverse effects from such movements. We cannot predict any future trends in the rate of inflation in Israel or the rate of devaluation (if any) of the U.S. dollar or any other currency against the NIS or CAD.

Downturns in the economy or economic uncertainty may reduce patient and customer demand for our systems and services, which could adversely affect our business, financial condition or results of operations.

Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. Furthermore, the aesthetic industry in which we operate is particularly vulnerable to unfavorable economic trends. Treatments using our systems involve elective procedures, the cost of which must be borne by patients, and is not reimbursable through government or private health insurance. Economic uncertainty may reduce patient demand for the procedures performed using our systems; if there is not sufficient patient demand for the procedures for which our systems are used, practitioner demand for these systems could drop, negatively impacting operating results. The decision to undergo a procedure using our systems is driven by consumer demand. In times of economic uncertainty or recession, individuals generally reduce the amount of money that they spend on discretionary items, including aesthetic procedures. If our customers' patients face economic hardships, our business would be negatively impacted, and our financial performance would be materially harmed in the event that any of the above factors discourage patients from seeking the procedures for which our systems are used. A weak or declining economy could also strain our manufacturers or suppliers, possibly resulting in supply disruption, or cause our customers to delay or stop making payments for our systems or services. As a result of the ongoing COVID-19 pandemic and the economic turmoil that has resulted, we expect that some of our customers will continue to experience difficulty in making timely payments or payments at all under their subscription agreements. Any of the foregoing could harm our business and we cannot anticipate all of the ways in which the economic climate and financial market conditions, including the effect of the COVID-19 pandemic, could adversely impact our business. The impact of economic uncertainty on our industry may vary from region to region.

It is difficult to forecast our future performance and our financial results may fluctuate unpredictably.

The rapid evolution of the markets for medical technologies and aesthetic products makes it difficult for us to predict our future performance. Several factors, many of which are outside of our control, may contribute to fluctuations in our financial results, such as:

- variations in market demand for our systems and services from quarter to quarter;
- the inability of our customers to obtain the necessary financing or access capital;
- performance of new functionalities and system updates;
- performance of third party distributors, manufacturers or suppliers;
- positive or negative media coverage of our systems, positive or negative patient experiences, the procedures or products of our competitors, or our industry generally;
- our ability to maintain our current, or obtain further, regulatory clearances, approvals or CE Certificates of Conformity;
- seasonal or other variations in patient demand for aesthetic procedures; and
- introduction of new medical aesthetic procedures or products and services that compete with our products and services.

Our success depends upon patient satisfaction with our procedures. If there is not sufficient patient demand for our procedures, our financial results and future prospects will be negatively impacted.

Our procedures are elective aesthetic procedures, the cost of which must be borne by the patient and is not covered by or reimbursable through government or private health insurance. In order to generate repeat and referral business, patients must be satisfied with the effectiveness of the procedures conducted using our systems. The decision to undergo one of our procedures is thus driven by patient demand, which may be influenced by a number of factors, such as the success of our sales and marketing programs, the extent to which our physician customers recommend our procedures to their patients, the extent to which our procedures satisfy patient expectations, the cost, safety, and effectiveness of our systems versus other aesthetic treatments, and general consumer confidence, which may be impacted by economic and political conditions outside of our control. Our financial performance will be negatively impacted in the event we cannot generate significant patient demand for procedures performed with our systems.

We compete against companies that offer alternative solutions to our systems, or have greater resources, a larger installed base of customers and broader product offerings than we have. If we are not able to effectively compete with these companies and alternative solutions, our business may not continue to grow.

The medical technology and aesthetic product markets are highly competitive and dynamic and are characterized by rapid and substantial technological development and product innovation. Demand for our systems is impacted by the products and procedures offered by our competitors. Certain of our systems also compete against conventional non-energy-based treatments, such as Botox and collagen injections, chemical peels, and microdermabrasion. In the United States, we compete against companies that have developed minimally invasive and non-invasive medical aesthetic procedures. Outside of the United States, likely due to less stringent regulatory requirements, there are more aesthetic products and procedures available in international markets than are cleared for use in the United States. Sometimes, there are also fewer limitations on the claims our competitors in international markets can make about the effectiveness of their products and the manner in which they can market them. As a result, we may face a greater number of competitors in markets outside of the United States.

We also compete generally with medical technology and aesthetic companies, including those offering products and products unrelated to skin treatment. Aesthetic industry consolidations have created combined entities with greater financial resources, deeper sales channels, and greater pricing flexibility than ours. Rumored or actual consolidation of our competitors could cause uncertainty and disruption to our business. In the surgical hair restoration market, we consider our direct competition to be FUT Strip Surgeries and Manual FUE procedures. Many of our surgical device and equipment competitors have greater capital resources, sales and marketing operations and service infrastructures than we do, as well as longer commercial histories and more extensive relationships with physicians. Our indirect competition in the hair restoration market also includes non-surgical treatments for hair loss, such as prescription therapeutics, including Propecia, and non-prescription remedies, such as wigs, hair pieces and spray-on applications. Some of these companies have greater resources than we do, a broad range of product offerings, large direct sales forces, and long-term customer relationships with the physicians we target, which could make our market penetration efforts more difficult. Competition in the medical technology and aesthetic hair restoration markets could result in price-cutting, reduced profit margins, and limited market share, any of which would harm our business, financial condition, and results of operations.

Surgical alternatives to the ARTAS System may be able to compete more effectively than the ARTAS procedure in established practices with trained staff and workflows built around performing these surgical alternatives. Practices experienced in offering FUT Strip Surgery or Manual FUE using hand-held devices may be reluctant to incorporate or convert their practices to offer ARTAS procedures due to the effort involved to make such changes. These alternative options may be able to provide satisfactory results for male hair loss, generally at a lower cost to the patient than the ARTAS System. As a result, if patients choose these competitive alternatives, our results of operation could be adversely affected.

We may not be able to establish or strengthen our brand.

We believe that establishing and strengthening our brand is critical to achieving widespread acceptance of our systems, particularly because of the highly competitive nature of the market for aesthetic treatments and procedures. Promoting and positioning our brand will depend largely on the success of our marketing efforts and our ability to provide physicians with reliable systems and services. Given the established nature of our competitors, it is likely that our future marketing efforts will require us to incur significant expenses. These brand promotion activities may not yield increased sales and, even if they do, any sales increases may not offset the expenses we incur to promote our brand. If we fail to successfully promote and maintain our brand, or if we incur substantial expenses in an unsuccessful attempt to promote and maintain our brand, systems may not achieve adequate acceptance by physicians, which would adversely affect our business, results of operations and financial condition. Further, negative posts or comments about us or any of our brands on any social networking website could seriously damage our reputation.

The aesthetic equipment market is characterized by rapid innovation. Our inability to develop and/or acquire new products and services, obtain regulatory clearance and maintain regulatory compliance, market new products successfully, and identify new markets for our technology may cause us to fail to compete effectively.

The aesthetic energy-based treatment equipment and hair restoration markets are subject to continuous technological development and product innovation. If we do not continue to innovate and develop new products, services and applications, our competitive position will likely deteriorate as other companies successfully design and commercialize new products, applications and services or enhancements to current products. To continue to grow in the future, we must continue to develop and/or acquire new and innovative aesthetic and medical products, services and applications, identify new markets, and successfully launch any newly developed or acquired product offerings.

To successfully expand our product and service offerings, we must, among other things, develop or otherwise acquire new products that either add to, or significantly improve, our current product offerings, obtain regulatory clearance for and adhere to regulatory requirements relating to the commercialization of new products, sell our product offerings to a broad customer base, identify new markets and alternative applications for our technology, and protect existing and future products with defensible intellectual property.

Historically, product introductions have been a significant component of our financial performance. To be successful in the medical aesthetics industry, we believe we need to continue to innovate. Our business strategy is based, in part, on our expectation that we will continue to increase or enhance our product offerings. We need to continue to devote substantial research and development resources to introduce new products, which can be costly and time-consuming to our organization.

We also believe that, to increase revenue from sales of new products, we need to continue to develop our clinical support, further expand and nurture relationships with industry thought leaders, and increase market awareness of the benefits of our new products. However, even with a significant investment in research and development, we may be unable to continue to develop, acquire or effectively launch and market new products and technologies regularly, or at all. If we fail to successfully innovate and commercialize new products or enhancements, our business may be harmed.

We may be unsuccessful in penetrating certain international markets through majority-owned subsidiary arrangements with local partners.

We have established a majority-owned subsidiary in Hong-Kong as part of our international growth strategy. Although we have selected our local partners based on demonstrated experience and expertise in the local aesthetic market, the nature of our arrangements with local partners requires us to share control with unaffiliated third parties. We may not be able to identify local partners with the requisite experience and expertise in their local markets or successfully negotiate an agreement with such local partners. Moreover, the ability of this subsidiary to execute its business plan depends on the local partners fulfillment of their obligations. If local partners fail to fulfill their obligations to our satisfaction, our financial results could be adversely affected, and we may be required to either increase our level of commitment to the subsidiary and dedicate additional resources or divest our interest in the subsidiary. Although our agreements with our local partners generally allow us control over business operations, differences in views could also result in delayed execution of the subsidiary's business plan. If these differences cause the subsidiary to deviate from our business plan, our results of operations could be adversely affected.

We may be unsuccessful in expanding and managing our direct sales and marketing forces effectively.

We rely on our own direct sales force and in-house marketing department to sell our systems and services in North America and in international markets. In order to meet our anticipated sales objectives, we expect to continue to grow our global sales and marketing organization over the next several years. There are significant risks involved in building and managing a sales and marketing organization, including risks related to our ability to:

- hire qualified individuals as needed;
- generate sufficient leads within our target customer group for our sales force;
- provide adequate training for the effective sale and marketing of our systems and services;
- retain and motivate our direct sales and marketing professionals;
- effectively oversee geographically dispersed sales and marketing teams; and
- work successfully with local partners of our majority-owned subsidiaries.

Our failure to adequately address these risks could have a material adverse effect on our ability to increase sales and use of our systems and services, which would cause our revenues to be lower than expected and harm our results of operations.

We depend on third-party distributors to market and sell our systems in certain markets.

In addition to our direct sales and marketing forces, we currently depend on third-party distributors to sell, market, and service our systems in certain markets outside of North America and to train our customers in these markets. For the years ended December 31, 2021 and 2020, we generated 9% and 7%, respectively, of our systems revenues from sales made through third-party distributors. Our agreements with third-party distributors set forth minimum quarterly purchase commitments required for each distributor and provide the distributor the right to distribute its systems within a designated territory. As we continue to expand into new markets outside of North America, we will need to engage additional third-party distributors which exposes us to a number of risks, including:

- the lack of day-to-day control over the activities of third-party distributors;
- third-party distributors may not commit the necessary resources to market, sell, train, support and service our systems to the level of our expectations;
- third-party distributors may emphasize the sale of third-party products over our products;
- third-party distributors may not be as selective as we would be in choosing customers to purchase our systems or as effective in training physicians in marketing and patient selection;
- third-party distributors may violate applicable laws and regulations, which may limit our ability to sell products in certain markets; and
- disagreements with our distributors that could require or result in costly and time-consuming litigation or arbitration, which we could be required to conduct in jurisdictions in which we are not familiar with the governing law.

Economic and other risks associated with international sales and operations could adversely affect our business.

Sales in markets outside of the United States accounted for approximately 49% of our revenue for the year ended December 31, 2021 and 56% of our revenue for the year ended December 31, 2020. In addition, the majority of our research and development activities and the manufacture of our systems are located outside of the United States. As a result of our international business, we are subject to a number of risks, including:

- difficulties in staffing and managing our international operations;
- increased competition as a result of more products and procedures receiving regulatory approval or otherwise free to market in international markets;
- longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- reduced or varied protection for intellectual property rights in some countries;
- import and export restrictions, trade regulations, and non-U.S. tax laws;
- fluctuations in currency exchange rates;
- foreign certification and regulatory clearance or approval requirements;
- customs clearance and shipping delays;
- political, social, and economic instability abroad, terrorist attacks, and security concerns in general and uncertainties related to the coronavirus;
- preference for locally manufactured products;
- potentially adverse tax consequences, including the complexities of foreign value-added tax systems, tax inefficiencies related to our corporate structure, and restrictions on the repatriation of earnings;
- the burdens of complying with a wide variety of foreign laws and different legal standards; and
- increased financial accounting and reporting burdens and complexities.

If one or more of these risks were realized, it could require us to dedicate significant financial and management resources, and our results of operations and financial condition could be adversely affected.

The success of our hair restoration business depends upon the success of the ARTAS System. If we are unsuccessful in continuing to develop the market for robotic hair restoration or the market acceptance for the ARTAS System fails to grow significantly, our business and future prospects will be negatively impacted.

Our success in the hair restoration market depends on the acceptance among physicians and patients of the ARTAS System as the preferred system for performing hair restoration surgery. Acceptance of the ARTAS System by physicians is significantly dependent on our ability to convince physicians of the benefits of the ARTAS System to their practices and, accordingly, develop the market for robotic-assisted hair restoration surgery. Acceptance of the ARTAS procedure by patients is equally important as patient demand will influence physicians to offer the ARTAS procedure, and the degree of market acceptance of the ARTAS System by physicians and patients is unproven. We believe that market acceptance of the ARTAS System will depend on many factors, including:

- the perceived advantages or disadvantages of the ARTAS System relative to other hair restoration products and treatments;
- the safety and efficacy of the ARTAS System relative to other hair restoration products and treatments;
- the price of the ARTAS System relative to other hair restoration products and treatments;
- our success in expanding and integrating our hair restoration sales and marketing organization;
- the effectiveness of our marketing, advertising, and commercialization initiatives;
- our success in adding new functionalities to the ARTAS System and enhancing existing functions; and
- our ability to obtain regulatory clearance to market the ARTAS System for additional treatment indications in the United States.

In addition, we must be able to demonstrate that the cost of our systems and the revenue that a physician can derive from performing procedures are compelling when compared to the costs and revenue associated with alternative treatments the physician can offer and persuade physicians to purchase our systems instead of those of our competitors, many of whom already have existing relationships with our target physicians. We believe our marketing programs, including clinical support, will be critical to increasing utilization and awareness of our systems, particularly the ARTAS Systems, but these programs require physician commitment and involvement to succeed.

Further, the ARTAS iX System, which was launched in July 2018, includes our robotic implantation functionality. As this functionality is relatively new, it is possible that it could include defaults, “bugs” or present other technical issues which could prompt potential physician customers to delay their purchase of the ARTAS iX System or could prompt physicians that have purchased the ARTAS iX System not to utilize the system.

We cannot assure you that the ARTAS System will achieve broad market acceptance among physicians and patients. As we expect to derive a significant portion of our revenue in the hair restoration market from ARTAS System sales, servicing and procedure-based fees, any failure of this product to satisfy physician or patient demand or to achieve meaningful market acceptance will harm our business and future prospects.

We rely on a limited number of third-party contract manufacturers for the production of our systems and only have contracts with certain suppliers for the components used in our systems. The failure of these third parties to perform could adversely affect our ability to meet demand for our systems in a timely and cost-effective manner.

We rely on third-party contract manufacturers in Karmiel, Israel, Mazet, France, Weston, Florida and San Jose, California for the manufacture of the majority of our systems. Other than with respect to the ARTAS iX System and diode stacks for certain of our devices, the majority of the components used in our systems are available off the shelf and we do not rely on any single supplier, and as a result we do not have any long-term supply agreements for these components. Our reliance on third-party contract manufacturers and suppliers involves a number of risks, including, among other things:

- contract manufacturers or suppliers may fail to comply with regulatory requirements or make errors in manufacturing that could negatively affect the efficacy or safety of our systems or cause delays in shipments of our systems;
- we or our contract manufacturers or suppliers may not be able to respond to unanticipated changes in customer orders, and if orders do not match forecasts, we or our contract manufactures may have excess or inadequate inventory of materials and components;
- we or our contract manufacturers and suppliers may be subject to price fluctuations due to a lack of long-term supply arrangements for key components;
- we or our contract manufacturers and suppliers may lose access to critical services and components, resulting in an interruption in the manufacture, assembly and shipment of our systems;
- we may experience delays in delivery by our contract manufacturers and suppliers due to changes in demand from us or their other customers;
- fluctuations in demand for systems that our contract manufacturers and suppliers manufacture for others may affect their ability or willingness to deliver components to us in a timely manner;
- our suppliers or those of our contract manufacturers may wish to discontinue supplying components or services to us for risk management reasons;
- we may not be able to find new or alternative components or reconfigure our system and manufacturing processes in a timely manner if the necessary components become unavailable; and
- our contract manufacturers and suppliers may encounter financial hardships unrelated to our demand, which could inhibit their ability to fulfill its orders and meet our requirements.

If any of these risks materialize, they could significantly increase our costs and effect our ability to meet demand for our systems. If we are unable to satisfy commercial demand for our systems in a timely manner, our ability to generate revenue would be impaired, market acceptance of our systems and our reputation could be adversely affected, and customers may instead purchase or use our competitors' products. In addition, we could be forced to secure new or alternative contract manufacturers or suppliers. Securing a replacement contract manufacturer or supplier could be difficult. The introduction of new or alternative manufacturers or suppliers also may require design changes to our medical device products that are subject to the FDA and other regulatory clearances or approvals, or a new or revised CE Certificate of Conformity. We may also be required to assess the new manufacturer's compliance with all applicable regulations and guidelines, which could further impede our ability to manufacture our systems in a timely manner. As a result, we could incur increased production costs, experience delays in deliveries of our systems, suffer damage to our reputation, and experience an adverse effect on our business and financial results.

Both our manufacturing of certain of our systems and NPI's manufacturing of the ARTAS procedure kits are dependent upon third-party suppliers and, in some cases, sole suppliers, for the majority of our components, subassemblies and materials, making us vulnerable to supply shortages and price fluctuations, which could harm our business.

We and NPI, as the case may be, rely on several sole source suppliers, including Kuka Robotics, Inc., FLIR Integrated Imaging Solutions Inc. and 3D-CAM International Corporation, for certain components of the ARTAS System, reusable procedure kits, disposable procedure kits and spare procedure kits. We also rely on other suppliers for some of the components used to manufacture our other devices. These suppliers may be unwilling or unable to supply components of these systems to us or NPI reliably and at the levels we anticipate or require to meet demand for our products. For us to be successful, our suppliers must be able to provide products and components in substantial quantities, in compliance with regulatory requirements, in accordance with agreed upon specifications, at acceptable costs and on a timely basis. An interruption in our commercial operations could occur if we encounter delays or difficulties in securing these components, and if we cannot then obtain an acceptable substitute. We source a number of components used in the manufacture of our systems from China and given the adverse effects on global supply chain caused by the COVID-19 pandemic, access to our existing supply chain may be become impaired, which could result in manufacturing delays and inventory shortages. If we are required to transition to new third-party suppliers for certain components of our systems or our ARTAS procedure kits, we believe that there are only a few such suppliers that can supply the necessary components. A supply interruption, price fluctuation or an increase in demand beyond our current suppliers' capabilities could harm our ability to manufacture our systems and NPI's ability to manufacture our ARTAS procedure kits until new sources of supply are identified and qualified. In addition, the use of components or materials furnished by these alternative suppliers could require us to alter our operations.

In addition, our reliance on these suppliers subjects us to a number of risks that could harm our reputation, business, and financial condition, including, among other things, a lack of long-term supply arrangements for key components with our suppliers, difficulty and cost associated with locating and qualifying alternative suppliers for our components in a timely manner, production delays related to the evaluation and testing of products from alternative suppliers, and corresponding regulatory qualifications, delay in delivery due to our suppliers prioritizing other customer orders over ours, damage to our reputation caused by defective components produced by our suppliers, and increased cost of our warranty program due to product repair or replacement based upon defects in components produced by our suppliers.

Where practicable, we are seeking, or intending to seek, second-source manufacturers for certain of our components. However, we cannot provide assurance that we will be successful in establishing second-source manufacturers or that the second-source manufacturers will be able to satisfy commercial demand for our systems. If any of these risks materialize, costs could significantly increase and our ability to meet demand for our products could be impacted. If we are unable to satisfy commercial demand for our systems in a timely manner, our ability to generate revenue from these systems would be impaired.

If we are unable to manufacture our ARTAS iX System in high-quality commercial quantities successfully and consistently to meet demand, our penetration of the hair restoration market will be limited, and our reputation could be harmed.

To manufacture our ARTAS iX System in the quantities that we believe will be required to meet anticipated market demand, we will need to develop and maintain sufficient manufacturing capacity, which will involve significant challenges. Historically, we have not manufactured any of our other ARTAS System products in-house or without the contract manufacturer involvement. We have been manufacturing the ARTAS iX System without a third-party contract manufacturer's involvement for over two years. The continuous development of commercial-scale manufacturing capabilities will require us (or our contract manufacturer for ARTAS iX System, if we decide to utilize one on a long-term basis) to invest substantial additional funds and hire and retain the technical personnel who have the necessary manufacturing experience. We also may become subject to additional, onerous regulatory requirements from the U.S. regulatory agencies as well as foreign regulatory agencies. Neither we nor a third-party manufacturer, if one is utilized, may successfully complete any required increase to existing manufacturing processes in a timely manner, or at all.

If we or a contract manufacturer, if one is utilized, are unable to produce the ARTAS iX System in sufficient quantities to meet anticipated customer demand, our revenue, business, financial prospects, and reputation would be harmed. The limited experience we have, or a third-party manufacturer may have, if one is utilized, in producing the ARTAS iX System may also result in quality issues, and possibly result in product recalls. Manufacturing delays related to quality control could harm our reputation and decrease our revenue. Any recall could be expensive and generate negative publicity, which could impair our ability to market the ARTAS iX System and procedures and further affect our results of operations.

Although we actively train our customers on the use of our systems and post-treatment care, misuse by the operator of our systems may result in adverse medical events which may subject us to claims or otherwise harm our reputation and our business.

We and our independent distributors market and sell our systems to physicians and other customers. In the United States and certain international markets, subject to local regulations, physician customers can generally allow nurse practitioners, technicians and other non-physicians to perform aesthetic procedures using our systems under their direct supervision. Although we and our distributors provide training on the use of our systems as well as the proper post-treatment care, we do not supervise the procedures performed with our systems, nor can we be certain that physicians are directly supervising procedures according to our recommendations. The potential misuse of our systems or failing to adhere to operating guidelines can cause skin damage and underlying tissue damage, which could harm the reputation of our systems and expose us to costly product liability litigation. In addition, patients may not comply with post-treatment guidelines, which could also lead to adverse results and subject us to claims by patients.

Product liability suits could be brought against us for defective design, labeling, material, workmanship, or software or misuse of our systems, and could result in expensive and time-consuming litigation, payment of substantial damages, an increase in our insurance rates and substantial harm to our reputation.

If our systems are defectively designed, manufactured, or labeled, contain defective components or software, or are misused, we may become subject to substantial and costly litigation by our customers or their patients. For example, if a patient is injured or suffers unanticipated adverse events after undergoing a procedure using one of our systems, or if system operating guidelines are found to be inadequate, we may be subject to product liability claims. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, product liability claims may result in:

- decreased demand for our systems, or any future systems or services;
- damage to our reputation;
- withdrawal of clinical trial participants;
- costs to defend the related litigation;
- a diversion of management’s time and our resources;
- substantial monetary awards to customers, patients or clinical trial participants;
- regulatory investigations, product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenue; and
- the inability to commercialize future products.

We currently have product liability insurance, but any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or that is in excess of the limits of our insurance coverage. Our insurance policies also have various exclusions and deductibles, and we may be subject to a product liability claim for which we have no coverage. We will have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient funds to pay such amounts. Moreover, in the future, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses.

Third parties may attempt to reverse engineer or produce counterfeit versions of our systems which may negatively affect our reputation, or harm patients and subject us to product liability claims.

Third parties have sought in the past, and in the future may seek, to reverse engineer or develop counterfeit products that are substantially similar or compatible with our systems and available to practitioners at lower prices than our own. Practitioners may be able to make unauthorized use of our systems' technology. In addition, if copies of products that have been reverse engineered or counterfeit products are used with or in place of our own, we could be subject to product liability claims resulting from the use of damaged or defective goods and suffer damage to our reputation.

Security breaches and other disruptions could compromise our information and expose us to liability.

In the ordinary course of our business and to the extent necessary, we rely on software to control the ongoing use of our systems, collect, and aggregate diagnostic data, and collect and store sensitive data, including intellectual property and proprietary business information, and certain personally identifiable information of customers, distributors, consultants and employees in our data centers and on our networks. The secure processing, maintenance, and transmission of this information is important to our operations and business strategy. We have established physical, electronic, and policy measures to secure our systems in an attempt to prevent a system breach and the theft of data we collect, and we rely on commercially available systems, software, tools, and monitoring in our effort to provide security for our information technology systems and the digital information we collect, process, transmit and store. Despite our security measures, our information technology systems and related infrastructure, and those of our current and any future collaborators, contractors, and consultants and other third parties on which we rely, may be vulnerable to attacks by computer viruses, malware, hackers, or breaches due to malfeasance, employee or contractor error, telecommunication or electrical failures, terrorism or other created or natural disasters. Despite our cybersecurity measures, it is possible for security vulnerabilities to remain undetected for an extended time period, up to and including several years. While we have experienced, and expect to continue to experience, threats and disruptions to the Company's information technology infrastructure, none of them to date has had a material impact to the Company. The costs to us to mitigate network security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and while we have implemented security measures to protect our data security and information technology systems, our efforts to address these problems may not be successful, and these problems could result in unexpected interruptions, delays, cessation of service and other harm to our business and our competitive position. Moreover, if a computer security breach affects our systems or results in the unauthorized release of personally identifiable information, our reputation could be materially damaged. In addition, such a breach may require notification to governmental agencies, the media, or individuals pursuant to various federal and state privacy and security laws, if applicable, and may be subject to financial liability to the extent we are not in compliance with privacy laws to which we are subject at the time of a breach. We could also be exposed to a risk of loss or litigation and potential liability, which could materially adversely affect our business, results of operations and financial condition.

The clinical trial process required to obtain regulatory clearances or approvals is lengthy and expensive with uncertain outcomes and could result in delays in new product introductions.

In order to obtain 510(k) clearance for certain of our systems, we were required to conduct clinical trials, and we expect to conduct clinical trials in support of marketing authorization for future products and product enhancements. Conducting clinical trials is a complex and expensive process, can take many years, and outcomes are inherently uncertain. We may suffer significant setbacks in clinical trials, even after earlier pre-clinical or clinical trials showed promising results, and failure can occur at any time during the clinical trial process. Any of our products may malfunction or may produce undesirable adverse effects that could cause us or regulatory authorities to interrupt, delay or halt clinical trials. We, the FDA, or another regulatory authority may suspend or terminate clinical trials at any time to avoid exposing trial participants to unacceptable health risks.

Successful results of pre-clinical or feasibility studies are not necessarily indicative of future clinical trial results, and predecessor clinical trial results may not be replicated in subsequent clinical trials. Additionally, the FDA may disagree with our interpretation of the data from our pre-clinical studies and clinical trials, or may find the clinical trial design, conduct or results inadequate to prove safety or efficacy, and may require us to pursue additional pre-clinical studies or clinical trials, which could further delay the clearance or approval of our products. The data we collect from our pre-clinical studies and clinical trials may not be sufficient to support the FDA clearance or approval, and if we are unable to demonstrate the safety and efficacy of our future products in our clinical trials, we will be unable to obtain regulatory clearance or approval to market our products.

In addition, we may estimate and publicly announce the anticipated timing of the accomplishment of various clinical, regulatory and other product development goals, which are often referred to as milestones. These milestones could include the obtainment of the right to affix the CE Mark in the European Union; the submission to the FDA of an investigational device exemption, or IDE, application to commence a pivotal clinical trial for a new product; the enrollment of patients in clinical trials; the release of data from clinical trials; and other clinical and regulatory events. The actual timing of these milestones could vary dramatically compared to our estimates, in some cases for reasons beyond our control. We cannot assure you that we will meet our projected milestones and if we do not meet these milestones as publicly announced, the commercialization of our products may be delayed and, as a result, our stock price may decline.

Delays in the commencement or completion of clinical testing could significantly affect our product development costs. We do not know whether planned clinical trials will begin on time, need to be redesigned, enroll an adequate number of patients in a timely manner or be completed on schedule, if at all. The commencement and completion of clinical trials can be delayed or terminated for a number of reasons, including delays or failures related to:

- the FDA or comparable foreign regulatory authorities disagreeing as to the level of risk, design or implementation of our clinical studies;
- obtaining regulatory approval to commence a clinical trial;
- reaching agreement on acceptable terms with prospective clinical research organizations, or CROs, and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- manufacturing sufficient quantities of a product for use in clinical trials;
- obtaining institutional review board, or IRB, or ethics committees' approval to conduct a clinical trial at each prospective site;
- recruiting and enrolling patients and maintaining their participation in clinical trials;
- having clinical sites observe trial protocol or continue to participate in a trial;
- addressing any patient safety concerns that arise during the course of a clinical trial;
- addressing any conflicts with new or existing laws or regulations; and
- adding a sufficient number of clinical trial sites.

Patient enrollment in clinical trials and completion of patient follow-up depend on many factors, including the size of the patient population, the nature of the trial protocol, the proximity of patients to clinical sites, the eligibility criteria for the clinical trial, patient compliance, competing clinical trials and clinicians' and patients' perceptions as to the potential advantages of the product being studied in relation to other available therapies, including any new treatments that may be cleared or approved for the indications we are investigating. For example, patients may be discouraged from enrolling in our clinical trials if the trial protocol requires them to undergo extensive post-treatment procedures or follow-up to assess the safety and efficacy of a product, or they may be persuaded to participate in contemporaneous clinical trials of a competitor's product. In addition, patients participating in our clinical trials may drop out before completion of the trial or suffer adverse medical events unrelated to our products. Delays in patient enrollment or failure of patients to continue to participate in a clinical trial may delay commencement or completion of the clinical trial, cause an increase in the costs of the clinical trial and delays, or result in the failure of the clinical trial.

We could also encounter delays if the FDA concluded that our financial relationships with our principal investigators resulted in a perceived or actual conflict of interest that may have affected the interpretation of a study, the integrity of the data generated at the applicable clinical trial site or the utility of the clinical trial itself. Principal investigators for our clinical trials may serve as scientific advisors or consultants to us from time to time and receive cash compensation and/or stock options in connection with such services. If these relationships and any related compensation to or ownership interest by the clinical investigator carrying out the study result in perceived or actual conflicts of interest, or the FDA concludes that the financial relationship may have affected interpretation of the study, the integrity of the data generated at the applicable clinical trial site may be questioned and the utility of the clinical trial itself may be jeopardized, which could result in the delay or rejection of our marketing application by the FDA. Any such delay or rejection could prevent us from commercializing any of our products in development.

Furthermore, clinical trials may also be delayed because of ambiguous or negative interim results. In addition, a clinical trial may be suspended or terminated by us, the FDA, the IRB overseeing the clinical trial at issue, the Data Safety Monitoring Board for such trial, any of our clinical trial sites with respect to that site, or other regulatory authorities due to several factors, including:

- failure to conduct the clinical trial in accordance with applicable regulatory requirements or our clinical protocols;
- inspection of the clinical trial operations or trial sites by the FDA or other regulatory authorities resulting in the imposition of a clinical hold;
- inability of a clinical investigator or clinical trial site to continue to participate in the clinical trial;
- unforeseen safety issues, governmental regulation or adverse side effects;
- failure to demonstrate a benefit from using the product; and
- lack of adequate funding to continue the clinical trial.

Additionally, changes in regulatory requirements and guidance may occur and we may need to amend clinical trial protocols to reflect these changes. Amendments may require us to resubmit our clinical trial protocols to IRBs for reexamination, which may impact the costs, timing or successful completion of a clinical trial. If we experience delays in completion of, or if we terminate, any of our clinical trials, the commercial prospects for our products may be harmed and our ability to generate product revenue from these products will be delayed or not realized at all. In addition, any delays in completing our clinical trials will increase our costs, slow down our product development and approval process and jeopardize our ability to commence product sales and generate revenue. Any of these occurrences may significantly harm our business, financial condition and prospects significantly. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of a clinical trial may also ultimately lead to the denial of regulatory approval of the subject product.

Risks related to our ability to manufacture and/or sell our products may be impaired by disruption to our manufacturing, warehousing or distribution capabilities, or to the capabilities of our suppliers, contract manufacturers, logistics service providers or independent distributors.

The Company maintains manufacturing operations at its facilities in San Jose, California and Yokneam, Israel. We rely on third-party suppliers and manufacturers in various countries to produce components and provide raw materials used in the manufacturing of our products. The COVID-19 pandemic has resulted in both worldwide shortage of raw materials and goods required for manufacturing of our products, as well as significant governmental measures implemented to control the spread of the virus, including, among others, restrictions on manufacturing and the movement of employees in many regions. As a result of COVID-19 and the measures designed to contain the spread of the virus, our third-party suppliers and manufacturers may not have the materials, capacity, or capability to manufacture our products according to our schedule and specifications and we may need to seek alternate supply and/or manufacturing sources, which may be more expensive. Alternate sources may not be available or may result in delays in shipments to us from our supply chain and subsequently to our customers, each of which would affect our results of operations.

Risks Related to Intellectual Property

If we are unable to obtain, maintain, retain and enforce adequate intellectual property rights covering our products and any future products we develop, others may be able to make, use, or sell products that are substantially the same as ours, which could adversely affect our ability to compete in the market.

Our commercial success is dependent in part on obtaining, maintaining, retaining and enforcing our intellectual property rights, including our patents and the patents we exclusively license. If we are unable to obtain, maintain, retain and enforce sufficiently broad intellectual property protection covering our products and any other products we develop, others may be able to make, use, or sell products that are substantially the same as our products without incurring the sizeable development and licensing costs that we have incurred, which would adversely affect our ability to compete effectively in the market.

We protect our proprietary information and technology through nondisclosure agreements, noncompetition covenants, and other contractual provisions and agreements, as well as through patent, trademark and trade secret laws in the United States and similar laws in other countries. These protections may not be available in all jurisdictions and may be inadequate to prevent our competitors or other third-party manufacturers from copying, reverse engineering or otherwise obtaining and using our technology, proprietary rights or products. For example, the laws of certain countries in which our products are manufactured or licensed do not protect our proprietary rights to the same extent as the laws of the United States. In addition, third parties may seek to challenge, invalidate or circumvent our patents, trademarks or applications for any of the foregoing. We have focused patent, trademark, copyright and trade secret protection primarily in the United States and Europe, although we distribute our products globally. As a result, we may not have sufficient protection of our intellectual property in all countries where infringement may occur. There can be no assurance that our competitors will not independently develop technologies that are substantially equivalent or superior to our technology or design around our proprietary rights. In each case, our ability to compete could be significantly impaired. To prevent substantial unauthorized use of our intellectual property rights, it may be necessary to prosecute actions for infringement and/or misappropriation of our proprietary rights against third parties. Any such action could result in significant costs and diversion of our resources and management’s attention, and we may not be successful in such action.

We have obtained and maintained our existing patents, sought to diligently prosecute our existing patent applications, and sought to file patent applications and obtain additional patents and other intellectual property rights to restrict the ability of others to market products that compete with our current and future products. As of December 31, 2021, the Company’s patent portfolio was comprised of 12 issued U.S. patents, 8 pending U.S. patent applications, 23 issued foreign counterpart patents, and 9 pending foreign counterpart patent applications relating to the (MP)2, fractional RF and Directional Skin Tightening technology, 7 issued foreign patents covering the NeoGraft system and its methods of use, and 97 issued U.S. patents, 3 pending U.S. patent applications, 148 issued foreign counterpart patents, and 14 pending foreign counterpart patent applications relating to the ARTAS System and methods of use. However, patents may not be issued on any pending or future patent applications we file, the claims that issue may provide limited or no coverage of its products and technologies, and, moreover, issued patents owned or licensed to us now or in the future may be found by a court to be invalid or otherwise unenforceable at any time. We may choose to not apply for patent protection or may fail to apply for patent protection on important technologies or product candidates in a timely fashion. In addition, we may be unable to obtain patents necessary to protect our technology or products due to prior uses of or claims to similar processes or systems by third parties, or to blocking intellectual property owned by third parties. Even though we have issued patents, and even if additional patents are issued to us in the future, they may be challenged, narrowed, invalidated, held to be unenforceable or circumvented, which could limit our ability to prevent competitors from using similar technology or marketing similar products, or limit the length of time our technologies and products have patent protection. Also, even if our existing and future patents are determined to be valid and enforceable, they may not be drafted or interpreted broadly enough to prevent others from marketing products and services similar to ours, by easily designing products around our patents or otherwise developing competing products or technologies. In addition, the ownership or inventorship of one or more of our patents and patent applications may be challenged by one or more parties in one or more jurisdictions, including in a patent interference or a derivation proceeding in the United States Patent and Trademark Office (“USPTO”), or a similar foreign governmental agency or during the course of a litigation. If a competitor were able to successfully design around our patents, we may not be able to block such competition, and furthermore the competitor’s products may be more effective or commercially successful than its products. In addition, our current patents will eventually expire, or they may otherwise cease to provide meaningful competitive advantage, and we may be unable to adequately develop new technologies and obtain future patent protection to preserve our competitive advantage or avoid other adverse effects on our business.

We have a number of foreign patent applications, and while we generally try to pursue patent protection in the jurisdictions in which we do or intend to do significant business, the filing, prosecuting, maintaining and defending patents relating to our current or future products in all countries throughout the world would be prohibitively expensive. Furthermore, the laws of some foreign jurisdictions do not protect intellectual property rights to the same extent as laws in the U.S., and many companies have encountered significant difficulties in obtaining, protecting, and defending such rights in foreign jurisdictions. As a result, our intellectual property may not provide us with sufficient rights to exclude others from commercializing products similar or identical to its products in various jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products, and we may be unable to prevent such competitors from importing those infringing products into territories where we do not have patent protection or into territories where we do have patent protection but there is no prohibition against such importation, or even if such prohibitions exist, the law or related enforcement is not as strong as in the United States. These products may compete with our systems and our patents and our other intellectual property rights may not be effective or sufficient to prevent competitors from competing in those jurisdictions. If we encounter such difficulties or are otherwise precluded from effectively protecting and enforcing our intellectual property rights in foreign jurisdictions, our business prospects could be substantially harmed.

Third-party patent applications and patents could significantly reduce the scope of protection of patents owned by or licensed to us and limit our ability to obtain a meaningful scope of patent protection or market and sell our products or develop, market, and sell future products. In the United States, other parties may attack the validity of our patents after they issue, in a court proceeding, or in an ex-parte reexamination proceeding or one or more post-grant procedures that were authorized under the America Invents Act of 2011, that were available commencing on March 16, 2013 such as post-grant review, covered business method review or inter partes review, in front of the Patent Trial and Appeal Board of the USPTO. The costs of these proceedings could be substantial.

At any given time, we may be involved as either a plaintiff or a defendant in a number of patent infringement actions, the outcomes of which may not be known for prolonged periods of time. The large number of patents, the rapid rate of new patent applications and issuances, the complexities of the technologies involved, and the uncertainty of litigation significantly increase the risks related to any patent litigation. Any potential intellectual property litigation may (i) force us to withdraw existing products from the market or may be unable to commercialize one or more of our products, (ii) cause us to incur substantial costs, and (iii) could place a significant strain on our financial resources, divert the attention of management from our core business and harm our reputation.

Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses and could distract our technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of our common stock. Finally, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise the funds necessary to continue our operations.

In addition, we may indemnify our customers, suppliers and international distributors against claims relating to the infringement of the intellectual property rights of third parties relating to our products, methods, and/or manufacturing processes. Third parties may assert infringement claims against our customers, suppliers, or distributors. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers, suppliers, or distributors, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers, suppliers, or distributors or may be required to obtain licenses for the products they use. If we cannot obtain all necessary licenses on commercially reasonable terms, our customers may be forced to stop using our products, or our suppliers may be forced to stop providing us with products.

The legal determinations relating to patent rights afforded to companies in the medical technology and aesthetic product fields can be uncertain and involve complex legal, factual, and scientific questions, sometimes involving important legal principles which remain uncertain or unresolved, and such uncertainty could affect the outcome or intellectual property related legal determinations in which we are involved.

Both the U.S. Supreme Court and the U.S. Court of Appeals for the Federal Circuit have made, and will likely continue to make, changes in how the patent laws of the United States are interpreted. Similarly, foreign courts have made, and will likely continue to make, changes in how the patent laws in their respective jurisdictions are interpreted. In addition, the U.S. Congress is currently considering legislation that would change certain provisions of U.S. federal patent law. We cannot predict future changes which U.S. and foreign courts may make in the interpretation of patent laws or changes to patent laws which might be enacted into law by U.S. and foreign legislative bodies. Those changes may materially affect our patent rights, and our ability to obtain patents in the future.

Prosecution of patent applications, post-grant opposition proceedings, and litigation to establish the validity, enforceability, and scope of patents, assert patent infringement claims against others or defend against patent infringement claims by others are expensive and time-consuming. There can be no assurance that, in the event that claims of any of our patents are challenged by one or more third parties, any court or patent authority ruling on such challenge will determine that such patent claims are valid and enforceable. An adverse outcome in such litigation or post grant proceeding could cause us to lose associated patent rights and may have a material adverse effect on our business.

We may not be able to adequately protect our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on our products in all countries throughout the world would be prohibitively expensive. The requirements for patentability may differ in certain countries, particularly developing countries, and the breadth of patent claims which are allowed can be inconsistent. In addition, the laws of some foreign countries may not protect our intellectual property rights to the same extent as laws in the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and, furthermore, may export otherwise infringing products to territories in which we have patent protection that may not be sufficient to terminate infringing activities.

We do not have patent rights in certain foreign countries in which a market may exist. Moreover, in foreign jurisdictions where we do have patent rights, proceedings to enforce such rights could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, and our patent applications at risk of not issuing. Additionally, such proceedings could provoke third parties to assert claims against us. We may not prevail in lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. Thus, we may not be able to stop a competitor from marketing and selling in foreign countries products that are the same as or similar to our products, and our competitive position in the international market would be harmed.

Unauthorized use of our intellectual property may have occurred or may occur in the future. Any reverse engineered or counterfeit products that purport to be our systems that are currently in the market or that may be introduced in the future may harm our reputation and our sale of products. Moreover, if we commence litigation to stop or prevent any unauthorized use of our technology that occurs from reverse engineering or counterfeiting of our products, or if we have to defend allegations of such unauthorized use of a third party’s technology, such litigation would be time-consuming, force us to incur significant costs and divert our attention and the efforts of its management and other employees.

We depend on certain technologies that are licensed to us. We do not control these technologies and any loss of our rights to them could prevent us from selling our products.

Our rights to use the technology we license are subject to compliance with the terms of those licenses. In some cases, we do not control the prosecution, maintenance, or filing of the patents to which we hold licenses, or the enforcement of these patents against third parties. These patents and patent applications are not written by us or our advisors, and we did not have control over the drafting and prosecution. We cannot be certain that drafting and/or prosecution of the licensed patents and patent applications by the licensors have been or will be conducted in compliance with applicable laws and regulations or will result in valid and enforceable patents and other intellectual property rights.

Our intellectual property agreements with third parties may be subject to disagreements over contract interpretation, which could narrow the scope of our rights to the relevant intellectual property or technology or increase our financial or other obligations to our licensors.

Certain provisions in our intellectual property agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could affect the scope of our rights to the relevant intellectual property or technology or affect financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, while it is our policy to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact conceives or develops intellectual property that we regard as our own. Our assignment agreements may not be self-executing or may be breached, and we may be forced to bring claims against third parties, or defend claims they may bring against us, to determine the ownership of what we regard as our intellectual property.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

We have trademark registrations and applications in the United States and also in certain foreign countries. Actions taken by us to establish and protect our trademarks might not prevent imitation of our products or services, infringement of our trademark rights by unauthorized parties or other challenges to our ownership or validity of our trademarks. If we are unable to register our trademarks, enforce our trademarks, or bar a third-party from registering or using a trademark, our ability to establish name recognition based on our trademarks and compete effectively in our markets of interest may be adversely affected. In addition, our enforcement against third-party infringers or violators may be expensive and time-consuming, and the outcome is unpredictable and may not provide an adequate remedy.

We may become subject to claims for remuneration for service invention rights by our employees, which could result in litigation and adversely affect our business.

A significant portion of our intellectual property has been developed by our employees based in Israel in the course of their employment for Venus Ltd. Under the Israeli Patent Law, 5727-1967 (the “Patent Law”), inventions conceived by employees during and within the scope of employment with an employer are regarded as “service inventions,” which belong to the employer, absent a specific agreement between the employee and employer giving the employee service invention rights. The Patent Law also provides that if there is no agreement between an employer and an employee with respect to the employee’s right to receive compensation for such “service inventions,” the Israeli Compensation and Royalties Committee, a body constituted under the Patent Law, shall determine whether the employee is entitled to remuneration for his or her service inventions and the scope and conditions for remuneration. While our employees have generally explicitly waived their right to any additional compensation for their contribution to service invention rights, certain current or former employees may not have signed such waivers, and we may face claims from current or former employees demanding remuneration in consideration for their contribution to service invention rights, which may lead to future litigation, which could be costly and could divert management’s attention and we could be required to pay such remuneration.

Risks Related to Government Regulation

Our devices and our operations are subject to extensive government regulation and oversight both in the United States and abroad, and our failure to comply with applicable requirements could harm our business.

Certain of our systems are regulated as medical devices subject to extensive regulation in the United States and elsewhere, including by the FDA and its foreign counterparts. The FDA and foreign regulatory agencies regulate, among other things, with respect to medical devices:

- design, development and manufacturing;
- testing, labeling, content and language of instructions for use and storage;
- clinical trials;
- product safety;
- marketing, sales and distribution;
- premarket clearance and approval;
- record keeping procedures;
- advertising and promotion;
- recalls and field safety corrective actions;
- post-market surveillance, including reporting of deaths or serious injuries and malfunctions that, if they were to recur, could lead to death or serious injury;
- post-market approval studies; and
- product import and export.

The regulations to which we are subject are complex and have tended to become more stringent over time. Regulatory changes could result in restrictions on our ability to carry on or expand our operations, higher than anticipated costs or lower than anticipated sales.

In the United States, before we can market a new medical device, or a new use of, new claim for or significant modification to an existing product, we must first receive either clearance under Section 510(k) of the FDCA or approval of a PMA application from the FDA, unless an exemption applies. We consider our Venus Glow and NeoGraft systems exempt from the FDA's 510(k) clearance requirement. We have obtained 510(k) clearance from the FDA for Venus Concept's Venus Viva, Venus Viva MD, Venus Legacy, Venus Versa, Venus Velocity, Venus Bliss, Venus Bliss Max, Venus Epileve, Venus Fiore, ARTAS and ARTAS iX Systems.

In the 510(k) clearance process, before a device may be marketed, the FDA must determine that a proposed device is "substantially equivalent" to a legally-marketed "predicate" device, which includes a device that has been previously cleared through the 510(k) process, a device that was legally marketed prior to May 28, 1976 (pre-amendments device), a device that was originally on the United States. market pursuant to a PMA application and later down-classified, or a 510(k)-exempt device. If a product is not eligible for 510(k) clearance it may require approval of a *de novo* reclassification petition or a PMA. Both the PMA approval and the 510(k) clearance process can be expensive, lengthy and uncertain. The FDA's 510(k) clearance process usually takes from three to 12 months but can take longer. For products subject to PMA, the regulatory process generally takes from one to three years or even longer, from the time the application is filed with the FDA and involves substantially greater risks and commitment of resources than either the 510(k) clearance or *de novo* processes. We may not be able to obtain necessary regulatory approvals or clearances on a timely basis, if at all, for any of our products under development, and delays in receipt of, or failure to receive such approvals or clearances could have a material adverse effect on our business.

The FDA's and other regulatory authorities' policies may change, and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our products. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may fail to obtain any marketing clearances or approvals, lose any marketing clearance or approval that we may have obtained, and we may not achieve or sustain profitability.

We also cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or abroad.

Even after we have obtained the proper regulatory clearance or approval to market a product, we have ongoing responsibilities under the FDA regulations. The failure to comply with applicable regulations could jeopardize our ability to sell our systems and result in enforcement actions such as fines, injunctions, civil penalties, recalls or seizure of products, withdrawal of current clearances, and refusal of future clearances.

Any of these sanctions could result in higher than anticipated costs or lower than anticipated sales and harm our reputation, business, financial condition and results of operations.

We are subject to extensive governmental regulation in foreign jurisdictions, such as Europe, and our failure to comply with applicable requirements could cause our business to suffer.

We must maintain regulatory approval in foreign jurisdictions in which we plan to market and sell our systems. In the EEA, for example, manufacturers of medical devices need to comply with the Essential Requirements laid down in Annex II to the EU Medical Devices Directive (Council Directive 93/42/EEC) and the EU Medical Device Regulation 2017/747 (MDR) which is replacing the EU Medical Devices Directive. Compliance with these requirements is a prerequisite to be able to affix the CE mark to medical devices, without which they cannot be marketed or sold in the EEA. With respect to active implantable medical devices or Class III devices, the manufacturer must conduct clinical studies to obtain the required clinical data, unless reliance on existing clinical data from equivalent devices can be justified. The conduct of clinical studies in the EEA is governed by detailed regulatory obligations. These may include the requirement of prior authorization by the competent authorities of the country in which the study takes place and the requirement to obtain a positive opinion from a competent Ethics Committee. This process can be expensive and time-consuming.

We are subject to governmental regulation and other legal obligations, particularly related to privacy and data security, which are complex and rapidly changing. Our actual or perceived failure to comply with such obligations could harm our business.

We are subject to diverse laws and regulations relating to data privacy and security, both in the United States and internationally. New global privacy rules are being enacted and existing ones are being updated and strengthened. Complying with these numerous, complex and often changing regulations is expensive and difficult, and failure to comply with any privacy laws or data security laws or any security incident or breach involving the misappropriation, loss or other unauthorized access or disclosure of sensitive or confidential patient or consumer information, whether by us, one of our business associates or another third-party, could have a material adverse effect on our business, reputation, financial condition and results of operations, including but not limited to: material fines and penalties; damages; litigation; consent orders; and injunctive relief.

The regulation of data privacy and security, and the protection of the confidentiality of personal information, is increasing and continues to evolve in many of the jurisdictions in which we operate. For example, California has enacted the California Consumer Privacy Act (CCPA) as amended by the California Privacy Rights Act (CPRA), which create new individual privacy rights for consumers (as that word is broadly defined in the law) and employees and places increased privacy and security obligations on entities handling personal data of consumers and employees. The CCPA went into effect on January 1, 2020 and requires covered companies to provide new disclosures to California consumers, provides such consumers with ways to exercise new rights including the right to opt-out of certain sharing of personal information, and allows consumers to bring private actions based on data breaches. Other states, such as Virginia and Colorado, have also adopted comprehensive consumer privacy laws at the state level. In the United States at the federal level, the Federal Trade Commission has brought legal actions against organizations that are alleged to have violated consumers' privacy rights, or misled them by failing to maintain security for sensitive consumer information, or caused substantial consumer injury. In many of these cases, the FTC has charged the defendants with violating Section 5 of the FTC Act, which bars unfair and deceptive acts and practices in or affecting commerce. In addition to the FTC Act, the agency also enforces other federal laws relating to consumers' privacy and security.

In addition, federal and state breach notification laws may require us to notify individuals, federal and state agencies, or the media if we suffer a privacy or security breach incident involving personally identifiable information. Proposals for additional privacy and security laws are being considered at both the federal and state level, and could be enacted in the future.

Modifications to our products may require new regulatory clearances or approvals or expansion of the scope of our CE Certificates of Conformity with our notified body.

Modifications to our products may require new regulatory clearances or approvals from the FDA or other regulatory authorities or expansion of the scope of our CE Certificates of Conformity with our notified body. Even after achieving the initial market clearance, or approval from the FDA or other regulatory authorities or having affixed the CE marked to a product, modifications to our systems during their life cycles may require new regulatory approvals or clearances, including 510(k) clearances, premarket approvals, the conduct of a new conformity assessment with our notified body, or foreign regulatory approvals. Obtaining a new 510(k), other regulatory clearances and approvals, or a revised or new CE Certificate of Conformity can be a time-consuming process, and we may not be able to obtain such clearances or approvals in a timely manner, or at all.

We are subject to restrictions on the indications for which we are permitted to market our products, and any violation of those restrictions, or marketing of systems for off-label uses, could subject us to enforcement action.

Our promotional materials and training methods must comply with FDA and other applicable laws and regulations, including the prohibition of the promotion of off-label use in both the United States and in foreign countries. The use of one of our systems for indications other than those cleared by the FDA or approved by any foreign regulatory body may not effectively treat such conditions, which could harm our reputation in the marketplace among physicians and patients.

If the FDA or any foreign regulatory body determines that our promotional materials or training constitute promotion of an off-label use, it could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, including, among other things, the issuance or imposition of an untitled letter, a warning letter, injunction, seizure, refusal to issue new 510(k)s or PMAs, withdrawal of existing 510(k)s or PMAs, refusal to grant export approvals, and civil fines or criminal penalties.

Our systems may cause or contribute to adverse medical events that we are required to report to the FDA, and if we fail to do so, we would be subject to sanctions that could harm our reputation, business, financial condition and results of operations.

The FDA's medical device reporting regulations require us to report to the FDA when we receive or become aware of information that reasonably suggests that one of our systems may have caused or contributed to a death or serious injury or malfunctioned in a way that, if the malfunction were to recur, it could cause or contribute to a death or serious injury. If we fail to comply with our reporting obligations, the FDA could act, including warning letters, untitled letters, administrative actions, criminal prosecution, imposition of civil monetary penalties, revocation of our device clearance, seizure of our products or delay in clearance of future products.

The FDA, state regulating agencies at times, and foreign regulatory bodies have the authority to require the recall of commercialized products in the event of material deficiencies or defects in design or manufacture of a product or if a product poses an unacceptable risk to health. The FDA's authority to require a recall must be based on a finding that there is reasonable probability that the device could cause serious injury or death. We may also choose to voluntarily recall a product if any material deficiency is found. A government-mandated or voluntary recall by us could occur because of an unacceptable risk to health, component failures, malfunctions, manufacturing defects, labeling or design deficiencies, packaging defects or other deficiencies or failures to comply with applicable regulations. We have received inquiries from regulatory agencies regarding post-market safety concerns in the past. We cannot assure you that product defects or other errors will not occur in the future. Recalls involving any of our systems could be particularly harmful to our business, financial condition, and results of operations because it is our only product.

If we or our distributors do not obtain and maintain international regulatory registrations or approvals for our systems, our ability to market and sell our systems outside of the United States will be diminished.

Sale of our systems, outside the United States are subject to foreign regulatory requirements that vary widely from country to country. In addition, the FDA regulates exports of medical devices from the United States. While the regulations of some countries may not impose barriers to marketing and selling certain of our systems or only require notification, others require that we or our distributors obtain the approval of a specified regulatory body. Complying with foreign regulatory requirements, including obtaining registrations or approvals, can be expensive and time-consuming, and we cannot be certain that we or our distributors will receive regulatory approvals in each country in which we plan to market a particular system or that we will be able to do so on a timely basis. The time required to obtain registrations or approvals, if required by other countries, may be longer than that required for the FDA clearance, and requirements for such registrations, clearances, or approvals may significantly differ from FDA requirements. If we modify our systems, we or our distributors may need to apply for additional regulatory approvals or other authorizations before we are permitted to sell the modified product. In addition, we may not continue to meet the quality and safety standards required to maintain the authorizations that we or our distributors have received. If we or our distributors are unable to maintain our authorizations in a particular country, we will no longer be able to sell the applicable product in that country, which could harm our business.

Regulatory clearance or approval by the FDA does not ensure clearance or approval by regulatory authorities in other countries, and clearance or approval by one or more foreign regulatory authorities does not ensure clearance or approval by regulatory authorities in other foreign countries or by the FDA. However, a failure or delay in obtaining regulatory clearance or approval in one country may have a negative effect on the regulatory process in others.

Our ability to continue manufacturing and supplying our products depends on our continued adherence to ongoing FDA and other foreign regulatory authority manufacturing requirements.

Our manufacturing processes and facilities are required to comply with the quality management system regulations of its target markets (i.e., the QSR, ISO 13485:2016, and the MDSAP). Adherence to quality management system regulations and the effectiveness of our quality management control systems are periodically assessed through internal audits and inspections of manufacturing facilities by regulatory authorities. Failure to comply with applicable quality management system requirements, or later discovery of previously unknown problems with our products or manufacturing processes, including our failure or the failure of our third-party manufacturer to take satisfactory corrective action in response to an adverse quality system inspection, can result in enforcement action, which could have an adverse effect on our business. Our manufacturing process and facilities are audited annually for compliance with the last editions of QSR, ISO13485 and MDSAP requirements. The FDA inspected our San Jose facility in January 2020, which audit resulted in two observations. We responded to the FDA in February 2020 and the effectiveness of our actions will be determined during our next inspection. Regulating agencies, including the FDA, foreign regulatory authorities, and our notified body can institute a wide variety of enforcement actions, ranging from inspectional observations to more severe sanctions such as:

- untitled letters or warning letters;
- clinical holds;
- administrative or judicially-imposed sanctions;
- injunctions, fines, consent decrees, or the imposition of civil penalties;
- customer notifications for repair, replacement, or refunds;
- recall, detention, or seizure of products;
- operating restrictions, or total or partial suspension of production or distribution;
- refusal by the FDA, a foreign regulatory authority or the notified body to grant pending future clearance or pre-market approval, or to issue CE Certificates of Conformity for our devices;
- debarment of us or our employees;
- withdrawal or suspension of marketing clearances, approvals, and CE Certificates of Conformity;
- refusal to permit the import or export of our products; and
- criminal prosecution of us or our employees.

If any of these actions were to occur, it would harm our reputation and cause our system sales and profitability to suffer and may prevent us from generating revenue. Furthermore, our key component suppliers may not currently be or may not continue to be in compliance with all applicable regulatory requirements, which could result in the failure to produce our devices on a timely basis and in the required quantities, if at all.

We may be affected by healthcare policy changes and evolving regulations.

Our global regulatory environment is becoming increasingly stringent and unpredictable, which could increase the time, cost and complexity of obtaining regulatory approvals for our products, as well as the clinical and regulatory costs of supporting those approvals. We must also devote significant time to monitoring developments and changes to ensure our compliance with the various applicable regulations and required approvals. For example, several countries that did not have regulatory requirements for medical devices have established such requirements in recent years and other countries have expanded on existing regulations. Certain regulators are exhibiting less flexibility and are requiring local preclinical and clinical data in addition to global data. While harmonization of global regulations has been pursued, requirements continue to differ significantly among countries. We expect this global regulatory environment will continue to evolve, which could impact our ability to obtain future approvals for our products or could increase the cost and time to obtain such approvals in the future.

Risks Related to Our Operations in Israel

We conduct a significant portion of our operations in Israel and therefore our business, financial condition and results of operations may be adversely affected by political, economic and military conditions in Israel.

Our research and development facilities and key third-party suppliers are located in northern Israel, and some of our key employees are residents of Israel. Accordingly, political, economic and military conditions in Israel may directly affect our business.

Any hostilities, armed conflicts, terrorist activities or political instability involving Israel or the interruption or curtailment of trade within Israel or between Israel and its trading partners could adversely affect business conditions and have a material adverse effect on our business, financial condition and results of operations and could make it more difficult for us to raise capital. In addition, hostilities, armed conflicts, terrorist activities or political instability involving Israel could have a material adverse effect on our facilities including our corporate administrative office or on the facilities of our local suppliers, in which event all or a portion of our inventory may be damaged and our ability to deliver products to customers could be significantly delayed.

Several countries, principally in the Middle East, restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies whether as a result of hostilities in the region or otherwise. While these restrictions are loosening and countries previously barred from doing business with Israel are eliminating these restrictions, to the extent they still exist, these restrictions may limit our revenues.

Our commercial insurance does not cover losses that may occur as a result of events associated with the security situation in the Middle East, such as damages to our facilities resulting in disruption of our operations. Any losses or damages incurred by us could have a material adverse effect on our business, financial condition and results of operations. Any armed conflicts or political instability in the region would likely negatively affect business conditions and could harm our business, financial condition and results of operations.

Risks Related to Our Common Stock

The market price of our stock price may be volatile, and you may not be able to resell shares of our common stock at or above the price you paid.

The market price of our common stock could be subject to significant fluctuations. Some of the factors that may cause the market price of the Company's common stock to fluctuate include:

- introduction of new products, services or technologies, significant contracts, commercial relationships or capital commitments by competitors;
- failure to meet or exceed financial and development projections the Company may provide to the public;
- failure to meet or exceed the financial and development projections of the investment community;
- announcements of significant acquisitions, strategic collaborations, joint ventures or capital commitments by the Company or its competitors;
- disputes or other developments relating to proprietary rights, including patents, litigation matters, and our ability to obtain patent protection for our technologies;
- additions or departures of key personnel;
- significant lawsuits or government investigations, including patent or stockholder litigation;
- if securities or industry analysts do not publish research or reports about the Company's business, or if they issue adverse or misleading opinions regarding our business and stock;
- changes in the market valuations of similar companies;
- general market or macroeconomic conditions;
- sales of common stock by us or our stockholders in the future;
- trading volume of our common stock;
- adverse publicity relating to hair restoration or other minimally invasive or non-invasive medical aesthetic procedures generally, including with respect to other products in such markets;
- the introduction of technological innovations that compete with the products and services of the Company; and
- period-to-period fluctuations in the Company's financial results.

In addition, the stock markets in general, and the markets for medical device and aesthetic stocks in particular, have experienced extreme volatility that may have been unrelated to the operating performance of the issuer. These broad market fluctuations may adversely affect the market price or liquidity of our common stock.

We are an emerging growth company and a smaller reporting company within the meaning of the 1933 Act and we have taken advantage of certain exemptions from disclosure requirements available to emerging growth companies and smaller reporting companies; this could make our securities less attractive to investors and may make it more difficult to compare our performance with other public companies.

We qualify as, an "emerging growth company" within the meaning of the 1933 Act, as modified by the Jumpstart Our Business Startups Act (the "JOBS Act"). We have taken advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies or smaller reporting companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on certain executive compensation matters and reduced reporting periods. As a result, stockholders may not have access to certain information they may deem important. We cannot predict whether investors will find our securities less attractive because we rely on these exemptions. If some investors find the securities less attractive as a result of reliance on these exemptions, the trading prices of our securities may be lower than they otherwise would be, there may be a less active trading market for our securities and the trading prices of our securities may be more volatile.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from complying with new or revised financial accounting standards until private companies (that is, those that have not had a 1933 Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that an emerging growth company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such an election to opt out is irrevocable. We have elected not to opt out of such extended transition period. Accordingly, when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, could adopt the new or revised standard at the time private companies adopt the new or revised standard, unless early adoption is permitted by the standard. We intend to continue to use private company adoption dates for ASC 842, Leases. This may make comparison of us with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

We do not intend to pay dividends on our common stock, and, consequently, our stockholders' ability to achieve a return on their investment will depend on appreciation in the price of our common stock.

We do not intend to pay any cash dividends on our common stock for the foreseeable future. We intend to invest our future earnings, if any, to fund our growth. Payment of future cash dividends, if any, will be at the discretion of the board of directors, subject to applicable law and will depend on various factors, including our financial condition, operating results, current and anticipated cash needs, the requirements of current or then-existing debt instruments and other factors the board of directors deems relevant. Therefore, our stockholders are not likely to receive any dividends on their common stock for the foreseeable future. Since we do not intend to pay dividends, our stockholders' ability to receive a return on their investment will depend on any future appreciation in the market value of our common stock. There is no guarantee that our common stock will appreciate or even maintain the price at which our stockholders have purchased it. The terms of our credit facilities limit our ability to pay dividends.

Provisions in our charter documents and under Delaware law could make an acquisition more difficult and may discourage any takeover attempts our stockholders may consider favorable, and may lead to entrenchment of management.

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws could delay or prevent changes in control or changes in management without the consent of the board of directors. These provisions will include the following:

- a classified board of directors with three-year staggered terms, which may delay the ability of stockholders to change the membership of a majority of the board of directors;
- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the exclusive right of the board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on the board of directors;
- the ability of the board of directors to authorize the issuance of shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the ability of the board of directors to alter its bylaws without obtaining stockholder approval;
- the required approval of at least 66⅔% of the shares entitled to vote at an election of directors to adopt, amend or repeal its bylaws or repeal the provisions of the amended and restated certificate of incorporation regarding the election and removal of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of the stockholders;
- the requirement that a special meeting of stockholders may be called only by the chairman of the board of directors, the chief executive officer, the president or the board of directors, which may delay the ability of the stockholders to force consideration of a proposal or to act, including the removal of directors; and
- advance notice procedures that stockholders must comply with in order to nominate candidates to the board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of the Company.

These provisions would apply even we were to receive an offer that some stockholders may consider beneficial.

We are also subject to the anti-takeover provisions contained in Section 203 of the Delaware General Corporation Law ("Section 203"). Under Section 203, a corporation may not, in general, engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other exceptions, the board of directors has approved the transaction.

Our executive officers, directors and certain of our shareholders who are affiliated with our directors will have the ability to control or significantly influence all matters submitted to our stockholders for approval.

As of December 31, 2021, our executive officers, directors and certain of our shareholders who are affiliated with our directors, in the aggregate, beneficially own approximately 39% of our outstanding shares of common stock. As a result, if these stockholders were to choose to act together, they would be able to control or significantly influence all matters submitted to our stockholders for approval, as well as our management and affairs. For example, if they choose to act together, these persons would control or significantly influence the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of the Company on terms that other stockholders may desire.

General Risk Factors

An active market for our common stock may not be maintained.

Our stock began trading on the Nasdaq Global Market in July 2017, but we can provide no assurance that we will be able to maintain an active trading market on the Nasdaq Global Market or any other exchange in the future. If an active market for our common stock does not develop or is not maintained, it may be difficult for our stockholders to sell shares without depressing the market price for the shares or at all. An inactive trading market may also impair our ability to raise capital by selling shares and may impair our ability to acquire other businesses, applications, or technologies using our shares as consideration.

If we sell shares of our common stock in future financings, stockholders may experience immediate dilution and, as a result, our stock price may decline.

We may from time to time issue additional shares of common stock at a discount from the current market price of our common stock. As a result, our stockholders would experience immediate dilution upon the purchase of any shares of our common stock sold at such discount. In addition, as opportunities present themselves, we may enter into financing or similar arrangements in the future, including the issuance of debt securities, preferred stock or common stock. If we issue common stock or securities convertible into common stock, our common stockholders would experience additional dilution and, as a result, our stock price may decline.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal executive offices are located at 235 Yorkland Blvd, Suite 900, Toronto, Ontario, Canada. We lease these facilities pursuant to a lease agreement that expires on August 31, 2030. These facilities consist of 15,678 square feet of office space, and 2,134 square feet of storage space.

We also have office space in San Jose, California, where we occupy approximately 23,000 square feet of space under a lease that expires in April 2022. In addition, we lease a manufacturing facility for approximately 2,500 square feet in San Jose, California which we lease on a month-to-month basis. We have decided not to renew our current lease, and therefore, have entered into a new lease for a facility in San Jose, California which will host our offices, research and development activities, logistics and manufacturing. We will occupy approximately 31,415 square feet of total space under the lease that expires in June 2027. We anticipate moving into this new facility in the first quarter of 2022.

We recently secured lease for a facility in Pembroke Pines, Florida, where we will occupy approximately 6,600 square feet under a lease that expires five years from the date we occupy the facilities. We expect occupancy to begin during the second quarter of 2022. These new facilities will be used to support our logistics and technical support services for our United States operations.

We also have offices and a research and development center located at 6 Hayozma Street, Yokne’am Illit 2069203, Israel. We lease these facilities pursuant to a lease agreement that expires on September 30, 2023, with an option to extend the term for an additional 60 months. These facilities consist of approximately 12,580 square feet of space.

We believe that our existing facilities are sufficient to meet our current needs.

Item 3. Legal Proceedings.

For a description of the legal proceedings currently affecting the Company, please see Note 9 “*Commitments and Contingencies*” to our consolidated financial statements included elsewhere in this report.

Further, we may from time to time continue to be involved in various legal proceedings of a character normally incident to the ordinary course of our business, which we do not deem to be material to our business and results of operations.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock has been listed on the Nasdaq Global Market since October 12, 2017. Our common stock trades under the symbol "VERO".

Holders

As of March 24, 2022, there were 115 holders of record of our common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees.

Dividends

We have never declared or paid cash dividends on our common stock. We currently intend to retain all available earnings, if any, for use in the operation of our business and do not anticipate paying any dividends on our common stock in the foreseeable future. Any future determination related to dividend policy will be made at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements, general business conditions and other factors that our board of directors may deem relevant.

Performance Graph

As a smaller reporting company, we are not required to provide disclosure for this Item.

Recent Sale of Unregistered Securities

None.

Purchase of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 6. Reserved.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion contains management's discussion and analysis of our financial condition and results of operations and should be read together with the historical consolidated financial statements and the notes thereto included in Part II, Item 8 "Consolidated Financial Statements and Supplementary Data." This discussion contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 that reflect our plans, estimates and beliefs and involve numerous risks and uncertainties, including but not limited to those described in Part I, Item 1A "Risk Factors" of this Annual Report on Form 10-K. Any statements contained in this Annual Report on Form 10-K that are not historical facts may be deemed to be forward-looking statements. In some cases, you can identify these statements by words such as such as "anticipates," "believes," "plans," "expects," "projects," "future," "intends," "may," "should," "could," "estimates," "predicts," "potential," "continue," "guidance," and other similar expressions that are predictions of or indicate future events and future trends. These forward-looking statements are based on current expectations, estimates, forecasts, and projections about our business and the industry in which we operate and management's beliefs and assumptions and are not guarantees of future performance or developments and involve known and unknown risks, uncertainties, and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this Annual Report on Form 10-K may turn out to be inaccurate or may differ materially from those contained in any forward-looking statements. You should carefully read "Special Note Regarding Forward-Looking Statements" and Part I, Item 1A, "Risk Factors". Any forward-looking statement made by us in this Annual Report on Form 10-K is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or verbal, that may be made from time to time, whether as a result of new information, future developments or otherwise.

Overview

We are an innovative global medical technology company that develops, commercializes, and delivers minimally invasive and non-invasive medical aesthetic and hair restoration technologies and related services. Our systems have been designed on cost-effective, proprietary and flexible platforms that enable us to expand beyond the aesthetic industry's traditional markets of dermatology and plastic surgery, and into non-traditional markets, including family and general practitioners and aesthetic medical spas. In 2021 and 2020, respectively, a substantial majority of our systems delivered in North America were in non-traditional markets.

We have had recurring net operating losses and negative cash flows from operations. As of December 31, 2021 and 2020, we had an accumulated deficit of $180.4 million and $157.4 million, respectively. Until we generate revenue at a level to support our cost structure, we expect to continue to incur substantial operating losses and negative cash flows from operations. In order to continue our operations, we must achieve profitable operations and/or obtain additional equity investment or debt financing. Until we achieve profitability, we plan to fund our operations and capital expenditures with cash on hand, borrowings and issuances of capital stock. As of December 31, 2021 and 2020, we had cash and cash equivalents of $30.9 million and $34.3 million, respectively. The pandemic has had a significant negative impact on our business; therefore, while our business demonstrated strong year over year growth in revenues as compared to 2020, and we expect this momentum to continue for the 2022 year, the extent to which COVID-19 will impact our business going forward will depend on numerous evolving factors that cannot be reliably predicted, such as the duration and scope of the pandemic, including COVID-19 variants; governmental, business, and individuals' actions in response to the pandemic; and the impact on economic activity, or financial market instability. See ''*—Liquidity and Capital Resources*'' for additional information.

The 2021 Private Placement

On December 15, 2021, we entered into a securities purchase agreement pursuant to which we issued and sold to certain investors an aggregate of 9,808,418 shares of our common stock and 3,790,755 shares of our convertible preferred stock (the "2021 Private Placement"). The gross proceeds from the securities sold in the 2021 Private Placement was $17.0 million. The costs incurred with respect to the 2021 Private Placement totaled $0.3 million and were recorded as a reduction of the 2021 Private Placement proceeds in the consolidated statements of stockholders' equity. The accounting effects of the 2021 Private Placement transaction is discussed in Note 15 *"Stockholders Equity"* in the notes to our consolidated financial statements included elsewhere in this report.

December 2020 Public Offering

On December 24, 2020, we sold in a public offering 11,250,000 shares of common stock and warrants to purchase up to 5,625,000 shares of common stock at a combined offering price to the public of $2.00 per share and accompanying warrants. The warrants have an exercise price of $2.50 per share of common stock, are exercisable immediately, and expire in five years from the date of issuance. Total net proceeds generated by the December 2020 Public Offering was $20.5 million.

Main Street Priority Lending Program Term Loan

On December 8, 2020, we entered into the MSLP Loan. On December 9, 2020, the MSLP Loan had been funded and the transaction was closed. The MSLP Note has a term of five years and bears interest at a rate per annum equal to 30-day LIBOR plus 3%. We used the proceeds from the MSLP Loan to repay in full an outstanding balance of $3.2 million under the CNB Loan Agreement and partially repay our obligation under the Madryn Credit Agreement of $43.6 million (including principal of $42.5 million). The rest of the outstanding debt under the Madryn Credit Agreement was converted into secured convertible promissory notes in the aggregate amount of $26.7 million. For additional information regarding the MSLP Loan and MSLP Note, see the "*Risk Factors*" and Note 10 "*Main Street Term Loan*" to our consolidated financial statements included elsewhere in this report.

Equity Purchase Agreement with Lincoln Park

On June 16, 2020, we entered into the Equity Purchase Agreement with Lincoln Park, which provides that, upon the terms and subject to the conditions and limitations set forth therein, we may sell to Lincoln Park up to $31.0 million of shares of our common stock pursuant to our shelf registration statement. The purchase price of shares of common stock related to a future sale will be based on the then prevailing market prices of such shares at the time of sales as described in the Equity Purchase Agreement. Concurrently with entering into the Equity Purchase Agreement, we also entered into a registration rights agreement with Lincoln Park, pursuant to which we agreed to provide Lincoln Park with certain registration rights related to the shares issued under the Equity Purchase Agreement (the "Registration Rights Agreement"). See *''—Liquidity and Capital Resources''* below.

In 2020, we issued and sold to Lincoln Park 3.0 million shares of our common stock, with 0.2 million of these shares being issued to Lincoln Park as a commitment fee in connection with entering into the Equity Purchase Agreement (the "Commitment Shares"). The total value of the Commitment Shares of $0.6 million together with the issuance costs of $0.1 million were recorded as deferred issuance costs in the consolidated balance sheet. These costs will be amortized into consolidated statements of stockholders' equity proportionally based on proceeds received during the period and the expected total proceeds to be raised over the term of the Equity Purchase Agreement. The net proceeds from shares issuance as of December 31, 2021 were $8.4 million. No shares were issued to Lincoln Park in 2021. We anticipate that the Equity Purchase Agreement will enhance our balance sheet and financial condition to support our future growth initiatives.

2020 Private Placement

On March 18, 2020, we entered into a securities purchase agreement with certain investors pursuant to which we agreed to sell and they agreed to purchase an aggregate of approximately 2.3 million shares of our common stock, 0.7 million shares of Series A Preferred Stock, which was convertible into 6.6 million shares of our common stock and warrants to purchase up to an aggregate of approximately 6.7 million shares of our common stock at an exercise price of $3.50 per share (the "2020 Private Placement"). The warrants have a five-year term and are exercisable beginning 181 days after their issue date. The aggregate net purchase price for the securities sold in the 2020 Private Placement was approximately $20.3 million. The transaction was completed on March 19, 2020. All outstanding shares of Series A Preferred Stock automatically converted into 6.6 million shares of our common stock on June 16, 2020 upon receipt of stockholder approval at our annual meeting of stockholders held on June 16, 2020.

Products and Services

We derive revenue from the sale of products and services. Product revenue includes revenue from the following:

- the sale, including traditional sales and subscription-based sales, of systems, inclusive of the main console and applicators/handpieces (referred to as system revenue);
- marketing supplies and kits;
- consumables and disposables;
- service revenue; and
- replacement applicators/handpieces.

Service revenue includes revenue derived from our VeroGrafters technician services, and our extended warranty service contracts provided to our existing customers.

Systems are sold through our subscription model, or through traditional sales contracts directly and through distributors.

We generate revenue under our subscription-based business model and from traditional system sales. Venus Ltd. commenced a subscription-based model in North America in 2011, and approximately 55% and 46% of aesthetic systems we delivered were sold under the subscription-based model in the years ended December 31, 2021 and 2020, respectively. We have launched our subscription model in targeted international markets in which we operate directly. We currently do not offer the ARTAS iX system under the subscription model. For additional details related to our subscription model, see *Item 1. Business – Subscription-Based Business Model* and as included elsewhere in this report.

Our subscription model includes an up-front fee and a monthly payment schedule, typically over a period of 36 months, with approximately 40% to 45% of total contract payments collected in the first year. To ensure that each monthly payment is made on time and that the customer's system is serviced in accordance with the terms of the warranty, every product purchased under a subscription agreement requires a monthly activation code, which we provide to the customer upon receipt of the monthly payment. These recurring monthly payments provide our customers with enhanced financial transparency and predictability. If economic circumstances are appropriate, we provide customers in good standing with the opportunity to "upgrade" into our newest available or alternative Venus Concept technology throughout the subscription period. This structure can provide greater flexibility than traditional equipment leases secured through financing companies. We work closely with our customers to provide business recommendations that improve the quality of service outcomes, build patient traffic and improve financial returns for the customer's business.

We have developed and commercialized eleven technology platforms, including our ARTAS and NeoGraft systems. We believe our ARTAS and NeoGraft systems are complementary and give us a hair restoration product offering that can serve a broad segment of the market. Our medical aesthetic technology platforms have received regulatory clearance for indications such as treatment of facial wrinkles in certain skin types, temporary reduction of appearance of cellulite, non-invasive fat reduction (lipolysis) in the abdomen and flanks for certain body types and relief of minor muscle aches and pains. In addition, we have received regulatory approval for marketing certain indications in overseas markets but not in the United States, including treatment of certain soft tissue injuries, temporary increase of skin tightening, temporary body contouring, and vaginal treatments. With respect to vaginal treatments, we received a medical device license issued by Health Canada to market the Venus Fiore Feminine Health System ("Venus Fiore") in Canada on July 14, 2021, and previously obtained a CE Mark for the Venus Fiore in March 2020. Following Venus Fiore authorization in Canada, we received FDA 510(k) clearance to market the Venus Freedom device (which will be commercially sold as Venus Fiore) in the United States, further expanding our portfolio of technologies that can treat a broad range of common women's health conditions.

In the United States, we have obtained 510(k) clearance from the FDA for our Venus Viva, Venus Viva MD, Venus Legacy, Venus Versa, Venus Velocity, Venus Bliss, Venus Bliss Max, Venus Epileve, Venus Fiore, ARTAS and ARTAS iX systems. Outside the United States, we market our technologies in over 60 countries across Europe, the Middle East, Africa, Asia-Pacific and Latin America. Because each country has its own regulatory scheme and clearance process, not every device is cleared or authorized for the same indications in each market in which a particular system is marketed.

As of December 31, 2021, we operated directly in 18 international markets through our 15 direct offices in the United States, Canada, United Kingdom, Japan, South Korea, Mexico, Argentina, Colombia, Spain, France, Germany, Australia, China, Hong Kong, and Israel. Our revenues for the year ended December 31, 2021 and 2020 were $105.6 million and $78.0 million, respectively. We had a net loss attributable to Venus Concept of $23.0 million and $85.3 million for the years ended December 31, 2021 and 2020, respectively. We had an Adjusted EBITDA loss of $10.6 million and $20.1 million for the years ended December 31, 2021 and 2020, respectively.

Use of Non-GAAP Financial Measures

Adjusted EBITDA is a non-GAAP measure defined as net income (loss) before foreign exchange loss (gain), financial expenses, income tax expense (benefit), depreciation and amortization, stock-based compensation and non-recurring items for a given period. Adjusted EBITDA is not a measure of our financial performance under U.S. GAAP and should not be considered an alternative to net income or any other performance measures derived in accordance with U.S. GAAP. Accordingly, you should consider Adjusted EBITDA along with other financial performance measures, including net income, and our financial results presented in accordance with U.S. GAAP. Other companies, including companies in our industry, may calculate Adjusted EBITDA differently or not at all, which reduces its usefulness as a comparative measure. We understand that although Adjusted EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are: Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments; Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs; and although depreciation and amortization are non-cash charges, the assets being depreciated will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements.

We believe that Adjusted EBITDA is a useful measure for analyzing the performance of our core business because it facilitates operating performance comparisons from period to period and company to company by backing out potential differences caused by changes in foreign exchange rates that impact financial assets and liabilities denominated in currencies other than the U.S. dollar, tax positions (such as the impact on periods or companies of changes in effective tax rates), the age and book depreciation of fixed assets (affecting relative depreciation expense), amortization of intangible assets, stock-based compensation expense (because it is a non-cash expense) and non-recurring items as explained below.

The following is a reconciliation of net loss to Adjusted EBITDA for the years presented:

Venus Concept Inc.

Reconciliation of Net loss to Non-GAAP Adjusted EBITDA

	Year Ended, December 31,	
	2021	2020
Reconciliation of net loss to adjusted EBITDA	**(in thousands)**	
Net loss	$ (22,141)	$ (82,818)
Foreign exchange loss (gain)	2,559	(68)
Loss on debt extinguishment	—	2,938
Loss on disposal of subsidiaries	567	2,526
Finance expenses	4,955	8,343
Income tax (benefit) expense	(707)	1,181
Depreciation and amortization	4,854	4,804
Stock-based compensation expense	2,068	2,138
Gain on forgiveness of government assistance loans	(2,775)	—
Goodwill impairment charge	—	27,450
COVID-19 related bad debts	—	11,088
Other adjustments (1)	—	2,280
Adjusted EBITDA	$ (10,620)	$ (20,138)

(1) For the year ended December 31, 2020, the other adjustments are represented by severance and retention payments ($1.9 million) and litigation settlement expenses ($0.3 million).

Key Factors Impacting Our Results of Operations

Our results of operations are impacted by several factors, but we consider the following to be particularly significant to our business:

Number of systems delivered. The majority of our revenue is generated from the delivery of systems, both under traditional sales contracts and subscription agreements. The following table sets forth the number of systems we have delivered in the geographic regions indicated:

	Year Ended December 31,	
	2021	2020
United States	498	338
International	1,171	968
Total systems delivered	1,669	1,306

Mix between traditional sales, subscription model sales and distributor sales. We deliver systems through (1) traditional direct system sales contracts to customers, (2) our subscription model and (3) system sales through distribution agreements. Unit deliveries under direct system sales contracts and subscription agreements have higher per unit revenues and gross margins, while revenues and gross margins on systems sold through distributors are lower. However, distributor sales do not require significant sales and marketing support as these expenses are borne by the distributors. In addition, while traditional system sales and subscription agreements have similar gross margins, cash collections on subscription agreements generally occur over a three-year period, with approximately 40% to 45% collected in the first year and the balance collected evenly over the remaining two years of the subscription agreement.

Investment in Sales, Marketing and Operations. In recent years, we made a strategic decision to penetrate the global market by investing in sales and marketing expenses across all geographic segments. This included the opening of direct offices and hiring experienced sales, marketing, and operational staff. While we generated incremental product sales in these new markets, these revenues and the related margins did not fully offset the startup investments made in certain countries. We are evaluating our profitability and growth prospects in these countries post-COVID-19, and we have taken and will continue to take steps to exit countries which we do not believe will produce sustainable results. Since June 2020 we have closed 9 direct offices across Europe, Asia Pacific, Latin America and Africa and have increased our investment and focus in the United States market.

In the years ended December 31, 2021 and 2020, respectively, we did not open any direct sales offices. Over the course of fiscal year ended December 31, 2021, we completed the following transactions:

- Sold our share (80%) in our subsidiary, Venus Concept Africa (Pty) Ltd., to a non-controlling shareholder for a nominal cash consideration. The disposal resulted in a loss of approximately $0.2 million.

- Filed a Certificate of Dissolution to dissolve our wholly-owned subsidiary, Restoration Robotics Spain S.L. There is no financial impact to our consolidated financial results as a result of the subsidiary’s dissolution.

- On September 7, 2021, we acquired the non-controlling interest (45%) in our subsidiary in China, Venus Concept (Shanghai) Co., Ltd, for a nominal consideration.

Bad Debt Expense. We maintain an allowance for doubtful accounts for estimated losses that may primarily arise from subscription customers that are unable to make the remaining payments required under their subscription agreements. Due to COVID-19, in 2020, we experienced significant reductions in the collection of accounts receivable from our subscription customers across the markets in which we operate. As a result, in addition to our regular allowance for doubtful accounts, we recorded a COVID-19 related bad debt charge of $11.1 million in 2020. In 2021, our collections results improved along with our customer base exhibiting a significant increase in the number of procedures performed with our products. As a result, we recovered a bad debt expense of $3.2 million in the second quarter of 2021 tracing to a reactivation of our customer base. In the year ended December 31, 2021, we recovered a bad debt expense of $0.3 million compared to $15.2 million of bad debt expense incurred in the year ended December 31, 2020. As of December 31, 2021, our allowance for doubtful accounts stands at $12.0 million which represents 14% of the gross outstanding accounts receivable as of this date.

Outlook

COVID-19

Our overall performance continues to show strength as we find ways to adapt to the challenges presented by the COVID-19 pandemic. There are certain markets in which we operate where commercial efforts are still challenged by the effects of COVID-19, either through local government restrictions and/or patients' hesitancy to undergo procedures. Where possible, our sales efforts are increasingly focused on countries and markets that have had success in managing the pandemic through proper guidance from public health authorities combined with strong COVID-19 vaccination outcomes.

Employee and customers' health and safety measures. At Venus Concept, safety is our top priority and that includes the health and well-being of our employees and customers globally. In response to COVID-19, we instituted several operational measures to ensure the safety of our employees and customers, which include, but are not limited to the following:

- Suspended or reduced operations at manufacturing and warehouse facilities;
- Implementation of and continuously updated health and safety policies and processes;
- Establishment of remote working guidelines;
- Continued communication with customers, including planning for business resumption, implementing virtual training sessions and monitoring announcements regarding developments;
- Enhanced safety guidelines and access to personal protective equipment for our clinical trainers; shift to virtual training sessions where possible;
- Thorough cleaning and decontamination procedures throughout our global manufacturing, warehouse and office facilities; and
- Establishment of phased roll-out of vaccine mandates for Venus Concept offices and safe return to work policies.

We are also monitoring recent rulemaking by the Department of Labor's Occupational Safety and Health Administration ("OSHA"). On November 4, 2021, OSHA issued an emergency temporary standard (the "ETS") requiring all employers with at least 100 employees to ensure their employees are fully vaccinated or require weekly testing for unvaccinated employees by January 4, 2022. As of January 13, 2022, the United States Supreme Court issued a stay on implementation of the ETS, thereby delaying its implementation for an indefinite period. Should the ETS be implemented, we believe that the regulations apply to us but the exact impact the new regulations could have on us is uncertain at this time. However, implementation of the ETS could result in employee attrition, difficulty fulfilling future labor needs, and additional costs related to compliance.

Supply chain. In the latter half of 2021, we were impacted by the global supply disruptions related to COVID-19, which resulted in our inability to fulfil demand for certain of our products. The value of such purchase order backlog in the third quarter and fourth quarter of 2021 was $2.4 million, and $1.0 million, respectively. For the third quarter backlog, we fulfilled $2.2 million in the fourth quarter of 2021 and the remainder in the first quarter of 2022. For the fourth quarter backlog, we fulfilled $0.8 million in the first quarter of 2022.

Sales markets. We are a global business, having established a commercial presence in more than 60 countries during our history. The economic recovery in individual countries in 2021 progressed well in most countries that we operate in, and is largely dependent on the success of each country in controlling the spread and impact of COVID-19, as well as the success of each country's access to and implementation of a COVID-19 vaccination program. Overall, our results for the year ended December 31, 2021 were better than we anticipated in Europe, Asia Pacific and North America where vaccination programs were successful in containing the spread of COVID-19, enabling local jurisdictions to ease restrictions on our customer base. While we expect this momentum to continue for the 2022 year, the COVID-19 outbreak continues to be fluid, and the extent to which the pandemic will continue to impact our business remains largely uncertain and could continue to be significant for the foreseeable future.

Accounts receivable collections. As a result of the global economic turmoil that has resulted from COVID-19, many of our customers experienced difficulty in making timely payments or payments at all during the pandemic under their subscription agreements. In 2020, and to a lesser extent in 2021, we entered into repayment arrangements with the majority of non-paying customers, and as government lockdowns and shelter in place orders were lifted, we experienced a significant improvement in collections as businesses reopened. We remain fully focused on reactivating collections with those at-risk accounts that have struggled through the pandemic but show signs of viability. As of December 31, 2021, our allowance for doubtful accounts stands at $12.0 million, which represents 14% of the gross outstanding accounts receivable as of that date. This represents a decrease of $6.5 million from our December 31, 2020 allowance for doubtful accounts balance of $18.5 million.

With the recent regulatory approvals and successful rollout of COVID-19 vaccines, combined with a relaxation of government restrictions in certain markets we operate in, our collection experience continues to improve, with collections in our largest subscription markets averaging 87% of our billings in January 2021, 92% in February 2021, 98% in March 2021, 92% in April 2021, 95% in May 2021, 93% in June 2021, 92% in July 2021, 100% in August 2021, 96% in September 2021, 93% in October 2021, 90% in November 2021 and 98% in December 2021. As a result of the improved collections experience, we recorded a recovery of bad debt expense of $3.2 million in the second quarter of 2021. This recovery directly relates to a reactivation of customers for which we previously provided a bad debt allowance for. We will continue our proactive approach to collections of our accounts receivable and will revisit our allowance for doubtful accounts during the next quarter.

Mitigation efforts. We are focused on continuing to mitigate the impacts of the COVID-19 pandemic on our business to the extent possible. Our mitigation efforts include the following:

- *Accounts Receivables Collections Initiatives.* We have made repayment arrangements with the majority of our non-paying subscription customers to collect temporarily reduced monthly payments where possible and/or deferred amounts in expectation of full collection as business activities continue to resume. We modified our payment arrangements with these subscription customers such that past due amounts are scheduled to be repaid over a three to six month period. We made further adjustments with the emergence of the second and third COVID-19 waves, where payment arrangements from the first or second waves were not fully honored. The emergence of the Omicron variant has presented some collection challenges with certain customers due to staffing shortages at the clinic level, but this has not translated in higher customer defaults. We continue to work with these customers to formulate revised payment plans. Based on our interactions and arrangements in place thus far with our subscription customers, the majority have recommenced payments in those jurisdictions where business has resumed. While the repayment arrangements and improvements in collections activities made thus far have resulted in our cash collections rate averaging at or close to pre-COVID-19 levels, we may not be successful in collecting all outstanding amounts.

- *The 2021 Private Placement.* In December 2021, we issued and sold to certain investors 9,808,418 shares of common stock and 3,790,755 shares of the convertible preferred stock. The 2021 Private Placement was completed on December 15, 2021. The gross proceeds from the securities sold in the 2021 Private Placement was $17.0 million. The costs incurred with respect to the 2021 Private Placement totaled $0.3 million and were recorded as a reduction of the 2021 Private Placement proceeds in the consolidated statements of stockholders' equity. See Note 15 "Stockholders Equity" in the notes to our consolidated financial statements included elsewhere in this report.

- *Government Assistance Programs.* In 2020, certain of our subsidiaries applied for government assistance programs and received loans and other government subsidies in the aggregate of $5.3 million, including $4.1 million in PPP Loans under the PPP. The terms of these government assistance programs vary by jurisdiction. See Note 13 "*Government Assistance Programs*" in the notes to our consolidated financial statements included elsewhere in this report. In 2021, we applied for partial forgiveness of the PPP Loans with the SBA and received partial forgiveness in the total amount of $2.8 million of original PPP Loans as of December 31, 2021. Also in 2021, we received additional government subsidies for $0.1 million.

- *December 2020 Public Offering.* On December 24, 2020, we sold in a public offering 11,250,000 shares of common stock and warrants to purchase up to 5,625,000 shares of common stock at a combined offering price to the public of $2.00 per share and accompanying warrants. Total net proceeds generated by the December 2020 Public Offering was $20.5 million. In February 2021, a small number of our investors exercised an aggregate of 361,200 December 2020 Public Offering Warrants at the exercise price of $2.50 per share. We received total proceeds from the December 2020 Public Offering Warrants exercises of $0.9 million.

The extent to which the COVID-19 pandemic may continue to impact our business, operating results, financial condition, and liquidity in the future will depend on future developments, which we cannot predict with reasonable accuracy, including the duration and severity of the pandemic, travel restrictions, business and workforce disruptions, the impact of COVID-19 variants and the effectiveness of actions taken to contain and treat the disease in each of the markets in which we operate. While our business has clearly improved and we expect this momentum to continue in fiscal year 2022, the situation surrounding COVID-19, and in particular, the COVID-19 variants, remains fluid, and the potential for additional negative impacts on our results of operations, financial condition and liquidity increases the longer the pandemic impacts activity levels in the countries in which we operate.

Basis of Presentation

Revenues

We generate revenue from (1) sales of systems through our subscription model, traditional system sales to customers and distributors, (2) other product revenues from the sale of marketing supplies and kits, consumables and (3) service revenue from the sale of our VeroGrafters technician services, and our extended warranty service contracts provided to existing customers.

System Revenue

For the years ended December 31, 2021 and 2020, approximately 51% and 54%, respectively, of our system revenues were derived from our subscription contracts. Our subscription model is designed to provide a low barrier to ownership of our systems and includes an up-front fee followed by monthly payments, typically over a 36-month period. The up-front fee serves as a down payment. The significantly reduced up-front financial commitment, coupled with less onerous credit and disclosure requirements, is intended to make our subscription-based sales program more appealing and affordable to customers, including non-traditional providers of aesthetic services such as family practice physicians, general practice physicians, and operators of medical aesthetic spas. For accounting purposes, these arrangements are considered to be sales-type finance leases, where the present value of all cash flows to be received under the subscription agreement is recognized as revenue upon shipment to the customer and achievement of the required revenue recognition criteria.

For the years ended December 31, 2021 and 2020, approximately 40% and 39%, respectively, of our system revenues were derived from traditional sales. Customers generally demand higher discounts in connection with these types of sales. We recognize revenues from products sold to customers based on the following five steps: (1) identification of the contract(s) with the customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the separate performance obligations in the contract; and (5) recognition of revenue when (or as) the entity satisfies a performance obligation.

We do not grant rights of return or early termination rights to our customers under either our traditional sales or subscription models. These traditional sales are generally made through our sales team in the countries in which the team operates.

For the years ended December 31, 2021 and 2020, approximately 9% and 7%, respectively, of our system revenues were derived from distributor sales. Under the traditional distributor relationship, we do not sell directly to the end customer and, accordingly, achieve a lower overall margin on each system sold compared to our direct sales. These sales are non-refundable, non-returnable and without any rights of price protection or stock rotation. Accordingly, we consider distributors as end customers, or the sell-in method.

Procedure Based Revenue

We generate revenue from the harvesting, site making, and implantation procedures performed with our ARTAS system. The harvesting procedure, as the name suggests, is the act of harvesting hair follicles from the patient's scalp for implantation in the prescribed areas. To perform these procedures, a disposable clinical kit is required. These kits can be large (with an unlimited number of harvests) or small (with a maximum of 1,100 harvests). The customer must place an online order with us for the number and type of kits desired and make a payment. Upon receipt of the order and the related payment, we ship the kit(s) and the customer must scan the barcode on the kit label in order to perform the procedure. Once the kits are exhausted, the customer must purchase additional kits. The site making procedure uses the ARTAS system to create a recipient site (i.e., site making) in the patient's scalp affected by androgenic alopecia (or male pattern baldness). The site making procedure also requires a disposable site making kit. The site making kits are sold to customers in the same manner as the harvesting procedures. The implantation procedure utilizes the same disposal kit that is used for site making and involves immediately implanting follicles into the created recipient site. The implantation kits are sold to customers in the same manner as the harvesting and site making kits.

Other Product Revenue

We also generate revenue from our customer base by selling Glide (a cooling/conductive gel which is required for use with many of our systems), marketing supplies and kits, various consumables and disposables, replacement applicators and handpieces, and ARTAS system training.

Service Revenue

We generate ancillary revenue from our existing customers by selling additional services including VeroGrafters technician services for hair restoration using our NeoGraft and ARTAS systems and extended warranty service contracts.

Cost of Goods Sold and Gross Profit

Cost of goods sold consists primarily of costs associated with manufacturing our different systems, including direct product costs from third-party manufacturers, warehousing and storage costs and fulfillment and supply chain costs inclusive of personnel-related costs (primarily salaries, benefits, incentive compensation and stock-based compensation). Cost of goods sold also includes the cost of upgrades, technology amortization, royalty fees, parts, supplies, and cost of product warranties.

Operating Expenses

Selling and Marketing. We currently sell our products and services using direct sales representatives in North America and in select international markets. Our sales costs primarily consist of salaries, commissions, benefits, incentive compensation and stock-based compensation. Costs also include expenses for travel and other promotional and sales-related activities.

Our marketing costs primarily consist of salaries, benefits, incentive compensation and stock-based compensation. They also include expenses for travel, trade shows, and other promotional and marketing activities, including direct and online marketing. As the business environment improves, we expect selling and marketing expenses to continue to increase, but at a rate slightly below our rate of revenue growth.

General and Administrative. Our general and administrative costs primarily consist of expenses associated with our executive, accounting and finance, legal and human resource departments and intellectual property portfolio. These expenses consist of personnel-related expenses (primarily salaries, benefits, incentive compensation and stock-based compensation) and allocated facilities costs, audit fees, legal fees, consultants, travel, insurance, and bad debt expense. During the normal course of operations, we may incur bad debt expense on accounts receivable balances that are deemed to be uncollectible.

Research and Development. Our research and development costs primarily consist of personnel-related costs (primarily salaries, benefits, incentive compensation, and stock-based compensation), material costs, amortization of intangible assets, regulatory affairs, clinical costs, and facilities costs in our Yokneam, Israel and San Jose, California research centers. Our ongoing research and development activities are primarily focused on improving and enhancing our current technologies, products, and services, and on expanding our current product offering with the introduction of new products and expanded indications. We expense all research and development costs in the periods in which they are incurred. We expect our research and development expenses to increase in absolute dollars as we continue to invest in research, clinical studies, regulatory affairs, and development activities, but to decline as a percentage of revenue as our revenue increases over time.

Finance Expenses

Finance expenses consists of interest income, interest expense and other banking charges. Interest income consists of interest earned on our cash, cash equivalents and short-term bank deposits. We expect interest income to vary depending on our average investment balances and market interest rates during each reporting period. Interest expense consists of interest on long-term debt and other borrowings. The interest rates on our long-term debt were 3.10% for the MSLP Loan and 8.0% for the Notes as of December 31, 2021 and 3.14% for the MSLP Loan and 8.0% for the Notes as of December 31, 2020.

Foreign Exchange (Gain) Loss

Foreign currency exchange (gain) loss changes reflect foreign exchange gains or losses related to the change in value of assets and liabilities denominated in currencies other than the U.S. dollar.

Income Taxes Expense

We estimate our current and deferred tax liabilities based on current tax laws in the statutory jurisdictions in which we operate. These estimates include judgments about liabilities resulting from temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. In certain jurisdictions, only the payments invoiced in the current period are subject to tax, but for accounting purposes, the discounted value of the total subscription agreements is reported and tax affected. This results in a deferred tax credit which is settled in the future period when the monthly installment payment is issued and settled with the customer. Since our inception, we have not recorded any tax benefits for the net operating losses we have incurred in each year or for the research and development tax credits we generated in the United States. We believe, based upon the weight of available evidence, that it is more likely than not that all of our net operating loss carryforwards and tax credits will not be realized. Income tax expense is recognized based on the actual taxable loss incurred during the year ended December 31, 2021.

Non-Controlling Interests

We have minority shareholders in one jurisdiction in which we have direct operations. For accounting purposes, these minority partners are referred to as non-controlling interests, and we record the non-controlling interests' share of earnings in our subsidiaries as a separate balance within stockholders' equity in the consolidated balance sheets and consolidated statements of stockholders' equity.

Results of Operations

The following tables set forth our consolidated results of operations in U.S. dollars and as a percentage of revenues for the years indicated:

	Year Ended December 31,	
	2021	2020
Consolidated Statements of Loss:	*(dollars in thousands)*	
Revenues:		
Leases	$ 45,094	$ 33,428
Products and services	60,528	44,586
Total revenue	105,622	78,014
Cost of goods sold	31,528	26,623
Gross profit	74,094	51,391
Operating expenses:		
Sales and marketing	37,438	26,203
General and administrative	45,940	57,882
Research and development	8,258	7,754
Goodwill impairment	—	27,450
Gain on forgiveness of government assistance loans	(2,775)	—
Total operating expenses	88,861	119,289
Loss from operations	(14,767)	(67,898)
Other expenses:		
Foreign exchange loss (gain)	2,559	(68)
Finance expenses	4,955	8,343
Loss on debt extinguishment	—	2,938
Loss on disposal of subsidiaries	567	2,526
Loss before income taxes	(22,848)	(81,637)
Income tax (benefit) expense	(707)	1,181
Net loss	$ **(22,141)**	$ **(82,818)**
Deemed dividend	—	3,564
Net loss attributable to the Company	(23,013)	(85,270)
Net income (loss) attributable to noncontrolling interest	872	(1,112)
As a % of revenue:		
Revenues	100%	100%
Cost of goods sold	29.8	34.1
Gross profit	70.2	65.9
Operating expenses:		
Selling and marketing	35.4	33.6
General and administrative	43.5	74.2
Research and development	7.8	9.9
Goodwill impairment	—	35.2
Gain on forgiveness of government assistance loans	(2.6)	—
Total operating expenses	84.1	152.9
Loss from operations	(14.0)	(87.0)
Foreign exchange (gain) loss	2.4	(0.1)
Finance expenses	4.7	10.7
Loss on debt extinguishment	—	3.8
Loss on disposal of subsidiaries	0.5	3.2
Loss before income taxes	(21.6)	(104.6)

The following tables set forth our revenue by region and by product type for the years indicated:

	Year Ended December 31,	
Revenues by region:	**2021**	**2020**
United States	$ 53,520	$ 33,987
International	52,102	44,027
Total revenue	$ 105,622	$ 78,014

	Year Ended December 31,	
	2021	**2020**
Revenues by product:	**(in thousands)**	
Subscription—Systems	$ 45,094	$ 33,428
Products—Systems	43,106	28,957
Products—Other(1)	13,230	10,858
Services (2)	4,192	4,771
Total revenue	$ 105,622	$ 78,014

(1) Products-Other include ARTAS procedure kits and other consumables.
(2) Services include extended warranty sales and VeroGrafters technician services.

Comparison of the Years Ended December 31, 2021 and 2020
Revenues

	Year Ended December 31,					
	2021		**2020**		**Change**	
(in thousands, except percentages)	**$**	**% of Total**	**$**	**% of Total**	**$**	**%**
Revenues:						
Subscription—Systems	$ 45,094	42.7	$ 33,428	42.8	$ 11,666	34.9
Products—Systems	43,106	40.8	28,957	37.1	14,149	48.9
Products—Other	13,230	12.5	10,858	13.9	2,372	21.8
Services	4,192	4.0	4,771	6.2	(579)	(12.1)
Total	$ 105,622	100.0	$ 78,014	100.0	$ 27,608	35.4

Total revenue increased by $27.6 million, or 35.4%, to $105.6 million for the year ended December 31, 2021 from $78.0 million for the year ended December 31, 2020. The increase in revenue was a result of increased revenue in the United States of $19.5 million and increased revenue in international markets of $8.1 million. The increase in revenue in both the United States and international markets was driven by reinvesting and refocusing our efforts in the United States and other countries that were able to contain the spread of COVID-19, enabling local jurisdictions to ease restrictions on our customer base which positively impacted our ability to sell into these channels. Throughout all of 2021 we experienced strong adoption of Venus Bliss and record system sales in our hair restoration business led by ARTAS. The Company also experienced a significant rebound in traditional system sales that support body contouring and skin tightening in all key markets.

We sold an aggregate of 1,669 systems in the year ended December 31, 2021 compared to 1,306 in the year ended December 31, 2020. The percentage of systems revenue derived from our subscription model was approximately 51% in the year ended December 31, 2021 compared to 54% in the year ended December 31, 2020. The increased focus and system sales of ARTAS iX, which is not sold under our subscription model, accounts for the slight drop in systems sold under subscription.

Other product revenue increased by $2.4 million, or 21.8%, to $13.2 million in the year ended December 31, 2021 from $10.8 million in the year ended December 31, 2020. The increase was driven by stronger performance on ARTAS kits, Venus Viva tips, and other consumables.

Services revenue decreased by $0.6 million, or 12.1%, to $4.2 million in the year ended December 31, 2021 from $4.8 million in the year ended December 31, 2020. The decrease was driven by the suspension of operations of the 2two5 marketing services in the second half of 2020 and the suspension of our VeroGrafters technician services in the fourth quarter of 2021.

Cost of Goods Sold and Gross Profit

Cost of goods sold increased by $4.9 million, or 18.3%, to $31.5 million in the year ended December 31, 2021 from $26.6. million in the year ended December 31, 2020. Gross profit increased by $22.7 million, or 44.2%, to $74.1 million in the year ended December 31, 2021, as compared to $51.4 million in the year ended December 31, 2020. The increase in gross profit is primarily due to an increase in revenue in key markets that benefited from the global economic recovery that resulted from the successful rollout of COVID-19 vaccines, the success of lockdown measures, and higher system sales of Venus Bliss and increases in hair restoration, body contouring and skin tightening system sales. Gross margin was 70.2% of revenue in the year ended December 31, 2021 compared to 65.9% of revenue in the year ended December 31, 2020. The increase in gross profit percentage is primarily driven by higher sales of consumables, improved revenue mix of system sales, sold under our subscription program primarily tracing to sales of the Venus Bliss and the discontinuation of our 2two5 advertising agency and VeroGrafters technician services.

Operating expenses

	Year Ended December 31,					
	2021		2020		Change	
(in thousands, except percentages)	**$**	**% of Revenues**	**$**	**% of Revenues**		**$%**
Operating expenses:						
Selling and marketing	$ 37,438	35.4	$ 26,203	33.6	$ 11,235	42.9
General and administrative	45,940	43.5	57,882	74.2	(11,942)	(20.6)
Research and development	8,258	7.8	7,754	9.9	504	6.5
Goodwill impairment	-	—	27,450	35.2	(27,450)	(100.0)
Gain on forgiveness of government assistance loans	(2,775)	(2.6)	-	—	(2,775)	100.0
Total operating expenses	$ 88,861	84.1	$ 119,289	152.9	$ (30,428)	(25.5)

Selling and Marketing. Selling and marketing expenses increased by 42.9% in the year ended December 31, 2021 compared to the year ended December 31, 2020. This increase is largely due to our reinvestment in the United States and other key markets that benefited from the global economic recovery enabled by reduced lockdown measures benefiting our ability to sell into these channels. In particular, our continued investment in the United States should assist in our efforts to expand gross margin due to higher average selling prices in this market. As a percentage of total revenues, our selling and marketing expenses increased by 1.8%, from 33.6% in the year ended December 31, 2020 to 35.4% in the year ended December 31, 2021. As the business environment improves, we expect selling and marketing expenses to continue to increase in absolute terms, but at a rate slightly below our rate of revenue growth.

General and Administrative. General and administrative expenses decreased by 20.6% in the year ended December 31, 2021 compared to the year ended December 31, 2020, primarily due to lower bad debt expenses in 2021 due to an improvement in the global economy. As a percentage of total revenues, our general and administrative expenses decreased by 30.7%, from 74.2% in the year ended December 31, 2020, to 43.5% in the year ended December 31, 2021, primarily due to an improvement in revenues.

Research and Development. Research and development expenses increased by $0.5 million or 6.5% in the year ended December 31, 2021 compared to the year ended December 31, 2020. The slight increase is due to a reinvestment in research and development efforts directed at scaling our robotic technology across other aesthetic platforms, partially offset by synergies realized across our research and development teams in both Israel and San Jose, California. As a percentage of total revenues, our research and development expenses decreased by 2.1%, from 9.9% in the year ended December 31, 2020, to 7.8% in the year ended December 31, 2021, due to an improvement in revenues.

Goodwill impairment. In 2020, we considered a substantial decline in our equity value and worsening macroeconomic factors due to COVID-19 as triggering events that caused the analysis of potential impairment of our goodwill and other intangible assets as of March 31, 2020. The quantitative impairment analysis resulted in goodwill impairment of $27.5 million driven primarily by lower than expected actual sales, as well as lower projected sales and decreased profitability because of COVID-19. As a result, the entire balance of goodwill was written off as of March 31, 2020. The impairment loss was recognized in the first quarter of 2020.

Gain on forgiveness of government assistance loans. In 2021, we applied for and received partial forgiveness of the PPP Loans with the SBA in the aggregate amount of $2.8 million of original PPP Loans as of December 31, 2021.

Foreign exchange loss. We had a foreign exchange loss of $2.6 million in the year ended December 31, 2021 and a foreign exchange gain of $68 thousand in the year ended December 31, 2020. Changes in foreign are driven mainly by the effect of foreign exchange on accounts receivable and accounts payable balances denominated in currencies other than the US dollar. We do not currently hedge against foreign currency risk.

Finance Expenses. Finance expenses decreased by $3.3 million, to $5.0 million in the year ended December 31, 2021 from $8.3 million in the year ended December 31, 2020, mostly due to a lower average interest rate on our long-term debt as a result of refinancing this debt in the fourth quarter of 2020, partially offset by a higher long-term debt balance and increased amortization of deferred finance costs. See "*—Liquidity and Capital Resources*" below.

Loss on disposal of subsidiaries. In the third quarter of 2021 we sold our 80% share in our subsidiary, Venus Concept Africa (Pty) Ltd., to a non-controlling shareholder for a nominal cash consideration. The disposal resulted in a loss of approximately $0.2 million. In 2020, we sold our share (51%) in Indian subsidiary, Venus Aesthetic LLP, to an unrelated third party and in 2021 we wrote off the accounts receivable from the subsidiary disposal of $0.4 million. In 2020 we sold our share in several subsidiaries as we are focused on markets with higher growth and profit potential. The disposal resulted in a loss of $2.5 million

Income Tax Benefit. We had an income tax benefit of $0.7 million in the year ended December 31, 2021, compared to $1.2 million income tax expense in the year ended December 31, 2020. In 2021, geographic sales mix, true up to tax return, and changes in timing of deductible expenses, resulted in a $0.7 million income tax benefit.

Liquidity and Capital Resources

We had $30.9 million and $34.3 million of cash and cash equivalents as of December 31, 2021 and December 31, 2020, respectively. We have funded our operations with cash generated from operating activities, through the sale of equity securities and through debt financing. We had total debt obligations of approximately $77.8 million as of December 31, 2021, including the MSLP Loan of $50.6 million, convertible notes of $26.7 million including closing fees of $1.6 million, and government assistance loans of $0.5 million, compared to total debt obligations of approximately $79.6 million as of December 31, 2020.

Our working capital requirements reflect the growth of our business over the last few years, in particular, the shift from a traditional sales model to a subscription model. Working capital is primarily impacted by growth in our subscription sales which also impacts accounts receivable. Our overall growth also requires higher inventory levels to meet demand and to accommodate the increased number of technology platforms offered. We had a split of subscription sales revenue to traditional sales revenue at a ratio of approximately 56:44 in the year ended December 31, 2021, compared to 58:42 in 2020. We expect inventory to continue to increase in the short term, but at a lower rate than the rate of revenue growth.

We also require modest funding for capital expenditures. Our capital expenditures relate primarily to our research and development facilities in Yokneam, Israel and San Jose, California. In addition, our capital investments have included improvements and expansion of our subsidiaries' operations to support our growth.

Issuance of Secured Subordinated Convertible Notes

Contemporaneously with the MSLP Loan Agreement, on December 9, 2020, we issued $26.7 million aggregate principal amount of the Notes to the Madryn noteholders pursuant to the terms of the Exchange Agreement. The Notes will accrue interest at a rate of 8.0% per annum from the date of original issuance of the Notes to the third anniversary date of the original issuance and thereafter interest will accrue at a rate of 6.0% per annum. In connection with the Exchange Agreement, we also entered into (i) a Guaranty and Security Agreement dated as of December 9, 2020 (the "Madryn Security Agreement"), pursuant to which we agreed to grant Madryn a security interest, in substantially all of our assets, to secure the obligations under the Notes and (ii) a Subordination of Debt Agreement dated as of December 9, 2020 (the "CNB Subordination Agreement"). The Notes are convertible at any time into shares of our common stock at an initial conversion price of $3.25 per share, subject to adjustment. For additional information regarding the Notes, Exchange Agreement, Madryn Security Agreement and CNB Subordination Agreement, see Note 11 "*Madryn Long-Term Debt and Convertible Notes*" to our consolidated financial statements included elsewhere in this report.

Main Street Priority Lending Program Term Loan

On December 8, 2020, we executed the MSLP Loan Agreement, promissory note, and related documents for a loan in the aggregate amount of $50.0 million for which CNB will serve as a lender pursuant to the Main Street Priority Loan Facility as established by the Board of Governors of the Federal Reserve System Section 13(3) of the Federal Reserve Act. For additional information regarding this loan, see Note 10 "*Main Street Term Loan*" to our consolidated financial statements included elsewhere in this report.

CNB Loan Agreement

We have a revolving credit facility with CNB pursuant to which CNB agreed to provide a revolving credit facility to us and certain of our subsidiaries to be used to finance working capital requirements (the "CNB Loan Agreement"). As of December 31, 2020, a portion of the proceeds from the MSLP Loan described above was used to repay $3.2 million of outstanding borrowings under the CNB Loan Agreement. There was $nil outstanding balance as of December 31, 2021 and December 31, 2020.

On August 26, 2021 we entered into the Fourth Amended and Restated CNB Loan Agreement with CNB, pursuant to which, among other things, (i) the maximum principal amount the revolving credit facility was reduced from $10.0 million to $5.0 million at the LIBOR 30-Day rate plus 3.25%, subject to a minimum LIBOR rate floor of 0.50%, and (ii) beginning December 10, 2021, the cash deposit requirement was reduced from $3.0 million to $1.5 million, to be maintained with CNB at all times during the term of the Amended CNB Loan Agreement. As of December 31, 2021, and December 31, 2020, we were in compliance with all required covenants. For additional information on the CNB Loan Agreement and the related agreements, see Note 12 "*Credit Facility*" to our consolidated financial statements included elsewhere in this report.

Equity Purchase Agreement with Lincoln Park

On June 16, 2020, we entered into a purchase agreement (the "Equity Purchase Agreement") with Lincoln Park Capital Fund LLC ("Lincoln Park"), which provides that, upon the terms and subject to the conditions and limitations set forth therein, we may sell to Lincoln Park up to $31.0 million of shares of our common stock pursuant to our shelf registration statement. The purchase price of shares of common stock related to a future sale will be based on the then prevailing market prices of such shares at the time of sales as described in the Equity Purchase Agreement. The aggregate number of shares that we can sell to Lincoln Park under the Equity Purchase Agreement may in no case exceed 7.8 million shares (subject to adjustment) of common stock (which is equal to approximately 19.99% of the shares of the common stock outstanding immediately prior to the execution of the Equity Purchase Agreement) (the "Exchange Cap"), unless (i) stockholder approval is obtained to issue shares above the Exchange Cap, in which case the Exchange Cap will no longer apply, or (ii) the average price of all applicable sales of common stock to Lincoln Park under the Equity Purchase Agreement equals or exceeds $3.9755 per share (subject to adjustment) (which represents the minimum price, as defined under Nasdaq Listing Rule 5635(d), on the Nasdaq Global Market immediately preceding the signing of the Equity Purchase Agreement, such that the transactions contemplated by the Equity Purchase Agreement are exempt from the Exchange Cap limitation under applicable Nasdaq rules). Also, at no time may Lincoln Park (together with its affiliates) beneficially own more than 9.99% of our issued and outstanding common stock. Concurrently with entering into the Equity Purchase Agreement, we also entered into a Registration Rights Agreement with Lincoln Park (as defined above).

No shares were issued and sold to Lincoln Park in the year ended December 31, 2021.

Sales of shares of our common stock to Lincoln Park under the Equity Purchase Agreement will depend on a variety of factors to be determined by us from time to time, including, among others, market conditions, the trading price of our common stock and our determination as to the appropriate sources of funding for our operations. The proceeds we receive under the Equity Purchase Agreement will depend on the frequency and prices at which we sell shares to Lincoln Park. We expect that any proceeds we receive from such sales will be used for working capital and general corporate purposes.

Government Assistance Programs

In April 2020, Venus Concept Inc. and Venus USA, received funding in the total amount of $4.1 million, in connection with two "Small Business Loans" under the PPP.

We borrowed $1.7 million pursuant to the Venus Concept PPP Loan. Venus USA also borrowed $2.4 million pursuant to the Venus USA PPP Loan. The terms of the Venus USA PPP Loan are substantially similar to the terms of the Venus Concept PPP Loan. In 2021, we applied through CNB, for partial forgiveness of both PPP Loans with the SBA and received partial forgiveness of the Venus USA PPP Loan in the amount of $1.7 million and the Venus Concept PPP Loan in the amount of $1.1 million.

The PPP Loans contain certain covenants which, among other things, restrict our use of the proceeds of the respective PPP Loan to the payment of payroll costs, interest on mortgage obligations, rent obligations and utility expenses, require compliance with all other loans or other agreements with any creditor of us or Venus USA, to the extent that a default under any loan or other agreement would materially affect our or Venus USA's ability to repay its respective PPP Loan and limit our ability to make certain changes to our ownership structure.

If we and/or Venus USA default on our or its respective PPP Loan (i) events of default will occur under the Amended CNB Loan Agreement and the MSLP Loan Agreement, and (ii) we and/or Venus USA may be required to immediately repay their respective PPP Loan.

In 2020, certain subsidiaries also received funding in the total amount of $1.1 million in connection with various governmental programs to support businesses impacted by COVID-19. The terms of these government assistance programs vary by jurisdiction. These government subsidies were recorded as a reduction to the associated wage costs recorded in general and administrative expenses in the consolidated statement of operations.

For additional information on our utilization of government assistance programs, see Note 13 "*Government Assistance Programs*" in the notes to our consolidated financial statements included elsewhere in this report.

Capital Resources

As of December 31, 2021, we had capital resources consisting of cash and cash equivalents of approximately $30.9 million. We have financed our operations principally through the issuance and sale of our common stock and preferred stock, debt financing, and payments from customers. We believe that the net proceeds from the 2021 Private Placement, net proceeds from the December 2020 Public Offering, the proceeds from issuance of our common stock to Lincoln Park, net proceeds from the 2020 Private Placement, the proceeds from the government assistance programs, the proceeds from the MSLP Loan, together with our existing cash and cash equivalents, will enable us to fund our operating expenses and capital expenditure requirements for at least the next 12 months. The pandemic has had a significant negative impact on our business. While our business is showing strong growth, we expect the pandemic to continue to have a negative impact in the foreseeable future, the extent of which is uncertain and largely subject to the continued beneficial impact of local vaccination efforts, and whether the severity of the pandemic worsens in the jurisdictions in which we operate. Given the uncertainties of the pandemic, and in particular around the COVID-19 variants, we may need additional capital to fund our future operations and to access the capital markets sooner than we planned. We cannot assure you that we will be successful in raising additional capital or that such capital, if available at all, will be on terms that are acceptable to us. If we are unable to raise sufficient additional capital, we may be compelled to reduce the scope of our operations and planned capital or research and development expenditures or sell certain assets, including intellectual property assets.

Additional funds may not be available when we need them, on terms that are acceptable to us, or at all. If adequate funds are not available to us on a timely basis, we may be required to:

- delay or curtail our efforts to develop system product enhancements or new products, including any clinical trials that may be required to market such enhancements;
- delay or curtail our plans to increase and expand our sales and marketing efforts; or
- delay or curtail our plans to enhance our customer support and marketing activities.

We are restricted by covenants in the MSLP Loan, the Amended CNB Loan Agreement, the PPP Loans, the Madryn Security Agreement and other government assistance programs. These covenants restrict, among other things, our ability to incur additional indebtedness, which may limit our ability to obtain additional debt financing. In the event that the pandemic and the economic disruptions it has caused continue for an extended period of time, we cannot assure you that we will remain in compliance with the financial covenants contained in our credit facilities. We also cannot assure you that our lenders would provide relief or that we could secure alternative financing on favorable terms, if at all. Our failure to comply with the covenants contained in our credit facilities, including financial covenants, could result in an event of default, which could materially and adversely affect our results of operations and financial condition.

We have based our projections on the amount of time through which our financial resources will be adequate to support our operations on assumptions that may prove to be incorrect, and we may use all our available capital resources sooner than we expect. Our future funding requirements will depend on many factors, including, but not limited to:

- the cost of growing our ongoing commercialization and sales and marketing activities;
- the costs of manufacturing and maintaining enough inventories of our systems to meet anticipated demand and inventory write-offs related to obsolete products or components;
- the costs of enhancing the existing functionality and development of new functionalities for our systems;
- the costs of preparing, filing, prosecuting, defending, and enforcing patent claims and other patent related costs, including litigation costs and the results of such litigation;
- the variability of ARTAS procedures being performed between periods if particular high-volume practitioners perform a smaller number of procedures in each period as a result of the concentration of procedures performed by certain practitioners;
- any product liability or other lawsuits and the costs associated with defending them or the results of such lawsuits;
- the costs associated with conducting business and maintaining subsidiaries and other entities in foreign jurisdictions;
- customers in jurisdictions where our systems are not approved delaying their purchase, and not purchasing our systems, until they are approved or cleared for use in their market;
- the costs to attract and retain personnel with the skills required for effective operations;
- the costs associated with being a public company; and
- uncertainties related to the COVID-19 pandemic.

In order to grow our business and increase revenues, we will need to introduce and commercialize new products, grow our sales and marketing force, implement new software systems, as well as identify and penetrate new markets. Such endeavors have in the past increased, and may continue in the future, to increase our expenses, including sales and marketing, and research and development. We will have to continue to increase our revenues while effectively managing our expenses in order to achieve profitability and to sustain it. Our failure to control expenses could make it difficult to achieve profitability or to sustain profitability in the future. Moreover, we cannot be sure that our expenditures will result in the successful development and introduction of new products in a cost-effective and timely manner or that any such new products will achieve market acceptance and generate revenues for our business.

Cash flows

The following table summarizes our cash flows for the years indicated:

	Year Ended December 31,	
	2021	2020
	(in thousands)	
Cash used in operating activities	$ (19,771)	$ (28,650)
Cash used in investing activities	(552)	(2,392)
Cash provided by financing activities	16,819	49,673
Net increase in cash, cash equivalents and restricted cash	$ (3,504)	$ 18,631

Cash Flows from Operating Activities

For the year ended December 31, 2021, cash used in operating activities consisted of a net loss of $22.1 million and an investment in net operating assets of $5.3 million, partially offset by non-cash operating expenses of $7.6 million. The investment in net operating assets was primarily attributable to a decrease in inventories of $4.3 million, an increase in other current assets of $1.9 million, a decrease in other long-term assets of $0.1 million, an increase in advances to suppliers of $0.4 million, an increase in unearned interest income of $0.3 million and an increase in other long-term liabilities of $0.3 million. This was partially offset by a decrease in prepaid expenses of $0.5 million, a decrease in accounts receivable of $0.9 million, primarily due to stronger collections as customers start to recover from the pandemic globally during 2021, a decrease in accounts payable of $1.4 million, a decrease in accrued expenses and other current liabilities of $0.9 million and a decrease in severance pay funds of $0.1 million. The non-cash operating expenses consisted mainly of a recovery for bad debts of $0.3 million, depreciation and amortization of $4.9 million, finance expenses and accretion of $1.8 million, stock-based compensation expense of $2.1 million, provision for inventory obsolescence of $1.5 million, loss on the sale of a subsidiary of $0.6 million, gain on forgiveness of government assistance loans of $2.8 million and deferred tax benefit of $0.2 million.

In the year ended December 31, 2020, cash used in operating activities consisted of a net loss of $82.8 million and an investment in net operating assets of $7.7 million, partially offset by non-cash operating expenses of $61.9 million. The investment in net operating assets was primary attributable to a decrease in inventories of $1.0 million, a decrease in other current assets of $2.4 million, a decrease in other long-term assets of $0.2 million, an increase in trade payables of $3.0 million, an increase in unearned interest income of $1.9 million and an increase in other long-term liabilities of $0.5 million. This was partially offset by a decrease in accounts receivable of $0.1 million, a decrease in prepaid expenses by $0.2 million and an increase in accrued expenses and other current liabilities of $0.9 million. The non-cash operating expenses consisted mainly of a goodwill impairment charge of $27.5 million, a provision for bad debts of $15.2 million, depreciation and amortization of $4.8 million, stock-based compensation expense of $2.1 million, provision for inventory obsolescence of $0.6 million, loss on debt extinguishment of $2.9 million, loss on sale of subsidiaries of $2.5 million, loss on disposal of property and equipment of $0.2 million, deferred tax benefit of $0.4 million, a change in the fair value of the earn-out liability for the purchase of NeoGraft of $0.3 million, interest on convertible promissory notes of $0.1 million and finance expenses of $6.1 million.

Cash Flows from Investing Activities

In the year ended December 31, 2021, cash used in investing activities consisted of $0.5 million for the purchase of property and equipment and the proceeds from the sale of a subsidiary, net of cash relinquished.

In the year ended December 31, 2020, cash used in investing activities consisted of $0.3 million for the purchase of property and equipment and $2.1 million of cash disposed in connection with the sale of several subsidiaries, net of cash relinquished.

Cash Flows from Financing Activities

In the year ended December 31, 2021, cash provided by financing activities consisted primarily of net proceeds from 2021 Private Placement of $16.7 million, proceeds from the exercise of 2020 December Public Offering Warrants of $0.9 million, proceeds from the exercise of options of $0.4 million, partially offset by the payment of the NeoGraft earn-out liability of $0.1 million, partial repayment of the PPP Loans of $0.7 million and the payment of dividends from subsidiaries to non-controlling interest of $0.3 million.

In the year ended December 31, 2020, cash from financing activities consisted primarily of net proceeds from the issuance of shares of common stock to Lincoln Park Shares of $8.4 million, net proceeds from MSLP Loan of $48.8 million, proceeds from exercise of options of $0.4 million, net proceeds from 2020 Private Placement of $20.3 million, net proceeds from December 2020 Public Offering of $20.5 million and proceeds from government assistance loans of $4.1 million partially offset by repayment of Madryn Credit Agreement of $43.6 million, repayment of $7.8 million under the CNB Loan Agreement, payment of dividends from subsidiary to non-controlling interest of $0.2 million, and payment of the NeoGraft earn-out liability and installment payment of $1.0 million.

Contractual Obligations and Other Commitments

Our premises and those of our subsidiaries are leased under various operating lease agreements, which expire on various dates.

As of December 31, 2021, we had non-cancellable purchase orders placed with our contract manufacturers in the amount of $17.6 million. In addition, as of December 31, 2021, we had $6.4 million of open purchase orders that can be cancelled with 270 days' notice, except for a portion equal to 15% of the total amount representing the purchase of "long lead items".

The following table summarizes our contractual obligations as of December 31, 2021, which represent material expected or contractually committed future obligations.

	Payments Due by Period				
	Less than 1 Year	2 to 3 Years	4 to 5 Years	More than 5 Years	Total
	(dollars in thousands)				
Debt obligations, including interest	$ 3,787	$ 21,073	$ 66,646	$ —	$ 91,506
Operating leases	1,404	2,361	2,089	1,240	7,094
Purchase commitments	18,551	—	—	—	18,551
Total contractual obligations	$ 23,742	$ 23,434	$ 68,735	$ 1,240	$ 117,151

On March 25, 2021, we entered into an endorsement agreement for the services of Venus Williams, four-time Olympic Gold Medalist, seven-time Grand Slam Champion and entrepreneur, pursuant to which Ms. Williams will act as a brand ambassador for Venus Bliss.

For an additional description of our commitments see Note 9, "Commitments and Contingencies" to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

We do not currently engage in off-balance sheet financing arrangements. In addition, we do not have any interest in entities referred to as variable interest entities, which includes special purpose entities and other structure finance entities.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. These estimates form the basis for judgments we make about the carrying values of our assets and liabilities, which are not readily apparent from other sources. We base our estimates and judgments on historical experience and on various other assumptions that we believe are reasonable under the circumstances. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are more fully described in Note 2 to our consolidated financial statements included in this Annual Report on Form 10-K. We believe that the assumptions and estimates associated with revenue recognition, long-term receivables, allowance for doubtful accounts, warranty accrual, and stock-based compensation have the most significant impact on our consolidated financial statements, and therefore, we consider these to be our critical accounting policies and estimates.

Revenue Recognition

We generate revenue from (1) sales of systems through our subscription model, traditional system sales to customers and distributors, (2) other product revenues from the sale of ARTAS procedure kits, marketing supplies and kits, consumables and (3) service revenue from the sale of our VeroGrafters technician services, and our extended warranty service contracts provided to existing customers. VeroGrafters technician services were discontinued in the fourth quarter of 2021. 2two5 internal advertising agency services were discontinued in the third quarter of 2020. The revenue from 2two5 internal advertising agency services was not material to our 2020 results.

We recognize revenues on other products and services in accordance with ASC 606. Revenue is recognized based on the following five steps: (1) identification of the contract(s) with the customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the separate performance obligations in the contract; and (5) recognition of revenue when (or as) the entity satisfies a performance obligation.

We record our revenue net of sales tax and shipping and handling costs.

Long-term receivables

Long-term receivables relate to our subscription revenue or contracts which stipulate payment terms which exceed one year. They are comprised of the unpaid principal balance, net of the allowance for doubtful accounts. These receivables have been discounted based on the implicit interest rate in the subscription lease which range between 8% to 9% for the year ended December 31, 2021, and 8% to 9% for the year ended December 31, 2020. Unearned interest revenue represents the interest only portion of the respective subscription payments and will be recognized in income over the respective payment term as it is earned.

Allowance for doubtful accounts

The allowance for doubtful accounts is based on our assessment of the collectability of customer accounts and the aging of the related invoices and represents our best estimate of probable credit losses in our existing trade accounts receivable. We regularly review the allowance by considering factors such as historical experience, credit quality, the age of the account receivable balances, and current economic conditions that may affect a customer's ability to pay.

Warranty accrual

We generally offer warranties for all our systems against defects for up to three years. The warranty period begins upon shipment and we record a liability for accrued warranty costs at the time of sale of a system, which consists of the remaining warranty on systems sold based on historical warranty costs and management's estimates. We periodically assess the adequacy of our recorded warranty liabilities and adjust the amounts thereof as necessary. We exercise judgment in estimating expected system warranty costs. If actual system failure rates, freight, material, technical support and labor costs differ from our estimates, we will be required to revise our estimated warranty liability. To date, our warranty reserve has been sufficient to satisfy warranty claims paid.

Stock-Based Compensation

We account for stock-based compensation costs in accordance with the accounting standards for stock-based compensation, which require that all stock-based payments to employees be recognized in the consolidated statements of operations based on their fair values.

The fair value of stock options on the grant date is estimated using the Black-Scholes option-pricing model using the single-option approach. The Black-Scholes option pricing model requires the use of highly subjective and complex assumptions, including the options' expected term and the price volatility of the underlying stock, to determine the fair value of the award. We recognize the expense associated with options using a single-award approach over the requisite service period.

Financial statements in U.S. dollars

We believe that the U.S. dollar is the currency in the primary economic environment in which we operate. The U.S. dollar is the most significant currency in which our revenues are generated, and our costs are incurred. In addition, our debt and equity financings are generally based in U.S. dollars. Therefore, our functional currency, and that of our subsidiaries, is the U.S. dollar.

Transactions and balances originally denominated in U.S. dollars are presented at their original amounts. Non-dollar transactions and balances are re-measured into U.S. dollars in accordance with the principles set forth in ASC 830-10 "Foreign Currency Translation". All exchange gains and losses from re-measurement of monetary balance sheet items resulting from transactions in non-U.S. dollar currencies are recorded as foreign exchange loss (income) in the consolidated statement of operations as they arise.

JOBS Act Accounting Election

We are an emerging growth company, as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our consolidated financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

Recent Accounting Pronouncements

See Note 2 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of the date of this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, we are not required to provide disclosure for this Item.

Item 8. Consolidated Financial Statements and Supplementary Data.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

VENUS CONCEPT INC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Venus Concept Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Venus Concept Inc. and its subsidiaries (the Company) as of December 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2021 and 2020, and the results of its consolidated operations and its consolidated cash flows for each of the years in the two-year period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has reported recurring net losses and negative cash flows from operations, that raises substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

We have served as the Company's auditor since 2019.
Toronto, Canada
March 28, 2022

VENUS CONCEPT INC.

Consolidated Balance Sheets
(in thousands, except share and per share data)

	Year Ended, December 31,	
	2021	**2020**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 30,876	$ 34,297
Restricted cash	-	83
Accounts receivable, net of allowance of $11,997 and $18,490 as of December 31, 2021, and 2020	46,918	52,764
Inventories	20,543	17,759
Prepaid expenses	2,737	2,240
Advances to suppliers	2,162	2,587
Other current assets	3,758	5,674
Total current assets	106,994	115,404
LONG-TERM ASSETS:		
Long-term receivables	27,710	21,148
Deferred tax assets	284	884
Severance pay funds	817	685
Property and equipment, net	2,669	3,539
Intangible assets	15,393	18,865
Total long-term assets	46,873	45,121
TOTAL ASSETS	$ 153,867	$ 160,525
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	$ 4,913	$ 6,322
Accrued expenses and other current liabilities	19,512	20,253
Income taxes payable	294	1,132
Unearned interest income	2,678	1,950
Warranty accrual	1,245	1,106
Deferred revenues	2,030	1,752
Current portion of government assistance loans	543	—
Total current liabilities	31,215	32,515
LONG-TERM LIABILITIES:		
Long-term debt	77,325	75,491
Government assistance loans	—	4,110
Income tax payable	563	478
Accrued severance pay	911	755
Deferred tax liabilities	46	811
Unearned interest income	1,355	1,778
Warranty accrual	508	533
Other long-term liabilities	348	293
Total long-term liabilities	81,056	84,249
TOTAL LIABILITIES	112,271	116,764
Commitments and Contingencies (Note 9)		
STOCKHOLDERS' EQUITY (Note 1):		
Common Stock, $0.0001 par value: 300,000,000 shares authorized as of December 31, 2021 and 2020; 63,982,580 and 53,551,126 issued and outstanding as of December 31, 2021 and 2020, respectively	27	26
Additional paid-in capital	221,321	201,598
Accumulated deficit	(180,405)	(157,392)
TOTAL STOCKHOLDERS' EQUITY	40,943	44,232
Non-controlling interests	653	(471)
	41,596	43,761
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 153,867	$ 160,525

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

VENUS CONCEPT INC.

Consolidated Statements of Operations
(in thousands, except per share data)

	Year Ended, December 31,	
	2021	**2020**
Revenue		
Leases	$ 45,094	$ 33,428
Products and services	60,528	44,586
	105,622	78,014
Cost of goods sold		
Leases	10,459	7,899
Products and services	21,069	18,724
	31,528	26,623
Gross profit	74,094	51,391
Operating expenses:		
Selling and marketing	37,438	26,203
General and administrative	45,940	57,882
Research and development	8,258	7,754
Goodwill impairment	—	27,450
Gain on forgiveness of government assistance loans	(2,775)	—
Total operating expenses	88,861	119,289
Loss from operations	(14,767)	(67,898)
Other expenses:		
Foreign exchange loss (gain)	2,559	(68)
Finance expenses	4,955	8,343
Loss on debt extinguishment	-	2,938
Loss on disposal of subsidiaries	567	2,526
Loss before income taxes	(22,848)	(81,637)
Income tax (benefit) expense	(707)	1,181
Net loss	(22,141)	(82,818)
Deemed dividend (Note 15)	-	3,564
Net loss attributable to stockholders of the Company	(23,013)	(85,270)
Net income (loss) attributable to non-controlling interest	872	(1,112)
Net loss per share:		
Basic	$ (0.42)	$ (2.33)
Diluted	$ (0.42)	$ (2.33)
Weighted-average number of shares used in per share calculation:		
Basic	54,466	36,626
Diluted	54,466	36,626

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

VENUS CONCEPT INC.

Consolidated Statements of Comprehensive Loss
(in thousands)

	Year Ended December 31,	
	2021	**2020**
Net loss	$ (22,141)	$ (82,818)
Deemed dividend	—	3,564
Loss attributable to stockholders of the Company	(23,013)	(85,270)
Income (loss) attributable to non-controlling interest	872	(1,112)
Comprehensive loss	$ (22,141)	$ (82,818)

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

VENUS CONCEPT INC.

Consolidated Statement of Stockholders' Equity
(in thousands, except share data)

	Series A Preferred Shares	Series A Preferred Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in-Capital	Accumulated Deficit	Non-controlling Interest	Total Stockholders' Equity
Balance — January 1, 2020	—	—	28,686,116	$ 24	$ 149,840	$ (75,686)	$ 2,500	$ 76,678
Issuance of common stock	—	—	4,245,256		8,490			8,490
2020 Private Placement shares and warrants, net of costs and beneficial conversion feature	660,000	—	2,300,000	—	16,736	—	—	16,736
Conversion of Preferred Stock Series A	(660,000)	—	6,600,000	1	(1)	—	—	-
December 2020 Public Offering shares and warrants, net of costs	—	—	11,250,000	1	20,475	—	—	20,476
Deemed dividends	—	—	—	—	3,564	—	—	3,564
Dividends from subsidiaries	—	—	—	—	—	—	(218)	(218)
Net loss — the Company	—	—	—	—	—	(81,706)	—	(81,706)
Net loss — non-controlling interest	—	—	—	—	—	—	(1,112)	(1,112)
Options exercised	—	—	469,754	—	356	—	—	356
Disposal of subsidiary	—	—	—	—	—	—	(1,641)	(1,641)
Stock-based compensation	—	—	—	—	2,138	—	—	2,138
Balance — December 31, 2020	—	—	53,551,126	$ 26	$ 201,598	$ (157,392)	$ (471)	$ 43,761
2021 Private Placement shares, net of costs	3,790,755	—	9,808,418	1	16,587	—	—	16,588
Dividends from subsidiaries	—	—	—	—	—	—	(293)	(293)
December 2020 Public Offering warrants exercise	—	—	361,200	—	903	—	—	903
Beneficial conversion feature	—	—	—	—	152	—	—	152
Acquisition of non-controlling interest	—	—	—	—	(341)	—	341	-
Net loss — the Company	—	—	—	—	—	(23,013)	—	(23,013)
Net loss — non-controlling interest	—	—	—	—	—	—	872	872
Options exercised	—	—	261,836	—	354	—	—	354
Disposal of subsidiary	—	—	—	—	—	—	204	204
Stock-based compensation	—	—	—	—	2,068	—	—	2,068
Balance — December 31, 2021	3,790,755	—	63,982,580	27	221,321	(180,405)	653	41,596

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

VENUS CONCEPT INC.

Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,	
	2021	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (22,141)	$ (82,818)
Adjustments to reconcile net loss to net cash used in operating activities:		
Goodwill impairment	—	27,450
Depreciation and amortization	4,854	4,804
Stock-based compensation	2,068	2,138
Bad debt (recovery) provision for bad debt	(263)	15,212
Provision for inventory obsolescence	1,456	610
Loss on debt extinguishment	—	2,938
Finance expenses and accretion	1,779	6,091
Deferred tax benefit	(165)	(438)
Interest on convertible promissory notes	—	135
Change in fair value of earn-out liability	—	291
Loss on sale of subsidiaries	567	2,526
Loss on disposal of property and equipment	-	162
Gain on forgiveness of government assistance loans	(2,775)	—
Unrealized foreign exchange loss	—	(30)
Changes in operating assets and liabilities:		
Accounts receivable short- and long-term	(869)	93
Inventories	(4,261)	(1,020)
Prepaid expenses	(454)	233
Advances to suppliers	425	-
Other current assets	1,908	(2,359)
Other long-term assets	(98)	(162)
Trade payables	(1,409)	(2,979)
Accrued expenses and other current liabilities	(889)	857
Severance payments	(132)	25
Unearned interest income	305	(1,895)
Other long-term liabilities	323	(514)
Net cash used in operating activities	(19,771)	(28,650)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(512)	(291)
Cash received from sale of subsidiaries, net of cash relinquished	(40)	(2,101)
Net cash used in investing activities	(552)	(2,392)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Exercises of 2020 December Public Offering Warrants	903	—
2021 Private Placement, net of costs of $259	16,740	—
Proceeds from issuance of MSLP loan, net of cash financing fees of $1,229	-	48,771
(Repayment) issuance of long-term debt	-	(43,649)
Repayment of line-of-credit	-	(7,813)
(Repayment of) proceeds from government assistance loans	(738)	4,110
Proceeds from issuance of common stock, net of costs	-	8,390
Proceeds from 2020 Private Placement, net of costs of $1,951	-	20,300
Proceeds from December 2020 Public Offering, net of costs of $2,025	-	20,475
Dividends from subsidiaries paid to non-controlling interest	(293)	(218)
Payment of earn-out liability	(147)	(799)
Annual installment payments	-	(250)
Proceeds from exercise of options	354	356
Net cash provided by financing activities	16,819	49,673
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(3,504)	18,631
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH — Beginning of year	34,380	15,749
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH — End of year	$ 30,876	$ 34,380
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for income taxes	$ 116	$ 941
Cash paid for interest	$ 3,292	$ 1,470
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING INFORMATION:		
2021 Private Placement costs	$ 259	$ -
Beneficial conversion factor of preferred stock accreted as deemed dividend	$ -	$ 3,564
Conversion of Series A convertible preferred stock	$ -	$ 660
Issuance of convertible promissory notes	$ -	$ 26,695
Replacement of outstanding Madryn loan with convertible notes	$ -	$ 26,695
Assets received from sale of subsidiaries	$ -	$ 2,918

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

VENUS CONCEPT INC.
Notes to Consolidated Financial Statements
(in thousands, except share and per share data)

1. NATURE OF OPERATIONS

Venus Concept Inc. is a global medical technology company that develops, commercializes, and sells minimally invasive and non-invasive medical aesthetic and hair restoration technologies and related services. The Company's systems have been designed on cost-effective, proprietary and flexible platforms that enable it to expand beyond the aesthetic industry's traditional markets of dermatology and plastic surgery, and into non-traditional markets, including family and general practitioners and aesthetic medical spas. The Company was incorporated in the state of Delaware on November 22, 2002. In these notes to the consolidated financial statements, the "Company" and "Venus Concept", refer to Venus Concept Inc. and its subsidiaries on a consolidated basis.

Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for the foreseeable future, and, as such, the consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

The Company has had recurring net operating losses and negative cash flows from operations. As of December 31, 2021 and December 31, 2020, the Company had an accumulated deficit of $180,405 and $157,392, respectively. The Company was in compliance with all required covenants as of December 31, 2021 and as of December 31, 2020. The Company's recurring losses from operations and negative cash flows raise substantial doubt about the Company's ability to continue as a going concern within 12 months from the date that the consolidated financial statements are issued. In addition, the coronavirus pandemic ("COVID-19" or "pandemic") has had a significant negative impact on the Company's results of operations as of December 31, 2021, and for the year then ended, and management expects the pandemic to continue to have a negative impact in the foreseeable future, the extent of which is uncertain and largely subject to whether the severity of the pandemic worsens, or duration lengthens. In the event that the pandemic and the economic disruptions it has caused continue for an extended period of time, the Company cannot assure that it will remain in compliance with the financial covenants contained within its credit facilities.

In order to continue its operations, the Company must achieve profitable operations and/or obtain additional equity or debt financing. Until the Company achieves profitability, management plans to fund its operations and capital expenditures with cash on hand, borrowings, and issuance of capital stock. In December 2021, the Company issued and sold to investors 9,808,418 shares of common stock, par value $0.0001 per share, and 3,790,755 shares of the convertible preferred stock, par value $0.0001 per share for the total gross proceeds of $16,999 (see "The 2021 Private Placement" below). On December 22, 2020, the Company issued and sold to investors 11,250,000 shares of its common stock ("December 2020 Public Offering"), par value $0.0001 per share, at a combined offering price to the public of $2.00 per share and warrants ("December 2020 Public Offering Warrants") to purchase up to 5,625,000 shares of common stock with an exercise price of $2.50 per share. The December 2020 Public Offering Warrants have a five-year term and are exercisable immediately. Total gross proceeds were $22,500. In February 2021, several investors exercised an aggregate of 361,200 December 2020 Public Offering Warrants at the exercise price of $2.50 per share. The total proceeds received by the Company from the December 2020 Public Offering Warrants exercises were $903. Until the Company generates revenue at a level to support its cost structure, the Company expects to continue to incur substantial operating losses and net cash outflows from operating activities.

Given the pandemic and the uncertainty around the COVID-19 variants, the Company cannot anticipate the extent to which the current economic turmoil and financial market conditions will continue to adversely impact the Company's business and the Company may need additional capital to fund its future operations and to access the capital markets sooner than planned. There can be no assurance that the Company will be successful in raising additional capital or that such capital, if available, will be on terms that are acceptable to the Company. If the Company is unable to raise sufficient additional capital, it may be compelled to reduce the scope of its operations and planned capital expenditures or sell certain assets, including intellectual property assets. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might result from the uncertainty. Such adjustments could be material.

The 2021 Private Placement

In December 2021, the Company entered into a securities purchase agreement (the "Securities Purchase Agreement") with certain investors (collectively, the "Investors") pursuant to which the Company issued and sold to the Investors an aggregate of 9,808,418 shares of common stock, par value $0.0001 per share, and 3,790,755 shares of the convertible preferred stock, par value $0.0001 per share (the "Preferred Stock"), which are convertible into 3,790,755 shares of common stock upon receipt of stockholder approval (the "2021 Private Placement"). The 2021 Private Placement was completed on December 15, 2021. The gross proceeds from the securities sold in the 2021 Private Placement was $16,999. The costs incurred with respect to the 2021 Private Placement totaled $259 and were recorded as a reduction of the 2021 Private Placement proceeds in the consolidated statements of stockholders' equity. The accounting effects of the 2021 Private Placement transaction is discussed in Note 15.

Equity Purchase Agreement with Lincoln Park

On June 16, 2020, the Company entered into the Equity Purchase Agreement with Lincoln Park, which provides that, upon the terms and subject to the conditions and limitations set forth therein, the Company may sell to Lincoln Park up to $31,000 of shares of its common stock, par value $0.0001 per share, pursuant to its shelf registration statement. The purchase price of shares of common stock related to a future sale will be based on the then prevailing market prices of such shares at the time of sales as described in the Equity Purchase Agreement. The aggregate number of shares that the Company can sell to Lincoln Park under the Equity Purchase Agreement may in no case exceed 7,763,411 shares (subject to adjustment) of common stock (which is equal to approximately 19.99% of the shares of the common stock outstanding immediately prior to the execution of the Equity Purchase Agreement) (the "Exchange Cap"), unless (i) stockholder approval is obtained to issue shares above the Exchange Cap, in which case the Exchange Cap will no longer apply, or (ii) the average price of all applicable sales of common stock to Lincoln Park under the Equity Purchase Agreement equals or exceeds $3.9755 per share (subject to adjustment) (which represents the minimum price, as defined under Nasdaq Listing Rule 5635(d), on the Nasdaq Global Market immediately preceding the signing of the Equity Purchase Agreement, such that the transactions contemplated by the Equity Purchase Agreement are exempt from the Exchange Cap limitation under applicable Nasdaq rules. Also, at no time may Lincoln Park (together with its affiliates) beneficially own more than 9.99% of the Company's issued and outstanding common stock. Concurrently with entering into the Equity Purchase Agreement, the Company also entered into a registration rights agreement with Lincoln Park, pursuant to which it agreed to provide Lincoln Park with certain registration rights related to the shares of common stock issued under the Equity Purchase Agreement (the "Registration Rights Agreement").

In 2020 the Company issued and sold to Lincoln Park 3,037,087 shares of its common stock at an average price of $2.97 per share, and 209,566 of these shares were issued to Lincoln Park as a commitment fee in connection with entering into the Equity Purchase Agreement (the "Commitment Shares"). The total value of the Commitment Shares of $620 together with the issuance costs of $123 were recorded as deferred issuance costs in the consolidated balance sheet as of December 31, 2020. These costs will be amortized into consolidated statements of stockholders' equity proportionally based on proceeds received during the period and the expected total proceeds to be raised over the term of the Equity Purchase Agreement. Gross proceeds from common stock issuances as of December 31, 2021 were $9,010, which were then reduced by the amortization of deferred issuance costs of $520. Gross proceeds in the amount of $9,010 reduced by the value of the Commitment Shares of $620 were recorded in the consolidated statements of cash flows as net cash proceeds from issuance of common stock. No shares were issued and sold to Lincoln Park in 2021.

Sale of subsidiaries

In 2020, the Company made several strategic decisions to divest itself of underperforming direct sales offices in the countries which were not anticipated to produce sustainable results. These disposals did not constitute a strategic shift that will have a major effect on the Company's operations and financial results, and operating revenue of disposed subsidiaries did not exceed 15% of the Company's total revenue, therefore the results of operations for disposed subsidiaries were not reported as discontinued operations under the guidance of Accounting Standards Codification ("ASC") 205-20-45. In 2021, the sale of subsidiaries resulted in loss of approximately $567 recognized in the consolidated statements of operations (Note 4).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP).

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Venus Concept Inc. and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated on consolidation. Where the Company does not own 100% of its subsidiaries, it accounts for the partial ownership interest through non-controlling interest.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions made in the accompanying consolidated financial statements include, but are not limited to, the implicit interest rate used to record lease revenue, allowance for doubtful accounts, inventory valuation, stock-based compensation, warranty accrual, the valuation and measurement of deferred tax assets and liabilities, accrued severance pay, useful lives of property and equipment, earn-out liability, useful lives of intangible assets, impairment of long-lived assets and goodwill and valuation of acquired intangible assets and goodwill. The Company evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors and adjusts those estimates and assumptions when facts and circumstances dictate. Actual results could materially differ from those estimates.

The Company assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to the Company and the unknown future impacts of COVID-19 as of December 31, 2021 and through the date of this report filing. The accounting matters assessed included, but were not limited to, the allowance for doubtful accounts and the carrying value of goodwill, intangible and long-lived assets. Based on the assessment performed, the Company recorded COVID-19 related additional allowance for doubtful accounts of $nil and $11,088 for the years ended December 31, 2021 and December 31, 2020, respectively. The Company recorded goodwill impairment of $27,450 (Note 8), which represented the entire value of goodwill, as of March 31, 2020.

Foreign Currency

The consolidated financial statements are presented in U.S. dollars. Amounts reported in thousands within this report are computed based on the amounts in dollars. As a result, the sum of the components reported in thousands may not equal the total amount reported in thousands due to rounding. Certain columns and rows within tables may not add due to the use of rounded numbers. Percentages presented are calculated from the underlying numbers in dollars. The Company and its subsidiaries' functional currency is the U.S. dollar as determined by management.

All exchange gains and losses from remeasurement of monetary balance sheet items resulting from transactions in non-functional currencies are recorded in the consolidated statements of operations as they arise.

In respect of transactions denominated in currencies other than the Company and its subsidiaries' functional currencies, the monetary assets and liabilities are remeasured at the period end rates. Revenue and expenses are remeasured at rates of exchange prevailing on the transaction dates. All of the exchange gains or losses resulting from these transactions are recognized in the consolidated statements of operations.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less from the date of purchase to be cash equivalents. Cash and cash equivalents consist primarily of funds invested in readily available checking and savings accounts, investments in money market funds and short-term time deposits.

Restricted Cash

As of December 31, 2021, and 2020, the Company was required to hold $nil and $83, respectively, in a separate deposit account as collateral for rent and credit cards.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents, accounts receivable and long-term receivables. The Company's cash and cash equivalents are invested primarily in deposits with major banks worldwide, as such minimal credit risk exists with respect to such investments. The Company's trade receivables are derived from global sales to customers. An allowance for doubtful accounts is provided with respect to all balances for which collection is deemed to be doubtful.

Risks and Uncertainties

The Company has considered the impact of COVID-19 on its consolidated financial statements. While the Company's revenues and cash flows have improved significantly since the onset of COVID-19 in fiscal year 2020, the Company continues to experience some negative impact on its consolidated financial statements as of December 31, 2021 and for the year then ended. Management expects the pandemic to continue to have some impact in the foreseeable future, the extent of which is uncertain and largely subject to whether the severity of the pandemic worsens, or duration lengthens. These impacts could include, but may not be limited to, risks and uncertainties related to the ability of the Company's sales and marketing personnel and distributors to access the Company's customer base, disruptions to the Company's global supply chain, reduced demand and/or suspension of operations by the Company's subscription customers which could impact their ability to make monthly payments. Consequently, these negative impacts could affect the Company's results of operations, cash flows and its overall financial condition.

Besides COVID-19, the Company's future results of operations involve a number of risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, but are not limited to, rapid technological change, continued acceptance of the Company's products, competition from substitute products and larger companies, protection of proprietary technology, strategic relationships and dependence on key individuals. If the Company fails to adhere to the FDA's Quality System Regulation, or regulations in countries other than the United States, the FDA or other regulators may withdraw its market clearances or take other action. The Company relies on suppliers to manufacture some of the components used in its products. The Company's suppliers may encounter supply interruptions or problems during manufacturing due to a variety of reasons, including failure to comply with applicable regulations, including the FDA's Quality System Regulation, making errors in manufacturing or losing access to critical services and components, any of which could delay or impede the Company's ability to meet demand for its products.

The Company has borrowings with interest rates that are subject to fluctuations as charged by the lender. The Company does not use derivative financial instruments to mitigate the exposure to interest rate risk. The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash used in operating activities to meet its requirements. As of December 31, 2021 and 2020, the most significant financial liabilities are trade payables, accrued expenses and other current liabilities and long-term debt.

Concentration of Customers

For the years ended December 31, 2021 and 2020, there were no customers accounting for more than 10% of the Company's revenue and no customers accounting for more than 10% of the Company's accounts receivable.

Allowance for Doubtful Accounts

Trade accounts receivable do not bear interest and are typically not collateralized. The Company performs ongoing credit evaluations of its customers' financial condition and maintains an allowance for doubtful accounts. Uncollectible accounts are charged to expense when deemed uncollectible, and accounts receivable are presented net of an allowance for doubtful accounts. Accounts receivable are deemed past due in accordance with the contractual terms of the agreement. Actual losses may differ from the Company's estimates and could be material to the Company's consolidated financial position, results of operations and cash flows. The allowance for doubtful accounts was $11,997 and $18,490 as of December 31, 2021 and 2020, respectively.

Inventory

Inventories are stated at the lower of cost or net realizable value and include raw materials, work in progress and finished goods. Cost is determined as follows:

Raw Materials and Work in Progress ("WIP") – Cost is determined on a standard cost basis utilizing the weighted average cost of historical purchases, which approximates actual cost.

The cost of WIP and finished goods includes the cost of raw materials and the applicable share of the cost of labor and fixed and variable production overheads.

The Company regularly evaluates the value of inventory based on a combination of factors including the following: historical usage rates, product end of life dates, technological obsolescence and product introductions. The Company includes demonstration units within inventories. Proceeds from the sale of demonstration units are recorded as revenue.

Long-term Receivables

Long-term receivables relate to the Company's subscription revenue or contracts which stipulate payment terms which exceed one year. They are comprised of the unpaid principal balance, plus accrued interest, net of the allowance for credit losses. These receivables have been discounted based on the implicit interest rate in the subscription lease which range between 8% to 9% in 2021 and 2020. Unearned interest revenue represents the interest only portion of the respective subscription payments and will be recognized in income over the respective payment term as it is earned.

Deferred revenues represent payments received prior to the income being earned. Once the equipment has been delivered or the services have been rendered, these amounts are recognized in income.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is between three and ten years. Leasehold improvements are depreciated over the lesser of the life of the lease or the useful life of the improvements. Maintenance and repairs are charged to expense as incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the consolidated balance sheets, and any resulting gain or loss is reflected in the consolidated statements of operations.

Intangible Assets

Intangible assets consist of customer relationships, brand, technology and supplier agreement. Intangible assets are stated at cost less accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives of the respective assets, which range from approximately six to fifteen years.

The useful lives of intangible assets are based on the Company's assessment of various factors impacting estimated cash flows, such as the product's position in its lifecycle, the existence or absence of like products in the market, various other competitive and regulatory issues, and contractual terms.

Impairment of Long-Lived Assets

The Company accounts for the impairment of long-lived assets in accordance with FASB, Accounting Standards Codification ("ASC") 360-10, "Accounting for the Impairment of Long-Lived Assets". This standard requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the assets' carrying amounts may not be recoverable. For assets that are to be held and used, impairment is assessed when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying values. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value and estimated net realizable value. During the years ended December 31, 2021 and 2020, there was no impairment of long-lived assets other than goodwill.

Goodwill

Goodwill represents the excess of the purchase price of the business acquired over the fair value of the net identifiable assets of an acquired business. The Company allocates goodwill to reporting units at the time of acquisition or when there is a change in the reporting structure and bases that allocation on which reporting units will benefit from the acquired assets and liabilities. Reporting units are defined as operating segments or one level below an operating segment, referred to as a component.

Goodwill is not amortized but is tested for impairment annually or more frequently when an event occurs, or circumstances change that indicate the carrying value may not be recoverable. The carrying values of goodwill and indefinite-life intangible assets are subject to annual impairment assessment as of the last day of each fiscal year. Between annual assessments, impairment review may also be triggered by any significant events or changes in circumstances affecting the Company's business. The COVID-19 pandemic had significantly impacted the Company's business during the first three months of 2020, including its sales, supply chain, manufacturing and accounts receivable collections. As a result, the Company considered the COVID-19 pandemic as a triggering event and conducted quantitative impairment assessment of its goodwill as of March 31, 2020.

The Company has one reporting unit and the reporting unit's carrying value was compared to its estimated fair value. As of March 31, 2020, the Company estimated its fair value using a combination of income approach and market approach. The income approach is based on the present value of future cash flows, which are derived from long term financial forecasts, and requires significant assumptions including among others, a discount rate and a terminal value. The market approach is based on the observed ratios of enterprise value to revenue multiples of the Company and other comparable publicly traded companies. Based upon the results of the goodwill impairment assessment, the Company recorded an impairment charge of $27,450 as of March 31, 2020, which represented the full balance of goodwill for the reporting unit. Based on the analysis of the intangible assets and long-lived assets performed by the management as of December 31, 2021 and 2020, no further impairment was required.

Debt Issuance Costs

Costs related to the issuance of debt are presented as a direct deduction to the carrying value of the debt and are amortized to accretion expenses using the effective interest rate method over the term of the related debt.

Derivatives

The Company reviews the terms of convertible notes, equity instruments and other financing arrangements to determine whether there are embedded derivative instruments, including embedded conversion options that are required to be bifurcated and accounted for separately as a derivative financial instrument. Derivative financial instruments are initially measured at their fair value. Derivative financial instruments that are accounted for as liabilities, are initially recorded at fair value and then re-valued at each reporting date, with changes in the fair value recognized in the consolidated statements of operations.

Revenue Recognition

The Company adopted Accounting Standards Codification ("ASC") 606 "Revenue from contract with customers" ("ASC 606") on January 1, 2019 using the modified retrospective method for all contracts not completed as of the date of adoption. The adoption of ASC 606 represents a change in accounting principle that will more closely align revenue recognition with the delivery of the Company's goods or services and will provide the consolidated financial statements' readers with enhanced disclosures.

The Company generates revenue from (1) sales of systems through the subscription model, traditional system sales to customers and distributors, (2) other product revenues from the sale of ARTAS procedure kits, marketing supplies and kits, consumables and (3) service revenue from the sale of VeroGrafters technician services, 2two5 internal advertising agency services and an extended warranty service contracts provided to existing customers. VeroGrafters technician services were discontinued in the fourth quarter of 2021. 2two5 internal advertising agency services were discontinued in the third quarter of 2020. The revenue from 2two5 internal advertising agency services was not material to the Company's 2020 results.

Many of the Company's products are sold under subscription contracts with control passing to the customer at the earlier of the end of the term and when the payment is received in full. The subscription contracts include an initial deposit followed by monthly installments typically over a period of 36 months. In accordance with ASC 840 "Leases" ("ASC 840"), these arrangements are considered to be sales-type leases, where the present value of all cash flows to be received within the arrangement is recognized upon shipment to the customer and achievement of the required revenue recognition criteria. Various accounting and reporting systems are used to monitor subscription receivables which include providing access codes to operate the machines to paying customers and restricting access codes on machines to non-paying customers.

The Company recognizes revenues on other products and services in accordance with ASC 606. Revenue is recognized based on the following five steps: (1) identification of the contract(s) with the customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; and (4) allocation of the transaction price to the separate performance obligations in the contract; and (5) recognition of revenue when (or as) the entity satisfies a performance obligation.

The Company does not grant rights of return to its end customers. The Company's products sold through arrangements with distributors are non-refundable, non-returnable and without any rights of price protection. The Company records revenue net of sales tax and shipping and handling costs.

Cost of Goods

For subscription sales (qualifying as sales-type lease arrangements) and product sales, the costs are recognized upon shipment to the customer or distributor.

Advertising Costs

The cost of advertising and media is expensed as incurred. For the years ended December 31, 2021 and 2020, advertising costs totaled $1,821 and $1,092, respectively.

Research and Development

Research and development costs are charged to operations as incurred. Major components of research and development expenses consist of personnel costs, including salaries and benefits, hardware and software research and development costs, regulatory affairs, and clinical costs.

Warranty

The Company provides a standard warranty against defects for all of its systems. The warranty period begins upon shipment and is typically for a period between one and three years.

The Company records a liability for accrued warranty costs at the time of sale of a system, which consists of the warranty on products sold based on historical warranty costs and management's estimates. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts thereof as necessary. The Company also provides an extended warranty service. Extended warranty can be purchased at any time after the purchase of a system and prior to the expiration of the standard warranty provided with the sale of the system. Extended warranty services include standard warranty services.

The Company recognizes the revenue from the sale of an extended warranty over the period of the extended warranty and accounts it for separately from the standard warranty.

Income Taxes

The Company follows the deferred income taxes method of accounting for income taxes. Under this method, deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying values of accounts and their respective income tax basis. Deferred income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years during which the temporary differences are expected to be realized or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is included in income in the period that includes the enactment date.

The Company establishes valuation allowances when necessary to reduce deferred tax assets to the amounts that are more likely than not to be realized. The Company evaluates tax positions taken or expected to be taken in the course of preparing tax returns to determine whether the tax positions have met a "more likely-than-not" threshold of being sustained by the applicable tax authority. Tax benefits related to tax positions not deemed to meet the "more likely-than-not" threshold are not permitted to be recognized in the consolidated financial statements.

Uncertain Tax Positions

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained on examination based on the technical merit of the position. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on examination, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement.

The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments. The Company recognizes interest charges and penalties related to unrecognized tax benefits as a component of the tax provision and recognizes interest charges and penalties related to recognized tax positions in the accompanying consolidated statements of operations.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718, "Compensation – Stock Compensation" ("ASC 718"). ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service period in the Company's consolidated statements of operations.

The fair value of stock options ("options") on the grant date is estimated using the Black-Scholes option-pricing model using the single-option approach. The Black-Scholes option pricing model requires the use of highly subjective and complex assumptions, including the option's expected term and the price volatility of the underlying stock, to determine the fair value of the award. The Company recognizes compensation expenses for the value of its awards granted based on the straight-line method over the requisite service period of each of the awards. The Company has made a policy choice to account for forfeitures when they occur.

Net Loss Per Share

The Company computes net (loss) income per share in accordance with ASC Topic 260, "Earnings Per Share" ("ASC 260") and related guidance, which requires two calculations of net (loss) income attributable to the Company's shareholders per share to be disclosed: basic and diluted. Convertible preferred shares are participating securities and are included in the calculation of basic and diluted net (loss) income per share using the two-class method. In periods where the Company reports net losses, such losses are not allocated to the convertible preferred shares for the computation of basic or diluted net (loss) income.

Diluted net (loss) income per share is the same as basic net (loss) income per share for the periods in which the Company had a net loss because the inclusion of outstanding common stock equivalents would be anti-dilutive.

JOBS Act Accounting Election

The Company is an emerging growth company, as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it is (i) no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, these consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

Recently Issued Accounting Standards Not Yet Adopted

In April 2020, Financial Accounting Standards Board (the "FASB") issued a Staff Question-and-Answer Document (Q&A): ASC Topic 842 and ASC Topic 840: Accounting for Lease Concessions Related to the Effects of the COVID-19 Pandemic, that focuses on the application of the lease guidance for lease concessions related solely to the effects of COVID-19. The FASB issued the guidelines to reduce the burden and complexity for companies to account for such lease concessions (e.g., rent abatements or other economic incentives) under current lease accounting rules due to COVID-19 by providing certain practical expedients that can be used. This guidance can be applied immediately. The adoption of the guidance did not have a material impact on the Company's consolidated financial statements.

In March 2020, the FASB issued Accounting Standards Update ("ASU") 2020-04 – Facilitation of the Effects of Reference Rate Reform on Financial Reporting (ASC Topic 848). This authoritative guidance provides optional relief for companies preparing for the discontinuation of interest rates such as LIBOR, which is expected to be phased out at the end of calendar year 2021, and applies to lease contracts, hedging instruments, held-to-maturity debt securities and debt arrangements that have LIBOR as the benchmark rate. This guidance can be applied for a limited time, as of the beginning of the interim period that includes March 12, 2020 or any date thereafter, through December 31, 2022. The guidance may no longer be applied after December 31, 2022. In January 2021, the FASB issued authoritative guidance that makes amendments to the new rules on accounting for reference rate reform. The amendments clarify that all derivative instruments affected by the changes to interest rates used for discounting, margining or contract price alignment, regardless of whether they reference LIBOR, or another rate expected to be discontinued as a result of reference rate reform, an entity may apply certain practical expedients in ASC Topic 848. The Company is currently assessing the impact of applying this guidance as well as when to adopt this guidance.

In February 2020, the FASB issued authoritative guidance (ASU 2020-02 – Financial Instruments – Credit Losses (Topic 326) and Leases (Topic 842)) that amends and clarifies Topic 326 and Topic 842. For Topic 326, the codification was updated to include the SEC staff interpretations associated with registrants engaged in lending activities. ASC Topic 326 is effective for annual periods beginning after January 1, 2023, including interim periods within those fiscal years. The Company is currently evaluating the impact of applying this guidance on its consolidated financial instruments, such as accounts receivable.

In December 2019, the FASB issued ASU 2019-12 – Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, an authoritative guidance that simplifies the accounting for income taxes by removing certain exceptions and making simplifications in other areas. It is effective from the first quarter of fiscal year 2022, with early adoption permitted in any interim period. If adopted early, the Company must adopt all the amendments in the same period. The amendments have differing adoption methods including retrospectively, prospectively and/or modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption, depending on the specific change. The Company is currently evaluating the impact of applying this guidance.

3. NET LOSS PER SHARE

Basic net loss per share is calculated by dividing net loss by the weighted-average number of shares of common stock outstanding during the period, without consideration for common stock equivalents. Diluted net loss per share is computed by dividing net loss by the weighted-average number of common stock equivalents outstanding for the period determined using the treasury-stock method. For purposes of this calculation, common stock warrants and stock options are considered to be common stock equivalents and are only included in the calculation of diluted net loss per share when their effect is dilutive.

The following table sets forth the computation of basic and diluted net loss and the weighted average number of shares used in computing basic and diluted net loss per share (in thousands, except per share data):

	For the year ended December 31,	
	2021	2020
Numerator:		
Net loss	$ (22,141)	$ (82,818)
Net loss allocated to stockholders of the Company	$ (23,013)	$ (85,270)
Denominator:		
Weighted-average shares of common stock outstanding used in computing net loss per share, basic and diluted	54,466	36,626
Net loss per share:		
Basic and diluted	$ (0.42)	$ (2.33)

Due to the net loss, all the outstanding shares of common stock equivalents were excluded from the calculation of diluted net loss per share attributable to common stockholders for the years ended December 31, 2021 and 2020 because including them would have been antidilutive:

	December 31,	
	2021	2020
Options to purchase common stock	5,977,179	4,433,392
Warrants for common stock	15,928,867	16,290,067
Total potential dilutive shares	21,906,046	20,723,459

4. SALE OF SUBSIDIARIES

Beginning in 2020, the Company made several strategic decisions to divest itself of underperforming direct sales offices in the countries which were not anticipated to produce sustainable results. As a part of this initiative over the course of fiscal year ended December 31, 2021, the Company completed the following transactions:

- Sold its share (80%) in its subsidiary, Venus Concept Africa (Pty) Ltd., to a non-controlling shareholder for a nominal cash consideration. The disposal resulted in a loss of approximately $188.

- Filed a Certificate of Dissolution to dissolve its wholly-owned subsidiary, Restoration Robotics Spain S.L. There is no financial impact to the consolidated financial results of the Company as a result of the subsidiary's dissolution.

As these disposals did not constitute a strategic shift that will have a major effect on the Company's operations and financial results, and total operating revenue of the disposed subsidiaries did not exceed 15% of the Company's total revenue, therefore the results of operations for disposed subsidiaries were not reported as discontinued operations under the guidance of Accounting Standards Codification ("ASC") 205- 20- 45.

In addition to the above, on September 7, 2021, the Company acquired the non-controlling interest (45%) in its subsidiary in China, Venus Concept (Shanghai) Co., Ltd, for a nominal consideration.

In 2020, the Company sold its share (51%) in its Indian subsidiary, Venus Aesthetic LLP, to an unrelated third party for cash consideration of $400. The disposal resulted in a loss of approximately $579. In 2021 the Company wrote off the accounts receivable from the subsidiary disposal of $379. In addition, in 2020, the Company sold its share in several subsidiaries, located in Bulgaria, Indonesia, Italy, Russia, Singapore, Vietnam, and Kazakhstan. Over the course of fiscal year ended December 31, 2020, the Company completed the following transactions:

- Sold its share (51%) in its Bulgarian subsidiary, Venus Concept Central Eastern Europe Ltd., to an unrelated third party for cash consideration of Euro ("EUR") 473 which was equivalent to $531. The disposal resulted in a loss of approximately $387.

- Sold its share (51%) in its Indian subsidiary, Venus Aesthetic LLP, to an unrelated third party for cash consideration of $400. The disposal resulted in a loss of approximately $579.

- Sold its share (51%) in its Italian subsidiary, Venus Concept Italy S.r.l., to an unrelated third party for cash consideration of EUR 270 which was equivalent to $330. The disposal resulted in a loss of approximately $547.

- Entered into a Termination Agreement of the Venus Concept Kazakhstan LLP Foundation Agreement, resulting in the cancellation of its 51% interest in the entity. This disposal resulted in a gain of approximately $58.

- Sold its share (51%) of its Russian subsidiary, Venus Concept RU LLC, to an unrelated third party for cash consideration of $597. The disposal resulted in a loss of approximately $368.

- Sold its share (55%) of its Singaporean subsidiary, Venus Concept Singapore Pte. Ltd., including its wholly owned subsidiary, Venus Concept Vietnam Co., Ltd., to a third party for cash consideration of $500. The disposal resulted in a loss of approximately $670.

- Sold its share (100%) in its Indonesian subsidiary, InPhronics Limited, along with its 90% interest in its subsidiary, PT NeoAsia Medical, for the cash consideration of $955. The disposal resulted in a loss of approximately $33.

5. FAIR VALUE MEASUREMENTS

Financial assets and financial liabilities are initially recognized at fair value when the Company becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost using the effective interest method.

The financial instruments of the Company consist of cash and cash equivalents, restricted cash, accounts receivable, long-term receivables, lines of credit, trade payables, government assistance loans, accrued expenses and other current liabilities, earn-out liability, other long-term liabilities and long-term debt. In view of their nature, the fair value of these financial instruments approximates their carrying amounts.

The Company measures the fair value of its financial assets and financial liabilities using the fair value hierarchy. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company classifies its restricted cash within Level 1. Guaranteed investment certificates are classified within Level 2 as the Company uses alternative pricing sources and models utilizing market observable inputs for valuation. Contingent earn-out consideration was classified within Level 3. The following tables set forth the fair value of the Company's Level 1, Level 2 and Level 3 financial assets and liabilities within the fair value hierarchy:

	Fair Value Measurements as of December 31, 2021			
	Quoted Prices in Active Markets using Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Guaranteed Investment Certificates ("GIC")	$ —	$ 64	$ —	$ 64
Total assets	$ —	$ 64	$ —	$ 64

	Fair Value Measurements as of December 31, 2020			
	Quoted Prices in Active Markets using Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Guaranteed Investment Certificates ("GIC")	$ —	$ 64	$ —	$ 64
Restricted cash	83	—	—	83
Total assets	$ 83	$ 64	$ —	$ 147
Liabilities				
Contingent earn-out consideration	—	—	147	147
Total liabilities	$ —	$ —	$ 147	$ 147

The earn-out liability was measured using discounted cash flow techniques, with the expected cash outflows estimated based on the assessed probability of the acquired business achieving the revenue metrics required for payment. Expected future revenues of the acquired business and the associated estimate of probability are not observable inputs. The payments due are based on point in time measurements of the metrics quarterly for two years from the acquisition date. Changes in the fair value of the earn-out liability were recognized in finance expenses in the consolidated statements of operations.

The following table provides a roll forward of the aggregate fair values of the earn-out liability as of December 31, 2021, for which fair value is determined using Level 3 inputs:

Beginning balance	$ 655
Payments	(799)
Change in value	291
December 31, 2020	147
Payments	(147)
Change in value	-
December 31, 2021	$ -

In addition to earn-out contingent liability disclosed above, the Company had an annual installment payable of $250. On September 25, 2020, pursuant to an amendment to its master asset purchase agreement dated January 26, 2018, the Company established a payment plan for the earn out liability and annual installment payout, according to which $500 was paid before December 1, 2020 and $147 was paid on January 4, 2021.

6. ACCOUNTS RECEIVABLE

The Company's products may be sold under subscription contracts with control passing to the customer at the end of the lease term, which is generally 36 months. These arrangements are considered to be sales-type leases, where the present value of all cash flows to be received within the arrangement is recognized upon shipment to the customer as lease revenue.

A financing receivable is a contractual right to receive money, on demand or on fixed or determinable dates, that is recognized as an asset on the Company's consolidated balance sheets. The Company's financing receivables, consisting of its sales-type leases, totaled $53,887 and $49,096 at December 31, 2021 and 2020, respectively, and are included in accounts receivable and long-term receivables on the consolidated balance sheets. The Company evaluates the credit quality of an obligor at lease inception and monitors credit quality over the term of the underlying transactions.

The Company performed an assessment of the allowance for doubtful accounts as of December 31, 2021 and 2020. Based upon such assessment, the Company recorded an allowance for doubtful totaling $11,997 and $18,490 as of December 31, 2021 and 2020, respectively.

A summary of the Company's accounts receivables is presented as follows:

	As of December 31,	
	2021	2020
Gross accounts receivable	$ 86,625	$ 92,402
Unearned income	(4,033)	(3,728)
Allowance for doubtful accounts	(11,997)	(18,490)
	$ 70,595	$ 70,184
Reported as:		
Current trade receivables	$ 46,918	$ 52,764
Current unearned interest income	(2,678)	(1,950)
Long-term trade receivables	27,710	21,148
Long-term unearned interest income	(1,355)	(1,778)
	$ 70,595	$ 70,184

Current subscription contracts are reported as part of accounts receivable. The following are the contractual commitments, net of allowance for doubtful accounts, to be received by the Company over the next 5 years:

		December 31,				
	Total	2022	2023	2024	2025	2026
Current financing receivables, net of allowance of $6,601	$ 26,177	$ 26,177	$ —	$ —	$ —	$ —
Long-term financing receivables, net of allowance of $167	27,710	—	19,256	8,262	192	—
	$ 53,887	$ 26,177	$ 19,256	$ 8,262	$ 192	$ —

Accounts receivable do not bear interest and are typically not collateralized. The Company performs ongoing credit evaluations of its customers' financial condition and maintains an allowance for doubtful accounts. Uncollectible accounts are charged to expense when deemed uncollectible, and accounts receivable are presented net of an allowance for doubtful accounts. Accounts receivable are deemed past due in accordance with the contractual terms of the agreement. Actual losses may differ from the Company's estimates and could be material to its consolidated financial position, results of operations and cash flows.

The allowance for doubtful accounts consisted of the following activity for years ended December 31, 2021 and 2020:

	As of December 31,	
	2021	2020
Balance at beginning of year	$ 18,490	$ 10,494
Write-offs	(6,230)	(6,536)
(Recovery) provision	(263)	15,212
Sale of subsidiaries	—	(680)
Balance at end of year	$ 11,997	$ 18,490

7. SELECT BALANCE SHEET AND STATEMENT OF OPERATIONS INFORMATION

Inventory

Inventory consists of the following:

	December 31,	
	2021	2020
Raw materials	$ 2,368	$ 838
Work-in-progress	1,649	1,232
Finished goods	16,526	15,689
Total inventory	$ 20,543	$ 17,759

Additions to inventory are primarily comprised of newly produced units and applicators, refurbishment cost from demonstration units and used equipment which were reacquired during the year from upgraded sales. The Company expensed $26,047 ($21,258 in 2020) in cost of goods sold during the year. The balance of cost of goods sold represents the sale of applicators, parts and warranties.

The Company provides for excess and obsolete inventories when conditions indicate that the inventory cost is not recoverable due to physical deterioration, usage, obsolescence, reductions in estimated future demand and reductions in selling prices. Inventory provisions are measured as the difference between the cost of inventory and net realizable value to establish a lower cost basis for the inventories. As of December 31, 2021, a provision for obsolescence of $1,456 ($1,208 in 2020) was taken against inventory.

Property and Equipment, Net

Property and equipment, net consist of the following:

		December 31,	
	Useful Lives (in years)	2021	2020
Lab equipment tooling and molds	4 – 10	$ 8,194	$ 8,053
Office furniture and equipment	6 – 10	1,743	1,760
Leasehold improvements	up to 10	1,839	1,838
Computers and software	3	1,939	1,815
Vehicles	5 – 7	37	12
Demo units	5	114	—
Total property and equipment		13,866	13,478
Less: Accumulated depreciation		(11,197)	(9,939)
Total property and equipment, net		$ 2,669	$ 3,539

Depreciation expense amounted to $1,381 and $1,331 for the years ended December 31, 2021 and 2020.

Other Current Assets

	December 31,	
	2021	2020
Government remittances (1)	$ 1,322	$ 1,009
Consideration receivable from subsidiaries sale	1,405	2,580
Deferred financing costs	223	1,063
Sundry assets and miscellaneous	808	1,022
Total other current assets	$ 3,758	$ 5,674

(1) Government remittances are receivables from the local tax authorities for refund of sales taxes and income taxes.

Accrued Expenses and Other Current Liabilities

	December 31,	
	2021	2020
Payroll and related expense	$ 1,770	$ 1,312
Accrued expenses	6,584	8,582
Commission accrual	4,529	2,827
Sales and consumption taxes	6,629	7,532
Total accrued expenses and other current liabilities	$ 19,512	$ 20,253

Warranty Accrual

The following table provides the details of the change in the Company's warranty accrual:

	December 31,	
	2021	2020
Balance as of the beginning of the year	$ 1,639	$ 1,977
Warranties issued during the year	1,231	761
Warranty costs incurred during the year	(1,117)	(1,099)
Balance at the end of the year	$ 1,753	$ 1,639
Current	1,245	1,106
Long-term	508	533
Total	$ 1,753	$ 1,639

Finance Expenses

The following table provides the details of the Company's finance expenses:

	December 31,	
	2021	2020
Interest expense	$ 3,720	$ 7,615
Accretion on long-term debt and amortization of fees	1,235	728
Total finance expenses	$ 4,955	$ 8,343

8. INTANGIBLE ASSETS AND GOODWILL

In November 2019, the Company completed the Merger, which included the addition of goodwill of $24,847 and amortizable intangible assets, represented by the technology ($16,900) and the brand name ($1,200). Goodwill associated with the Merger was primarily attributable to the future revenue growth opportunities associated with additional share in the hair restoration market, as well as the value associated with the assembled workforce.

The carrying values of goodwill and indefinite-life intangible assets are subject to annual impairment assessment as of the last day of each fiscal year. Between annual assessments, impairment review may also be triggered by any significant events or changes in circumstances affecting the Company's business. The COVID-19 pandemic significantly impacted the Company's business during the first three months of 2020, including its sales, supply chain, manufacturing and accounts receivable collections. As a result, the Company considered the COVID-19 pandemic as a triggering event and conducted quantitative impairment assessment of its goodwill as of March 31, 2020.

The Company has one reporting unit and the reporting unit's carrying value was compared to its estimated fair value. As of March 31, 2020, the Company estimated its fair value using a combination of income approach and market approach. The income approach is based on the present value of future cash flows, which are derived from long term financial forecasts, and requires significant assumptions including among others, a discount rate and a terminal value. The market approach is based on the observed ratios of enterprise value to revenue multiples of the Company and other comparable publicly traded companies. Based upon the results of the goodwill impairment assessment, the Company recorded an impairment charge of $27,450 as of March 31, 2020, which represented the full balance of goodwill for the reporting unit. Based on the analysis of the intangible assets and long-lived assets performed by management as of December 31, 2021 and 2020, no further impairment was considered necessary.

Intangible assets net of accumulated amortization were as follows:

	At December 31, 2021		
	Gross Amount	Accumulated Amortization	Net Amount
Customer relationships	$ 1,400	$ (336)	$ 1,064
Brand	2,500	(803)	1,697
Technology	16,900	(6,103)	10,797
Supplier agreement	3,000	(1,165)	1,835
Total intangible assets	$ 23,800	$ (8,407)	$ 15,393

	At December 31, 2020		
	Gross Amount	Accumulated Amortization	Net Amount
Customer relationships	$ 1,400	$ (242)	$ 1,158
Brand	2,500	(540)	1,960
Technology	16,900	(3,286)	13,614
Supplier agreement	3,000	(867)	2,133
Total intangible assets	$ 23,800	$ (4,935)	$ 18,865

For the years ended December 31, 2021 and 2020, amortization expense was $3,473.

Estimated amortization expense for the next five fiscal years and all years thereafter are as follows:

Years ending December 31,	
2022	$ 3,473
2023	3,473
2024	3,473
2025	3,004
2026	657
Thereafter	1,313
Total	$ 15,393

9. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company and its subsidiaries have various operating lease agreements, which expire on various dates.

The Company recognizes rent expense on a straight-line basis over the non-cancellable lease period and records the difference between cash rent payments and the recognition of rent expense as a deferred rent liability. When leases contain escalation clauses, rent abatements and/or concessions, such as rent holidays and landlord or tenant incentives or allowances, the Company applies them in the determination of straight-line rent expense over the lease period.

Aggregate future minimum lease payments, and service and purchase commitments with manufacturers as of December 31, 2021 are as follows:

Years ending December 31,	Office Lease	Purchase and Service Commitments	Total
2022	$ 1,404	$ 18,551	$ 19,955
2023	1,253	—	1,253
2024	1,108	—	1,108
2025	1,053	—	1,053
2026	1,036	—	1,036
Thereafter	1,240	—	1,240
Total	$ 7,094	$ 18,551	$ 25,645

The total rent expense for all operating leases for the years ended December 31, 2021 and 2020 was $2,187 and $1,961, respectively.

Commitments

As of December 31, 2021, the Company has non-cancellable purchase orders placed with its contract manufacturers in the amount of $17,598. In addition, as of December 31, 2021, the Company had $6,352 of open purchase orders that can be cancelled with 270 days' notice, except for a portion equal to 15% of the total amount representing the purchase of "long lead items".

On March 25, 2021, the Company entered into an endorsement agreement for the services of Venus Williams, four-time Olympic Gold Medalist, seven-time Grand Slam Champion and entrepreneur, pursuant to which Ms. Williams will act as a brand ambassador for Venus Bliss.

Legal Proceedings

Purported Shareholder Class Actions

In 2018 and 2019, four putative shareholder class action complaints were filed against Restoration Robotics, Inc., certain of its former officers and directors, certain of its venture capital investors, and the underwriters of the initial public offering ("IPO"). Two claims, captioned Wong v. Restoration Robotics, Inc., et al., No. 18CIV02609, and Li v. Restoration Robotics, Inc., et al., No. 19CIV08173 (together, the "State Actions"), were filed in the Superior Court of the State of California, County of San Mateo, and assert claims under Sections 11, 12(a)(2) and 15 of the 1933 Act. Two additional claims, captioned Guerrini v. Restoration Robotics, Inc., et al., No. 5:18-cv-03712-EJD and Yzeiraj v. Restoration Robotics, Inc., et al., No. 5:18-cv-03883-BLF (together, the "Federal Actions"), were filed in the United States District Court for the Northern District of California and assert claims under Sections 11 and 15 of the 1933 Act. The complaints in both the State Actions and Federal Actions alleged, among other things, that the Restoration Robotics' Registration Statement filed with the SEC on September 1, 2017 and the Prospectus filed with the SEC on October 13, 2017 in connection with Restoration Robotics' IPO were inaccurate and misleading, contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading and omitted to state material facts required to be stated therein. The complaints seek unspecified monetary damages, other equitable relief and attorneys' fees and costs.

In the State Actions, Restoration Robotics, Inc., along with the other defendants, successfully demurred to the initial Wong complaint for failure to state a claim and secured a stay of both cases based on the forum selection clause contained in its Amended and Restated Certificate of Incorporation, which designates the federal district courts as the exclusive forums for claims arising under the 1933 Act. However, on December 19, 2018, the Delaware Court of Chancery in Sciabacucchi v. Salzberg held that exclusive federal forum provisions are invalid under Delaware law. Based on this ruling, the San Mateo Superior Court lifted its stay of the State Actions on December 10, 2019. On January 17, 2020, Plaintiffs in the State Actions filed a consolidated amended complaint for violations of federal securities laws, alleging again that, among other things, the Registration Statement filed with the SEC on September 1, 2017 and the Prospectus filed with the SEC on October 13, 2017 in connection with Restoration Robotics' IPO were inaccurate and misleading, contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading and omitted to state material facts required to be stated therein. The complaint seeks unspecified monetary damages, other equitable relief and attorneys' fees and costs. On February 24, 2020, the Company demurred to the consolidated amended complaint for failure to state a claim. On March 18, 2020, the Delaware Supreme Court reversed the Chancery Court's decision in Sciabacucchi v. Salzberg and held that exclusive federal forum provisions are valid under Delaware law. On March 30, 2020, the Company filed a renewed motion to dismiss based on its federal forum selection clause. A hearing on the Company's demurrer and renewed motion to dismiss was held on June 12, 2020. On September 1, 2020, the court granted the renewed motion to dismiss based on the Company's forum selection clause as to the Company and individual defendants. On September 22, 2020, the Court entered a judgement of dismissal as to the Company and the individual defendants. On November 23, 2020, plaintiff filed a notice of appeal of the Court's order granting the renewed motion to dismiss. On May 27, 2021, Plaintiff-Appellant Wong filed an opening brief in Wong v. Restoration Robotics, Inc., No. A161489 (Cal. Ct. App., 1st App. Dist., Div. 2). The Company filed its responsive brief on August 27, 2021, and Plaintiff-Appellant Wong filed his reply brief on October 6, 2021. The appeal remains pending.

In the Federal Actions, the complaints alleged that Restoration Robotics' Registration Statement filed with the SEC on September 1, 2017 and the Prospectus filed with the SEC on October 13, 2017 in connection with the IPO were inaccurate and misleading, contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading and omitted to state material facts required to be stated therein. On February 22, 2021, the District Court granted the parties' joint stipulation to stay all pending deadlines on the basis that the parties had reached a settlement in principle for all claims in the Federal Actions. On July 29, 2021, Lead Plaintiff filed a motion for final approval of the settlement, and a hearing was held on that motion on September 2, 2021. The District Court granted final approval of the settlement on September 9, 2021.

On July 11, 2019, a verified shareholder derivative complaint was filed in the United States District Court for the Northern District of California, captioned Mason v. Rhodes, No. 5:19-cv-03997-NC. The complaint alleges that certain of Restoration Robotics' former officers and directors breached their fiduciary duties, have been unjustly enriched and violated Section 14(a) of the 1934 Act in connection with the IPO and Restoration Robotics' 2018 proxy statement. The complaint seeks unspecified damages, declaratory relief, other equitable relief and attorneys' fees and costs. On August 21, 2019, the District Court granted the parties' joint stipulation to stay the Mason action. On June 21, 2021, the District Court granted the parties' further stipulation to stay the Mason action and the case remains stayed.

Administrative Investigation Case

The Company's Chinese subsidiary, Venus Concept China, imports and sells registered medical devices and unregistered non-medical devices in the People's Republic of China ("PRC"). One of its unregistered products was the subject of inquiries from two district level branches of the State Administration for Market Regulation, Xuhui MSA and Huangpu MSA, as to whether the product was properly sold as a non-medical device. In January 2019, Venus Concept China applied to register a version of this non-medical device as a medical device with the National Medical Products Administration of PRC ("NMPA"). On June 12, 2019, Venus Concept China was informed that Xuhui MSA had opened an administrative investigation case related to whether the device is an unregistered medical device, following which the Huangpu MSA notified Venus Concept China that it would be suspending its separate investigation, pending the results of the Xuhui MSA investigation. The Company and Venus Concept China voluntarily stopped sales of this product in China at that time.

On March 4, 2021, Xuhui MSA issued a written administrative penalty hearing notice (the "Notice") to Venus Concept China. The Notice stated that Venus Concept China's sale of Venus Versa violated the relevant Chinese medical device administration regulation. As a result, Xuhui MSA proposed an administrative monetary penalty in the amount of approximately $150 or 976 Chinese Yuan (the "Penalty Amount"), which Venus Concept formally accepted via written notice on March 8, 2021. On March 19, 2021, Xuhui MSA issued a written administrative penalty decision to Venus Concept China (the "Decision"), which affirmed the administrative penalty proposed by the Notice. On the same day the Decision was issued, Venus Concept China remitted the full Penalty Amount to Xuhui MSA. Acceptance of the payment of the Penalty Amount by Xuhui MSA resulted in the conclusion of its investigation case against Venus Concept China and settlement of this matter. This matter is now resolved and closed by Xuhui MSA.

Further, the Company may from time to time continue to be involved in various legal proceedings of a character normally incident to the ordinary course of its business, which the Company does not deem to be material to its business and results of operations.

10. MAIN STREET TERM LOAN

On December 8, 2020, the Company executed the MSLP Loan Agreement, the MSLP Note, and related documents in connection with the MSLP Loan. On December 9, 2020, the MSLP Loan in the aggregate amount of $50,000 had been funded and the transaction was closed. The MSLP Note has a term of five years and bears interest at a rate per annum equal to 30-day LIBOR plus 3%. On December 8, 2023 and December 8, 2024, the Company must make an annual payment of principal plus accrued but unpaid interest in an amount equal to fifteen percent (15%) of the outstanding principal balance of the MSLP Note (inclusive of accrued but unpaid interest). The entire outstanding principal balance of the MSLP Note together with all accrued and unpaid interest is due and payable in full on December 8, 2025. The Company may prepay the MSLP Loan at any time without incurring any prepayment penalties. The MSLP Note provides for customary events of default, including, among others, those relating to a failure to make payment, bankruptcy, breaches of representations and covenants, and the occurrence of certain events. In addition, the MSLP Loan Agreement and MSLP Note contain various covenants that limit the Company's ability to engage in specified types of transactions. Subject to limited exceptions, these covenants limit the Company's ability, without CNB's consent, to, among other things, sell, lease, transfer, exclusively license or dispose of the Company's assets, incur, create or permit to exist additional indebtedness, or liens, to make dividends and other restricted payments, and to make certain changes to its ownership structure.

As of December 31, 2021 and December 31, 2020, the Company was in compliance with all required covenants.

The scheduled payments on the outstanding borrowings as of December 31, 2021 are as follows:

	As of December 31, 2021
2022	$ 1,622
2023	9,357
2024	7,957
2025	38,429
Total	$ 57,365

11. MADRYN LONG-TERM DEBT AND CONVERTIBLE NOTES

On October 11, 2016, Venus Ltd. entered into the Madryn Credit Agreement, pursuant to which Madryn agreed to make certain loans to certain of Venus Ltd.'s subsidiaries (the "Subsidiary Obligors"). The Madryn Credit Agreement was comprised of four tranches of debt aggregating $70,000. As of September 30, 2020, the Subsidiary Obligors had borrowed $60,000 under the term A-1 and A-2 and B tranches of the Madryn Credit Agreement. Borrowings under the Madryn Credit Agreement were secured by substantially all of the Company's assets and the assets of the Subsidiary Obligors. On the 24th payment date, which is September 30, 2022, the aggregate outstanding principal amount of the loans, together with any accrued and unpaid interest thereon and all other amounts due and owing under the loan agreement were to become due and payable in full.

In connection with the Merger, the Company entered into an amendment to the Madryn Credit Agreement, dated as of November 7, 2019, (the "Amendment"), pursuant to which the Company joined as (i) a guarantor to the Madryn Credit Agreement and (ii) a grantor to the certain security agreement, dated October 11, 2016, (as amended, restated, supplemented or otherwise modified from time to time), by and among the grantors from time to time party thereto and the administrative agent (the "U.S. Security Agreement"). Effective August 14, 2018, interest on the Madryn loan was 9.00%, payable quarterly.

The Company had the option of settling the paid in kind ("PIK") interest in cash or adding the owed interest to the principal amount of the loan. On April 29, 2020, the Company entered into the Twelfth Amendment to the Madryn Credit Agreement that (i) required that interest payments for the period beginning January 1, 2020 and ending on, and including, April 29, 2020 (the "PIK Period"), be paid-in-kind, (ii) increased the interest rate from 9.00% per annum to 12.00% per annum during the PIK Period and (iii) require the Company to provide certain additional financial and other reporting information to the lenders.

On June 30, 2020, the Company entered into the Thirteenth Amendment to the Madryn Credit Agreement that (i) extended the PIK Period through June 30, 2020, (ii) reduced the consolidated minimum revenue threshold requirement (a) for the four consecutive fiscal quarter period ended June 30, 2020, to at least $85,000 and (b) for the four consecutive fiscal quarter period ending September 30, 2020, to at least $75,000, (iii) required the Company to raise at least $5,000 of cash proceeds from the issuance of equity during the period June 1, 2020 through September 30, 2020 and (iv) obligated the Company to use its best efforts to raise an additional $2,000 of cash proceeds from the issuance of equity during the period June 1, 2020 through September 30, 2020.

On September 30, 2020, the Company entered into the Fourteenth Amendment to the Madryn Credit Agreement that (i) required that fifty percent (50%) of the interest payments for the period beginning July 1, 2020 and ending on, and including, September 30, 2020 (the "Second PIK Period"), be paid in cash, (ii) the remaining fifty percent (50%) of the interest payments for the Second PIK Period, to be paid in kind, and (iii) increased the interest rate applicable to the Second PIK Period from 9.00% per annum to 10.50% per annum during the Second PIK Period.

On December 9, 2020, contemporaneously with the MSLP Loan Agreement (Note 10), the Company, Venus USA, Venus Canada, Venus Ltd., and the Madryn Noteholders, entered into the Exchange Agreement, pursuant to which the Company (i) repaid $42,500 aggregate principal amount owed under the Madryn Credit Agreement, and (ii) issued the Madryn Noteholders the Notes in the aggregate principal amount of $26,695. The Madryn Credit Agreement was terminated effective December 9, 2020 upon the funding and closing of the MSLP Loan and the issuance of the Notes.

The Notes will accrue interest at a rate of 8.0% per annum from the date of original issuance of the Notes to the third anniversary date of the original issuance and thereafter interest will accrue at a rate 6.0% per annum. Under certain circumstances, in the case of an event of default under the Notes, the then-applicable interest rate will increase by 4.0% per annum. Interest is payable quarterly in arrears on the last business day of each calendar quarter of each year after the original issuance date, beginning on December 31, 2020. The Notes will mature on December 9, 2025, unless earlier redeemed or converted. In connection with the Exchange Agreement, the Company also entered into, by and among the Company, Venus USA, Venus Canada, Venus Ltd., and the Madryn Noteholders, (i) the Madryn Security Agreement, pursuant to which the Company agreed to grant Madryn a security interest in substantially all of its assets to secure the obligations under the Notes and (ii) the CNB Subordination Agreement. The security interests and liens granted to the Madryn Noteholders under the Madryn Security Agreement will terminate upon the earlier of (i) an assignment of the Notes (other than to an affiliate of the Madryn Noteholders) pursuant to the terms of the Exchange Agreement and (ii) the first date on which the outstanding principal amount of the Notes is less than $10,000. Obligations under the Notes are secured by substantially all of the assets of Venus Concept Inc. and its subsidiaries party to the Madryn Security Agreement. The Company's obligations under the Notes and the security interests and liens created by the Madryn Security Agreement are subordinated to the Company's indebtedness owing to CNB (including, but not limited, pursuant to the MSLP Loan Agreement and the CNB Loan Agreement, (Note 11)) and any security interests and liens which secure such indebtedness owing to CNB. The Notes are convertible at any time into shares of the Company's common stock, par value $0.0001 per share, calculated by dividing the outstanding principal amount of the Notes (and any accrued and unpaid interest under the Notes) by the initial conversion price of $3.25 per share. In connection with the Notes, the Company recognized interest expense of $2,158 during the year ended December 31, 2021. The conversion feature, providing the Madryn Noteholders with a right to receive the Company's shares upon conversion of the Notes, was qualified for a scope exception in ASC 815-10-15 and did not require bifurcation. The Notes also contained embedded redemption features that provided multiple redemption alternatives. Certain redemption features provided the Madryn Noteholders with a right to receive cash and a variable number of shares upon change of control and an event of default (as defined in the Notes). The Company evaluated redemption upon change of control and an event of default under ASC 815, Derivatives and Hedging, and determined that these two redemption features required bifurcation. These embedded derivatives were accounted for as liabilities at their estimated fair value as of the date of issuance, and then subsequently remeasured to fair value as of each balance sheet date, with the related remeasurement adjustment being recognized as a component of change in fair value of derivative liabilities in the consolidated statements of operations. The Company determined the likelihood of an event of default and change of control as remote as of December 31, 2021, and December 31, 2020, therefore a nominal value was allocated to the underlying embedded derivative liabilities as of December 31, 2021, and December 31, 2020.

The scheduled payments on the outstanding borrowings as of December 31, 2021 are as follows:

	As of December 31, 2021
2022	$ 2,165
2023	2,131
2024	1,628
2025	28,217
Total	$ 34,141

For the years ended December 31, 2021 and 2020, the Company did not make any principal repayments.

12. CREDIT FACILITY

On August 29, 2018, Venus Ltd. entered into an Amended and Restated Loan Agreement as a guarantor with CNB, as amended on March 20, 2020, December 9, 2020 and August 26, 2021 (the "CNB Loan Agreement"), pursuant to which CNB agreed to make certain loans and other financial accommodations to certain of Venus Ltd.'s subsidiaries to be used to finance working capital requirements. In connection with the CNB Loan Agreement, Venus Ltd. also entered into a Guaranty Agreement with CNB dated as of August 29, 2018, as amended on March 20, 2020, December 9, 2020 and August 26, 2021 (the "CNB Guaranty"), pursuant to which Venus Ltd. agreed to guaranty the obligations of its subsidiaries under the CNB Loan Agreement. On March 20, 2020, the Company also entered into a Security Agreement with CNB (the "CNB Security Agreement"), as amended on December 9, 2020 and August 26, 2021, pursuant to which it agreed to grant CNB a security interest in substantially all of our assets to secure the obligations under the CNB Loan Agreement.

The CNB Loan Agreement contains various covenants that limit the Company's ability to engage in specified types of transactions. Subject to limited exceptions, these covenants limit the Company's ability, without CNB's consent, to, among other things, sell, lease, transfer, exclusively license or dispose of the Company's assets, incur, create or permit to exist additional indebtedness, or liens, to make dividends and certain other restricted payments, and to make certain changes to its management and/or ownership structure. The CNB Loan Agreement also contains a covenant requiring that a minimum of $23,000 in cash be held in a deposit account maintained with CNB for one year following the closing of the CNB Loan Agreement, and after the first anniversary of the CNB Loan Agreement, a minimum of $3,000 in cash must be held in a deposit account maintained with CNB. The Madryn Noteholders agreed to hold $20,000 in cash in an escrow account at CNB, and pursuant to an escrow agreement, such cash was released back to the Madryn Noteholders in December 2021. The Company is required to maintain $3,000 in cash in a deposit account maintained with CNB at all times during the term of the CNB Loan Agreement. In addition, the CNB Loan Agreement contains certain covenants that require the Company to achieve certain minimum account balances, or a minimum debt service coverage ratio and a maximum total liability to tangible net worth ratio. If the Company fails to comply with these covenants, it will result in a default and require the Company to repay all outstanding principal amounts and any accrued interest. In connection with the CNB Loan Agreement, a loan fee of $1,000 was paid in equal installments on January 25, February 25 and March 25, 2021.

On August 26, 2021, the Company, Venus USA and Venus Canada entered into a Fourth Amended and Restated Loan Agreement (the "Amended CNB Loan Agreement") with CNB, pursuant to which, among other things, (i) the maximum principal amount the revolving credit facility was reduced from $10,000 to $5,000 at the LIBOR 30-Day rate plus 3.25%, subject to a minimum LIBOR rate floor of 0.50%, and (ii) beginning December 10, 2021, the cash deposit requirement was reduced from $3,000 to $1,500, to be maintained with CNB at all times during the term of the Amended CNB Loan Agreement. The Amended CNB Loan Agreement is secured by substantially all of the Company's assets and the assets of certain of its subsidiaries.

As of December 31, 2021 and December 31, 2020, the Company was in compliance with all required covenants. An event of default under this agreement would cause a default under the MSLP Loan (see Note 10).

In connection with the Amended CNB Loan Agreement, the Company, Venus USA and Venus Canada issued a promissory note dated August 26, 2021, in favor of CNB (the "CNB Note") in the amount of $5,000 with a maturity date of July 24, 2023 and the obligations of the Company pursuant to certain of the Company's outstanding promissory notes were reaffirmed as subordinated to the indebtedness of the Company owing to CNB pursuant to a Supplement to Subordination of Debt Agreements dated as of August 26, 2021 (the "Subordination Supplement") by and among Madryn Health Partners, LP, Madryn Health Partners (Cayman Master), LP, the Company and CNB.

13. GOVERNMENT ASSISTANCE PROGRAMS

Venus Concept Inc. and Venus USA, received funding in the total amount of $4,048 in connection with two Small Business Loans under the federal Paycheck Protection Program provided in Section 7(a) of the Small Business Act of 1953, as amended by the Coronavirus Aid, Relief, and Economic Security Act, as amended from time to time (the "PPP").

Venus Concept Inc. entered into a U.S. Small Business Administration Note dated as of April 21, 2020 in favor of CNB pursuant to which the Company borrowed $1,665 original principal amount, which was funded on April 29, 2020 (the "Venus Concept PPP Loan"). The Venus Concept PPP Loan bears interest at 1% per annum and matures in two years from the date of disbursement of funds under the loan. The remaining portion of the PPP Loans of the Company will be repaid by April 2022.

The Venus Concept PPP Loan contains certain covenants which, among other things, restrict the Company's use of the proceeds of the PPP Loan to the payment of payroll costs, interest on mortgage obligations, rent obligations and utility expenses, require compliance with all other loans or other agreements with any creditor of the Company, to the extent that a default under any loan or other agreement would materially affect the Company's ability to repay its PPP Loan and limit the Company's ability to make certain changes to its ownership structure.

Venus USA entered into a U.S. Small Business Administration Note dated as of April 15, 2020 in favor of CNB. Venus USA borrowed $2,383 original principal amount, which was funded on April 20, 2020 (the "Venus USA PPP Loan" and together with the Venus Concept PPP Loan, individually each a "PPP Loan" and collectively, the "PPP Loans"). The terms of the Venus USA PPP Loan are substantially similar to the terms of the Venus Concept PPP Loan.

Under certain circumstances, all or a portion of the PPP Loans may be forgiven. Through CNB, the Company applied for and received partial forgiveness of the Venus USA PPP Loan in the amount of $1,689 and the Venus Concept PPP Loan in the amount of $1,086. The remaining portion of the PPP Loans of the Company is recorded within the current liabilities in the consolidated balance sheet.

Under the CNB Loan Agreement and the MSLP Loan Agreement, each PPP Loan is permitted to be incurred by Venus Concept Inc. and Venus USA as long as certain conditions remain satisfied. If Venus Concept Inc. and/or Venus USA defaults on the respective PPP Loan (i) events of default will occur under the CNB Loan Agreement and the MSLP Loan Agreement and (ii) Venus Concept Inc. and Venus USA may be required to immediately repay their respective PPP Loan.

As of December 31, 2021 the Company had $543 outstanding under the PPP Loans ($4,110 as of December 31, 2020).

In 2020, certain of the Company's subsidiaries applied for government assistance programs and received government subsidies in the aggregate of $1,117. The terms of these government assistance programs vary by jurisdiction. The Company recorded government subsidies received as a reduction to the associated wage costs in general and administrative expenses in the consolidated statement of operations.

14. COMMON STOCK RESERVED FOR ISSUANCE

The Company is required to reserve and keep available out of its authorized but unissued shares of common stock a number of shares sufficient to affect the exercise of all options granted and available for grant under the incentive plans and warrants to purchase common stock.

	December 31, 2021	December 31, 2020
Outstanding common stock warrants	15,928,867	16,290,067
Outstanding stock options	5,977,179	4,433,392
Shares reserved for future option grants	589,064	262,622
Shares reserved for Lincoln Park	5,222,867	5,222,867
Shares reserved for Madryn Noteholders	8,213,880	8,213,880
Total common stock reserved for issuance	35,931,857	34,422,828

15. STOCKHOLDERS EQUITY

Common Stock

The Company’s common stock confers upon its holders the following rights:

- The right to participate and vote in the Company’s stockholder meetings, whether annual or special. Each share will entitle its holder, when attending and participating in the voting in person or via proxy, to one vote;
- The right to a share in the distribution of dividends, whether in cash or in the form of bonus shares, the distribution of assets or any other distribution pro rata to the par value of the shares held by them; and
- The right to a share in the distribution of the Company’s excess assets upon liquidation pro rata to the par value of the shares held by them.

Preferred Stock issued in December 2021

As noted in Note 1 above, in December 2021, the Company issued and sold to certain Investors an aggregate of 3,790,755 shares of the Preferred Stock. The terms of the Preferred Stock are governed by a Certificate of Designation filed by the Company with the Secretary of State of the State of Delaware on December 14, 2021. The following is a summary of the material terms of the Preferred Stock:

- *Voting Rights.* The Preferred Stock has no voting rights except as required by law and except that the consent of the holders of a majority of outstanding shares of the Preferred Stock will be required to amend the terms of the Preferred Stock or take certain other actions with respect to the Preferred Stock.
- *Liquidation.* The Preferred Stock does not have a preference upon any liquidation, dissolution or winding-up of the Company.
- *Conversion*. The Preferred Stock is automatically convertible into shares of common stock, based on an initial conversion ratio of 1:1, as adjusted in accordance with the Certificate of Designation, upon receipt of the approval of the Company’s stockholders. The Company is not permitted to issue any shares of common stock upon conversion of the Preferred Stock to the extent that the issuance of such shares of common stock would exceed 9.99% of the Company’s outstanding shares of common stock as of the date of the initial issuance of the Preferred Stock (the “Ownership Limitation”). The Ownership Limitation will be appropriately adjusted for any reorganization, recapitalization, non-cash dividend, stock split, reverse stock split or other similar transaction.
- *Dividends.* No dividends will be paid on the outstanding shares of the Preferred Stock.
- *Redemption*. The Preferred Stock is not redeemable at the election of the Company or at the election of the holder.
- *Maturity.* The Preferred Stock shall be perpetual unless converted.

Upon issuance, the effective conversion price of the Preferred Stock of $1.25 per share was lower than the market price of the Company’s common stock on the date of issuance of the Preferred Stock of $1.29 per share; as a result, the Company recorded the beneficial conversion feature of $152 in accumulated paid in capital ("APIC"). Because the Preferred Stock is perpetual, it is carried at the amount recorded at inception. Upon conversion of the Preferred Stock, the beneficial conversion feature will be accounted for as deemed dividend.

The Company evaluated the Preferred Stock for liability or equity classification in accordance with the provisions of ASC 480, Distinguishing Liabilities from Equity, and determined that equity treatment was appropriate because the Preferred Stock did not meet the definition of the liability instruments defined thereunder for convertible instruments. Specifically, the Preferred Stock is not mandatorily redeemable and does not embody an obligation to buy back the shares outside of the Company's control in a manner that could require the transfer of assets. Additionally, the Company determined that the Preferred Stock would be recorded as permanent equity, not temporary equity, based on the guidance of ASC 480 given that the holders of equally and more subordinated equity would be entitled to also receive the same form of consideration upon the occurrence of the event that gives rise to the redemption or events of redemption that are within the control of the Company.

Since the Preferred Stock was sold as a unit with the common stock, the proceeds received were allocated to each instrument on a relative fair value basis. Total net proceeds of $16,740 reduced by $152 of the beneficial conversion feature were allocated as follows: $4,514 to the Preferred Stock and $12,074 to shares of common stock. The Preferred Stock and common stock issued in the 2021 Private Placement were recorded at par value of $0.0001 with the excess of par value recorded in APIC.

Preferred Stock issued in March 2020

In March 2020, the Company issued and sold to certain Investors an aggregate of 660,000 shares of Series A Preferred Stock. The terms of the Series A Preferred Stock are governed by a Certificate of Designation filed by the Company with the Secretary of State of the State of Delaware on March 18, 2020. The following is a summary of the material terms of the Series A Preferred Stock:

- *Voting Rights.* The Series A Preferred Stock has no voting rights except as required by law and except that the consent of the holders of a majority of outstanding shares of the Series A Preferred Stock will be required to amend the terms of the Series A Preferred Stock or take certain other actions with respect to the Series A Preferred Stock.

- *Liquidation.* The Series A Preferred Stock does not have a preference upon any liquidation, dissolution or winding-up of the Company.

- *Conversion.* The Series A Preferred Stock is automatically convertible into shares of common stock, based on an initial conversion ratio of 1:10, as adjusted in accordance with the Certificate of Designation, upon receipt of the approval of the Company's stockholders. The Company is not permitted to issue any shares of common stock upon conversion of the Series A Preferred Stock to the extent that the issuance of such shares of common stock would exceed 19.99% of the Company's outstanding shares of common stock as of the date of the initial issuance of the Series A Preferred Stock, unless the Company obtains shareholder approval to issue more than such 19.99% (the "Conversion Cap"). The Conversion Cap will be appropriately adjusted for any reorganization, recapitalization, non-cash dividend, stock split, reverse stock split or other similar transaction.

- *Dividends.* No dividends will be paid on the outstanding shares of the Series A Preferred Stock.

- *Redemption.* The Series A Preferred Stock is not redeemable at the election of the Company or at the election of the holder.

- *Maturity.* The Series A Preferred Stock shall be perpetual unless converted.

Upon issuance, the effective conversion price of the Series A Preferred Stock of $1.93 per share was lower than the market price of the Company's common stock on the date of issuance of the Series A Preferred Stock of $2.47 per share; as a result, the Company recorded the beneficial conversion feature of $3,564 in APIC. Because the Series A Preferred Stock is perpetual, it is carried at the amount recorded at inception. Subsequently, upon conversion of the Series A Preferred Stock, the beneficial conversion feature was accounted for as deemed dividend as disclosed below.

The Company evaluated the Series A Preferred Stock for liability or equity classification in accordance with the provisions of ASC 480, Distinguishing Liabilities from Equity, and determined that equity treatment was appropriate because the Series A Preferred Stock did not meet the definition of the liability instruments defined thereunder for convertible instruments. Specifically, the Series A Preferred Stock is not mandatorily redeemable and does not embody an obligation to buy back the shares outside of the Company's control in a manner that could require the transfer of assets. Additionally, the Company determined that the Series A Preferred Stock would be recorded as permanent equity, not temporary equity, based on the guidance of ASC 480 given that the holders of equally and more subordinated equity would be entitled to also receive the same form of consideration upon the occurrence of the event that gives rise to the redemption or events of redemption that are within the control of the Company.

Since Series A Preferred Stock was sold as a unit with warrants, the proceeds received were allocated to each instrument on a relative fair value basis as it is described below. All outstanding shares of Series A Preferred Stock were converted into shares of common stock on June 16, 2020, as described below.

2020 Private Placement Warrants

In March 2020, the Company issued and sold to the Investors in the 2020 Private Placement warrants to purchase up to 6,675,000 shares of common stock with an exercise price of $3.50 per share, along with the shares of common stock and preferred stock the Investors purchased. The 2020 Private Placement Warrants have a five-year term and are exercisable beginning 181 days after their issue date. The Company evaluated the 2020 Private Placement Warrants for liability or equity classification in accordance with the provisions of ASC 480, Distinguishing Liabilities from Equity, and determined that equity treatment was appropriate because the warrants only require settlement through the issuance of the Company's common stock which is not redeemable, and do not represent an obligation to issue a variable number of shares. Based on this guidance, the Company determined, for each issuance, that the 2020 Private Placement Warrants did not need to be accounted for as a liability. Accordingly, the 2020 Private Placement Warrants were classified as equity and are not subject to remeasurement at each balance sheet date. The proceeds received in the 2020 Private Placement were allocated to each instrument on a relative fair value basis.

Total net proceeds of $20,300 reduced by $3,564 of the beneficial conversion feature were allocated as follows: $8,063 to Series A Preferred Stock, $4,052 to shares of common stock and $4,621 to the 2020 Private Placement Warrants issued. Series A Preferred Stock and common stock issued in the 2020 Private Placement were recorded at par value of $0.0001 with the excess of par value recorded in APIC.

Conversion of Series A Preferred Stock shares

On June 16, 2020, upon the approval of the Company's stockholders, 660,000 shares of Series A Preferred Stock were converted into 6,600,000 shares of the Company's common stock. As a result of the conversion, in accordance with ASC 470-20-40-1, the beneficial conversion feature of $3,564 was recorded as a deemed dividend in APIC, that has been presented as a component of the net loss attributable to common stockholders in the Company's consolidated statement of operations.

December 2020 Public Offering Warrants and common stock

In December 2020, the Company issued and sold to the investors in the December 2020 Offering 11,250,000 shares of its common stock and warrants to purchase up to 5,625,000 shares of common stock with an exercise price of $2.50 per share. The December 2020 Offering Warrants have a five-year term and are exercisable immediately. The Company evaluated the December 2020 Public Offering Warrants for liability or equity classification in accordance with the provisions of ASC 480, Distinguishing Liabilities from Equity, and determined that equity treatment was appropriate because the warrants only require settlement through the issuance of the Company's common stock, which is not redeemable, and do not represent an obligation to issue a variable number of shares. Based on this guidance, the Company determined, for each issuance, that the December 2020 Public Offering Warrants did not need to be accounted for as a liability. Accordingly, the December 2020 Public Offering Warrants were classified as equity and are not subject to remeasurement at each balance sheet date. The proceeds received in the December 2020 Public Offering were allocated to each instrument on a relative fair value basis.

2010 Share Option Plan

In November 2010, the Company's Board of Directors (the "Board") adopted a share option plan (the "2010 Share Option Plan") pursuant to which shares of the Company's common stock are reserved for issuance upon the exercise of options to be granted to directors, officers, employees and consultants of the Company. The 2010 Share Option Plan is administered by the Board, which designates the options and dates of grant. Options granted vest over a period determined by the Board, originally had a contractual life of seven years, which was extended to ten years in November 2017 and are non-assignable except by the laws of descent. The Board has the authority to prescribe, amend and rescind rules and regulations relating to the 2010 Share Option Plan, provided that any such amendment or rescindment that would adversely affect the rights of an optionee that has received or been granted an option shall not be made without the optionee's written consent. As of December 31, 2021 and December 31, 2020, the number of shares of the Company's common stock reserved for issuance and available for grant under the 2010 Share Option Plan was 212,650 (138,275 as of December 31, 2020).

2019 Incentive Award Plan

The 2019 Incentive Award Plan (the "2019 Plan") was originally established under the name Restoration Robotics, Inc., as the 2017 Incentive Award Plan. It was adopted by the Board on September 12, 2017 and approved by the Company's stockholders on September 14, 2017. The 2017 Incentive Award Plan was amended, restated, and renamed as set forth above, and was approved by the Company's stockholders on October 4, 2019.

Under the 2019 Plan, 450,000 shares of common stock were initially reserved for issuance pursuant to a variety of stock-based compensation awards, including stock options, stock appreciation rights, performance stock awards, performance stock unit awards, restricted stock awards, restricted stock unit awards and other stock-based awards, plus the number of shares remaining available for future awards under the 2019 Plan as of the date of the Merger. As of December 31, 2021, there were 376,414 of shares of common stock available under the 2019 Plan (124,347 as of December 31, 2020). The 2019 Plan contains an "evergreen" provision, pursuant to which the number of shares of common stock reserved for issuance pursuant to awards under such plan shall be increased on the first day of each year from 2020 and ending in 2029 equal to the lesser of (A) four percent (4.00%) of the shares of stock outstanding on the last day of the immediately preceding fiscal year and (B) such smaller number of shares of stock as determined by the Board.

The Company recognized stock-based compensation for its employees and non-employees in the accompanying consolidated statements of operations as follows:

	Year Ended December 31,	
	2021	2020
Cost of sales	$ 31	$ 25
Selling and marketing	848	872
General and administrative	1,084	1,151
Research and development	105	90
Total stock-based compensation	$ 2,068	$ 2,138

Stock Options

The fair value of each option is estimated at the date of grant using the Black-Scholes option pricing formula with the following assumptions:

	Year Ended December 31,	
	2021	2020
Expected term (in years)	6.00	6.00 - 6.54
Risk-free interest rate	0.98-1.36%	0.38 - 1.50%
Expected volatility	44.26%	42.83%
Expected dividend rate	0%	0%

Expected Term—The expected term represents management's best estimate for the options to be exercised by option holders.

Volatility—Since the Company does not have a trading history for its common stock, the expected volatility was derived from the historical stock volatilities of comparable peer public companies within its industry that are considered to be comparable to the Company's business over a period equivalent to the expected term of the stock-based awards.

Risk-Free Interest Rate—The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the stock-based awards' expected term.

Dividend Rate—The expected dividend is zero as the Company has not paid nor does it anticipate paying any dividends on its common stock in the foreseeable future.

Fair Value of Common Stock— Prior to the Merger, Venus Ltd. used the price per share in its latest sale of securities as an estimate of the fair value of its ordinary shares. After the closing of the Merger, the fair value of the Company's common stock is used to estimate the fair value of the stock-based awards at grant date.

The following table summarizes stock option activity under the Company's stock option plan:

	Number of Shares	Weighted-Average Exercise Price per Share, $	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding – January 1, 2021	4,433,392	$ 4.59	6.20	$ 247
Options granted	2,664,500	2.20		-
Options exercised	(261,836)	2.34		92
Options forfeited/cancelled	(858,877)	4.21		-
Outstanding - December 31, 2021	5,977,179	$ 3.72	7.20	$ 136
Exercisable – December 31, 2021	2,907,668	$ 4.52	5.27	$ 136
Expected to vest – after December 31, 2021	3,069,511	$ 2.97	9.03	$ -

The following tables summarize information about share options outstanding and exercisable on December 31, 2021:

	Options Outstanding			Options Exercisable		
Exercise Price Range	Number	Weighted average remaining contractual term (years)	Weighted average Exercise Price	Options exercisable	Weighted average remaining contractual term (years)	Weighted average Exercise Price
$1.35 - $3.64	4,675,428	7.46	$ 2.67	1,896,935	4.96	$ 2.92
$4.26 - $7.95	1,250,316	6.32	6.82	965,929	5.88	6.69
$12.45 - $26.10	31,156	6.75	18.02	24,558	6.71	18.19
$27.00 - $33.00	11,900	3.00	27.62	11,882	2.99	27.62
$36.00 - $94.65	8,379	5.69	45.42	8,364	5.69	45.39
	5,977,179	7.20	$ 3.72	2,907,668	5.27	$ 4.52

The aggregate intrinsic value of options is calculated as the difference between the exercise price of the stock options and the fair value of the Company's common stock for those options that had exercise prices lower than the fair value of the Company's common stock. The total intrinsic value of options exercised were $92 and $464 for the years ended December 31, 2021 and 2020, respectively.

The weighted-average grant date fair value of options granted was $2.20 and $4.17 per share for the years ended December 31, 2021 and 2020, respectively.

16. INCOME TAXES

The geographical breakdown of loss before income taxes is as follows:

	Year Ended December 31,	
	2021	2020
United States	$ (12,260)	$ (63,259)
Other jurisdictions	(10,588)	(18,378)
Loss before income taxes	$ (22,848)	$ (81,637)

The components of the (benefit) provision for income taxes are as follows:

	Year Ended December 31,	
	2021	2020
Current tax (benefit) provision:		
Federal	$ —	$ —
Foreign	(542)	1,619
Total current tax (benefit) provision	(542)	1,619
Deferred tax benefit:		
Federal	—	—
Foreign	(165)	(438)
Total deferred tax benefit	$ (165)	$ (438)
Total (benefit) provision for income taxes	$ (707)	$ 1,181

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

A valuation allowance is provided when it is more likely than not that the deferred tax assets will not be realized. On the basis of this evaluation, as of December 31, 2021, a valuation allowance of $51,437 ($82,587 as of December 31, 2020) has been recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as our projections for growth. The valuation allowance decreased by $31,150 and increased by $26,433 for the years ended December 31, 2021 and 2020, respectively.

The Company’s effective tax rate substantially differed from the federal statutory tax rate primarily due to the change in the valuation allowance. The reconciliation between income taxes computed at the federal statutory income tax rate and the provision for income taxes is as follows:

	Year Ended December 31,	
	2021	2020
Loss before income taxes	$ (22,848)	$ (81,637)
Theoretical tax benefit at the statutory rate (21.0% in 2021, 21.0% in 2020)	(4,798)	(17,144)
Differences in jurisdictional tax rates	(350)	(2,817)
Valuation allowance	5,755	12,416
Non-deductible expenses	(266)	8,080
Other	(1,048)	646
Total income tax (benefit) provision	(707)	1,181
Net loss	$ (22,141)	$ (82,818)

The components of the deferred tax assets and deferred tax liabilities are as follows:

	December 31,	
	2021	2020
Deferred tax assets:		
Property and equipment	$ 668	$ 735
Deferred revenue	647	2,065
Allowance for doubtful accounts	3,133	2,670
Intangible assets	(1,543)	(2,554)
Non-deductible expenses	8,694	8,350
Warranty and other reserves	1,159	729
Other	610	114
Loss carryforwards	38,353	71,362
Valuation allowance	(51,437)	(82,587)
Total deferred tax assets	$ 284	$ 884
Deferred tax liabilities:		
Deferred revenue	$ 46	$ 811
Total deferred tax liabilities	$ 46	$ 811

As of December 31, 2021, the Company had federal, state and foreign net operating loss (“NOL”) carryforwards of approximately $163,395 ($285,094 in 2020). The use of these NOL carryforwards might be subject to limitation under the rules regarding a change in stock ownership as determined by the IRC and similar state provisions; however, a complete analysis of the limitation of the NOL carryforwards will not be complete until the time the Company projects it will be able to utilize such NOLs. The NOL carryforwards expire between 2022 and indefinitely, and valuation allowances have been reserved, where necessary. The Company also had federal and state research and development credit carryforwards of approximately $119 and $nil, respectively, as of December 31, 2021. The federal credits will expire starting in 2025 if not utilized. The state credits have no expiration date.

The Company may recognize the tax benefit from uncertain tax positions only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and income tax disclosures. During the year the Company determined that $284 of future tax benefits met this criterion.

Utilization of the research and development credits carryforwards may be subject to an annual limitation due to the ownership percentage change limitations provided by the IRC. However, the Company has not conducted a formal study to determine the extent of the limitations, which could impact the realizability of these credit carryforwards in future periods. The annual limitations may result in the expiration of the net operating losses and research and development credits before utilization.

The Company files income tax returns in the United States and in various state jurisdictions with varying statutes of limitations. Tax years 2015 through 2021 remain open to examination by the Internal Revenue Service for U.S. federal tax purposes.

Uncertain Tax Positions

The activity related to gross amount of unrecognized tax benefits is as follows:

	Year Ended December 31,	
	2021	2020
Balance as of the beginning of the year	$ 1,584	$ 1,467
(Reduction) increases related to tax positions in prior period	(1,548)	57
Increases related to tax positions taken during the current period	—	60
Balance at the end of the year	$ 36	$ 1,584

These amounts are related to certain deferred tax assets with a corresponding valuation allowance. If recognized, the impact on the Company's effective tax rate would not be material due to the full valuation allowance. Management believes that there will not be any significant changes in the Company's unrecognized tax benefits in the next twelve-months.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes in the accompanying consolidated statement of operations. Accrued interest and penalties, if applicable, are included in accrued expenses and other current liabilities in the consolidated balance sheets. For the years ended December 31, 2021 and 2020, the Company did not recognize any accrued interest and penalties.

The activity related to the tax effected amount of the recognized tax position as follows:

	Year Ended December 31,	
	2021	2020
Balance as of the beginning of the year	$ (478)	$ -
Increases related to tax positions in prior period	—	(369)
Increase related to tax position taken during the current period	(49)	—
Increase related to interest expense	(36)	(109)
Balance at the end of the year	$ (563)	$ (478)

Additional current tax expense has been booked including interest and penalties relating to Venus Concept Australia Pty Ltd. for its historical tax return filing positions, which may be successfully challenged by the Australian Tax Office. The Company has recognized the full amount of the potential tax liability plus interest. Management believes that there will not be any significant changes in the Company's recognized tax position in the next twelve-months. As such, the amount has been classified as a long-term tax payable in the consolidated balance sheet.

17. SEGMENT AND GEOGRAPHIC INFORMATION

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Operating Decision Maker (CODM) in deciding how to allocate resources to an individual segment and in assessing performance. The Company's CODM is its Chief Executive Officer. The Company has determined it operates in a single operating segment and has one reportable segment, as the CODM reviews financial information presented on a consolidated basis accompanied by disaggregated information about revenues by geography and type for purposes of making operating decisions, allocating resources, and evaluating financial performance. The Company does not assess the performance of individual product line on measures of profit or loss, or asset-based metrics. Therefore, the information below is presented only for revenues by geography and type.

Revenue by geographic location, which is based on the product shipped to location, is summarized as follows:

	Year Ended December 31,	
	2021	2020
United States	$ 53,520	$ 33,987
International	52,102	44,027
Total revenue	$ 105,622	$ 78,014

As of December 31, 2021, long-lived assets in the amount of $16,090 were located in the United States and $1,972 were located in foreign locations. As of December 31, 2020, long-lived assets in the amount of $19,828 were located in the United States and $2,576 were located in foreign locations.

Revenue by type is a key indicator for providing management with an understanding of the Company's financial performance, which is organized into four different categories:

1. Lease revenue - includes all system sales with typical lease terms of 36 months.

2. System revenue – includes all systems sales with payment terms within 12 months.

3. Product revenue – includes skincare, hair and other consumables payable upon receipt.

4. Service revenue - includes NeoGraft technician services, ad agency services and extended warranty sales.

The following table presents revenue by type:

	Year Ended December 31,	
	2021	2020
Lease revenue	$ 45,094	$ 33,428
System revenue	43,106	28,957
Product revenue	13,230	10,858
Service revenue	4,192	4,771
Total revenue	$ 105,622	$ 78,014

18. RELATED PARTY TRANSACTIONS

All amounts were at recorded at the exchange amount, which is the amount established and agreed to by the related parties. The following are transactions between the Company and parties related through employment.

Sales and Purchases of Securities

On December 15, 2021, in the 2021 Private Placement (see Note 1) the Company issued and sold to certain investors 9,808,418 shares of common stock and 3,790,755 shares of non-voting preferred stock which are convertible into shares of common stock on a 1:1 basis. The gross proceeds of the 2021 Private Placement were $16,999 before offering expenses. EW Healthcare Partners (“EW”) and HealthQuest Capital (“HQ”), existing stockholders of the Company, and the Keith J. Sullivan Revocable Trust participated in the 2021 Private Placement. A director of the Company is affiliated with EW, another with HQ, and another director is affiliated with the Keith J. Sullivan Revocable Trust.

On March 19, 2020, the Company issued and sold in the 2020 Private Placement to certain investors an aggregate of 2.3 million shares of common stock, 660,000 shares of Series A Convertible Preferred Stock, which are convertible into 6.6 million shares of common stock, and warrants to purchase up to 6,675,000 shares of common stock with an exercise price of $3.50 per share. The gross proceeds to the Company from the 2020 Private Placement were $22,250, before placement agent fees and other offering expenses. EW and HQ, existing stockholders of the Company, participated in the 2020 Private Placement. A director of the Company is affiliated with EW, and another director is affiliated with HQ.

Registration Rights Agreements

On December 15, 2021 in connection with the 2021 Private Placement, the Company, HealthQuest, the EW Entities, and Keith Sullivan entered into a registration rights agreement. The registration rights agreement provides, among other things, that certain holders of the Company’s capital stock have certain rights relating to the registration of shares of such capital stock.

On March 18, 2020, in connection with the 2020 Private Placement, the Company, HealthQuest, and the EW Entities entered into a registration rights agreement. The registration rights agreement provides, among other things, that certain holders of the Company’s capital stock have certain rights relating to the registration of shares of such capital stock.

Declaration and Distribution of Dividends from Venus Concept Singapore Pte. Ltd

On March 5, 2020, the Company’s board of directors approved declaration and distribution of dividends from Venus Concept Singapore Pte. Ltd. (“Venus Singapore”) in the amount of 400 Singapore dollars, which is equivalent to $289. A senior officer of the Company is an existing shareholder of Venus Singapore and therefore was entitled to receive a dividend distribution equal to forty-five percent (45%) of the total distribution, or $130.

Distribution agreements

On January 1, 2018, the Company entered into a new Distribution Agreement with Technicalbiomed Co., Ltd. (“TBC”), pursuant to which TBC will continue to distribute the Company’s products in Thailand. A senior officer of the Company is a 30.0% shareholder of TBC. For the years ended December 31, 2021 and 2020, TBC purchased products in the amount of $537 and $278, respectively, under this distribution agreement. These sales are included in products and services revenue.

In 2020, the Company made several strategic decisions to divest itself of underperforming direct sales offices and sold its share in several subsidiaries, including its 55.0% shareholding in Venus Singapore. On January 1, 2021, the Company entered into a distribution agreement with Aexel Biomed Pte Ltd. (“Aexel Biomed”), formerly Venus Singapore, pursuant to which Venus Singapore will continue to distribute the Company’s products in Singapore. A senior officer of the Company is a 45.0% shareholder of Venus Singapore. In the year ended December 31, 2021 and 2020, Aexel Biomed purchased products in the amount of $239 under the distribution agreement. These sales are included in products and services revenue.

19. SUBSEQUENT EVENTS

On March 24, 2022, the Board of Directors approved an aggregate issuance of 356,250 restricted stock units for grant to certain employees under the existing 2019 Plan.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of disclosure controls and procedures.

As of December 31, 2021, our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2021.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. We have performed an evaluation of the effectiveness of our internal control over financial reporting, based on criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its 2013 Internal Control-Integrated Framework. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our internal controls over financial reporting were effective as of December 31, 2021.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Because of these limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become ineffective because of changes in conditions or that the degree of compliance with established policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

There were no material changes in our internal control over financial reporting during the year ended December 31, 2021, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm due to a transition period established by rules of the SEC for “emerging growth companies.”

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item is incorporated herein by reference to our Proxy Statement with respect to our 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 11. Executive Compensation.

The information required by this item is incorporated herein by reference to our Proxy Statement with respect to our 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item is incorporated herein by reference to our Proxy Statement with respect to our 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item is incorporated herein by reference to our Proxy Statement with respect to our 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 14. Principal Accounting Fees and Services.

The information required by this item is incorporated herein by reference to our Proxy Statement with respect to our 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the end of the fiscal year covered by this Annual Report on Form 10-K.

PART IV

Item 15. Exhibits, Consolidated Financial Statement Schedules.

(a) The following documents are filed as part of this report:

1. Consolidated Financial Statements

See Index to Consolidated Financial Statements at Item 8 herein.

2. Consolidated Financial Statement Schedules

No consolidated financial statement schedules are provided because the information called for is not required or is shown either in the consolidated financial statements or notes thereto.

3. Exhibits

See the Exhibit Index immediately preceding the signature page of this Annual Report on Form 10-K.

Item 16. Form 10-K summary.

Not applicable.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Form	Date	Number	Filed Herewith
2.1	Agreement and Plan or Merger and Reorganization, dated March 15, 2019, by and among Restoration Robotics, Inc., Radiant Merger Sub Ltd., and Venus Concept Ltd.	8-K	3-15-19	2.1	
2.2	Amendment No. 1, dated August 14, 2019, to the Agreement and Plan of Merger and Reorganization, dated March 15, 2019, by and among Restoration Robotics, Inc., Radiant Merger Sub Ltd., and Venus Concept Ltd.	8-K	8-20-19	2.1	
2.3	Second Amendment to the Agreement and Plan of Merger and Reorganization, dated as of October 31, 2019, by and among Restoration Robotics, Inc., Radiant Merger Sub Ltd. and Venus Concept Ltd.	8-K	10-31-19	2.1	
2.4	Master Asset Purchase Agreement between Venus Concept Ltd., the Neograft entities, Medicamat and Miriam Merkur, dated January 26, 2018.	10-K	3-30-20	2.4	
3.1	Amended and Restated Certificate of Incorporation of Restoration Robotics, Inc.	8-K	10-17-17	3.1	
3.2	Certificate of Amendment of Certificate of Incorporation of Restoration Robotics, Inc.	8-K	11-7-19	3.1	
3.3	Certificate of Designations of Nonvoting Convertible Preferred Stock of Venus Concept Inc.	8-K	10-15-21	3.1	
3.4	Second Amended and Restated Bylaws of Venus Concept Inc.	8-K	11-7-19	3.2	
4.1	Description of Securities.				X
4.2	Form of Common Stock Certificate.	S-1/A	9-18-17	4.2	
4.3	Form of 2020 Warrant.	10-K	3-29-21	4.3	
4.4	Amendment to 2019 Warrant.	8-K	3-10-20	4.1	
4.5	Form of 2019 Warrant.	8-K	11-7-19	4.1	
4.6	Form of Madryn Warrant.	8-K	11-7-19	4.2	
4.7	Form of Warrant to Purchase Stock, dated November 7, 2019, by and between Venus Concept Inc. and Solar Capital Ltd.	8-K	11-7-19	4.3	
4.8	Form of Warrant to Purchase Stock, dated November 2, 2018, by and between Restoration Robotics, Inc. and Solar Capital Ltd.	10-K	3-20-19	4.10	

Exhibit Number	Exhibit Description	Form	Date	Number	Filed Herewith
4.9	Form of Warrant to Purchase Stock, dated May 19, 2015, by and between Restoration Robotics, Inc. and Oxford Finance LLC.	10-K	3-30-20	4.9	
4.10	Form of Warrant to Purchase Stock, dated November 2, 2018, by and between Restoration Robotics, Inc. and Western Alliance Bank.	10-K	3-30-20	4.10	
4.11	Form of Warrant to Purchase Stock, dated November 2, 2018, by and between Restoration Robotics, Inc. and SUNS SPV LLC.	10-K	3-30-20	4.11	
4.12	Securities Purchase Agreement, dated as of March 18, 2020, by and between Venus Concept Inc. and the investors listed therein.	10-K	3-30-20	4.12	
4.13	Registration Rights Agreement, dated as of March 18, 2020, by and between Venus Concept Inc. and the investors listed therein.	10-K	3-30-20	4.13	
4.14	Amended and Restated Investors' Rights Agreement, dated February 7, 2013, by and among Restoration Robotics, Inc. and the investors listed therein, as amended.	S-1	9-1-17	10.10	
10.1	Registration Rights Agreement, dated November 7, 2019, by and between Venus Concept Inc. and the investors listed therein.	8-K	11-7-19	10.2	
10.2	Registration Rights Agreement, dated November 7, 2019, by and between Venus Concept Inc. and the investors listed therein.	8-K	11-7-19	10.15	
10.3	Registration Rights Agreement, dated as of June 16, 2020, by and between Venus Concept Inc. and Lincoln Park Capital Fund, LLC.	8-K	6-16-20	10.2	
10.4	Second Amended and Restated Loan Agreement, dated March 20, 2020, by and among Venus Concept USA Inc., Venus Concept Canada Corp., Venus Concept Inc. and City National Bank of Florida.	8-K	3- 24-20	10.1	
10.5	Second Amended and Restated Guaranty of Payment and Performance, dated as of March 20, 2020, by and between Venus Concept USA Inc., Venus Concept Canada Corp., Venus Concept Inc., and City National Bank of Florida.	8-K	3- 24-20	10.2	
10.6	Third Amended and Restated Revolving Promissory Note, dated as of March 20, 2020, by and between Venus Concept USA Inc., Venus Concept Canada Corp., Venus Concept Inc., and City National Bank of Florida.	8-K	3- 24-20	10.3	
10.7	Security Agreement, dated as of March 20, 2020, by and between Venus Concept Inc. and City National Bank of Florida.	8-K	3- 24-20	10.4	
10.8†	License Agreement, dated July 25, 2006 by and between Restoration Robotics, Inc., James A. Harris, M.D. and HSC Development LLC.	S-1/A	9-22-17	10.7	
10.9†	First Amendment to License Agreement, dated January 5, 2009, by and between Restoration Robotics, Inc., James A. Harris, M.D. and HSC Development LLC.	S-1/A	9-22-17	10.8	
10.10†	Second Amendment to License Agreement, dated February 23, 2015, by and between Restoration Robotics, Inc., James A. Harris, M.D. and HSC Development LLC.	S-1/A	9-22-17	10.9	
10.11#	Venus Concept Inc. 2019 Incentive Award Plan.	8-K	11-7-19	10.21	
10.12#	Form of Stock Option Grant Notice and Stock Option Agreement under the 2019 Incentive Award Plan.	10-K	3-30-20	10.24	
10.13#	2017 Incentive Award Plan.	S-8	10-17-17	99.7	
10.14#	Form of Stock Option Grant Notice and Stock Option Agreement under the 2017 Incentive Award Plan.	S-1/A	9-18-17	10.26	
10.15#	Form of Restricted Stock Award Grant Notice and Restricted Stock Award Agreement under the 2017 Incentive Award Plan.	S-1/A	9-18-17	10.27	
10.16#	Form of Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement under the 2017 Incentive Award Plan.	S-1/A	9-18-17	10.28	

Exhibit Number	Exhibit Description	Form	Date	Number	Filed Herewith
10.17#	2017 Employee Stock Purchase Plan.	S-8	10-17-17	99.11	
10.18#	Non-Employee Director Compensation Program.	S-1/A	9-18-17	10.35	
10.19#	2015 Equity Incentive Plan.	S-8	10-17-17	99.4	
10.20#	Form of Stock Option Grant Notice and Stock Option Agreement under 2015 Equity Incentive Plan.	S-1	9-1-17	10.23	
10.21#	Form of Stock Purchase Right Grant Notice and Restricted Stock Purchase Agreement under 2015 Equity Incentive Plan.	S-1	9-1-17	10.24	
10.22#	Venus Concept Ltd. 2010 Israeli Employee Share Option Plan.	8-K	11-7-19	10.20	
10.23#	Employment Agreement by and between Venus Concept Ltd. and Domenic Serafino, effective January 1, 2016.	8-K	11-7-19	10.16	
10.24#	Employment Agreement by and between Venus Concept Ltd. and Domenic Della Penna, effective September 5, 2017.	8-K	11-7-19	10.17	
10.25#	Employment Agreement by and between Venus Concept UK, Ltd. and Søren Maor Sinay, effective August 6, 2019.	8-K	11-7-19	10.18	
10.26#	Employment Agreement by and between Venus Concept Inc. and Ross Portaro, effective October 15, 2021.				X
10.27#	Form of Indemnification Agreement between Venus Concept Inc. and each of its directors and executive officers.	8-K	11-7-19	10.19	
10.28	Lease Agreement, dated April 16, 2012, by and between Legacy Partners I San Jose, LLC and Restoration Robotics, Inc.	S-1	9-1-17	10.5	
10.29	First Amendment to Lease Agreement, dated April 27, 2016, by and between G&I VIII Baytech LP and Restoration Robotics, Inc. and Tenant Estoppel Certificate, dated March 30, 2017, acknowledging Bridge III CA Alviso Tech Park, LLC as successor-in-interest to Landlord thereto.	S-1	9-1-17	10.6	
10.30	Second Amendment to Lease Agreement, dated November 7, 2019, by and between Bridge III CA Alviso Tech Park, LLC and Venus Concept Inc.	10-K	3-30-20	10.48	
10.31	Lease between 235 Investment Limited, Venus Concept Canada Corp and Venus Concept Ltd, dated March 29, 2019.	10-K	3-30-20	10.49	
10.32	Lease between AMB Tripoint, LLC and Venus Concept Inc., dated July 29, 2021.				X
10.33†	Quality Agreement, dated October 11, 2011, by and between Venus Concept Ltd. and USR Electronnic Systems Ltd. (signed December 3, 2017).	10-K	3-30-20	10.54	
10.34†	Turn-Key Project Manufacturing Agreement, dated March 23, 2014, by and between Venus Concept Ltd. and USR Electronnic Systems Ltd.	10-K	3-30-20	10.55	
10.35†	Quality Agreement, dated July 13/17 2018, by and between Venus Concept Ltd. and Electronique du Mazet.	10-K	3-30-20	10.56	
10.36†	Intellectual Property Rights Assignment, dated February 15, 2018, by and between Venus Concept Ltd. and Electronique du Mazet.	10-K	3-30-20	10.57	
10.37	Consent to Transfer Confidentiality and Nonsolicitation Subcontracting Agreement, dated February 1, 2018, by and between Venus Concept Ltd. and Societe de Promotion et d'Equipement Medical Medicamat.	10-K	3-30-20	10.58	

Exhibit Number	Exhibit Description	Form	Date	Number	Filed Herewith
10.38	Manufacturing Agreement for Consumables, dated October 26, 2018, by and between NPI Solutions and Restoration Robotics, Inc.	10-K	3-30-20	10.59	
10.39	SBA Payroll Protection Program Note dated April 21, 2020, by Venus Concepts Inc. and in favor of City National Bank of Florida.	8-K	4-30-20	10.2	
10.40	Purchase Agreement, dated as of June 16, 2020, by and between Venus Concept Inc. and Lincoln Park Capital Fund, LLC	8-K	6-16-20	10.1	
10.41	Third Amended and Restated Loan Agreement dated as of December 9, 2020, by and among the Company, Venus Concept USA Inc., Venus Concept Canada Corp. and City National Bank of Florida.	8-K/A	12-15-20	10.1	
10.42	Second Amended and Restated Security Agreement dated as of December 9, 2020 by and among the Company, Venus Concept USA Inc. and City National Bank.	8-K/A	12-15-20	10.2	
10.43	Fourth Amended and Restated Revolving Promissory Note dated as of December 9, 2020 by Venus Concept USA Inc., Venus Concept Canada Corp. and the Company in favor of City National Bank of Florida.	8-K/A	12-15-20	10.3	
10.44	Third Amended and Restated Guaranty of Payment and Performance dated as of December 9, 2020 by Venus Concept Ltd. in favor of City National Bank of Florida.	8-K/A	12-15-20	10.4	
10.45	Amendment to General Security Agreement dated as of December 9, 2020 between Venus Concept Canada Corp. and City National Bank of Florida.	8-K/A	12-15-20	10.5	
10.46	Loan and Security Agreement dated as of December 8, 2020, by and between Venus Concept USA Inc. and City National Bank.	8-K/A	12-15-20	10.6	
10.47	Promissory Note dated December 8, 2020, by Venus Concept USA Inc. in favor of City National Bank.	8-K/A	12-15-20	10.7	
10.48	Guaranty of Payment and Performance Agreement dated as of December 8, 2020 by and between the Company and City National Bank.	8-K/A	12-15-20	10.8	
10.49	Securities Exchange and Registration Rights Agreement as of December 8, 2020 by and among the Company, Venus Concept USA Inc., Venus Concept Canada Corp., Venus Concept Ltd., Madryn Health Partners, LP and the Investors.	8-K/A	12-15-20	10.9	
10.50	Secured Subordinated Convertible Note dated as of December 9, 2020 by the Company in favor of Madryn Health Partners, LP.	8-K/A	12-15-20	10.10	
10.51	Secured Subordinated Convertible Note dated as of December 9, 2020 by the Company in favor of and Madryn Health Partners (Cayman Master), LP.	8-K/A	12-15-20	10.11	
10.52	Guaranty and Security Agreement dated as of December 9, 2020 by and among the Company, Venus Concept USA, Venus Concept Canada Corp., Venus Concept Ltd. and Madryn Health Partners, LP.	8-K/A	12-15-20	10.12	
10.53	Subordination of Debt Agreement dated as of December 9, 2020 by and among Madryn Health Partners, LP, Madryn Health Partners (Cayman Master), LP, City National Bank and Venus Concept Inc.	8-K/A	12-15-20	10.13	
10.54	Subordination of Debt Agreement dated as of December 9, 2020 by and among Madryn Health Partners, LP, Madryn Health Partners (Cayman Master), LP, City National Bank and Venus Concept Canada Corp.	8-K/A	12-15-20	10.14	
10.55	Subordination of Debt Agreement dated as of December 9, 2020 by and among Madryn Health Partners, LP, Madryn Health Partners (Cayman Master), LP, City National Bank and Venus Concept USA Inc.	8-K/A	12-15-20	10.15	
10.56	Fourth Amended and Restated Loan Agreement, dated July 24, 2021, by and between Venus Concept USA Inc., Venus Concept Canada Corp., Venus Concept Inc., and City National Bank of Florida.	8-K	8-26-21	10.1	
10.57	Fourth Amended and Restated Guaranty of Payment and Performance, dated July 24th, 2021, by Venus Concept Ltd in favor of City National Bank of Florida.	8-K	8-26-21	10.2	
10.58	Third Amended and Restated Security Agreement, dated July 24, 2021, by and between Venus Concept Inc., Venus Concept USA Inc., and City National Bank of Florida.	8-K	8-26-21	10.3	
10.59	Fifth Amended and Restated Revolving Promissory Note, dated July 24, 2021, by Venus	8-K	8-26-21	10.4	

	Concept USA Inc., Venus Concept Canada Corp., Venus Concept Inc., and City National Bank of Florida.				
10.60	Supplement to Subordination of Debt Agreements, dated July 24, 2021, by and between Madryn Health Partners, LP, Madryn Health Partners (Cayman Master), LP, City National Bank of Florida, and Venus Concept Inc.	8-K	8-26-21	10.5	
10.61	Supplement to Subordination of Debt Agreements, dated July 24, 2021, by and between Madryn Health Partners, LP, Madryn Health Partners (Cayman Master), LP, City National Bank of Florida, and Venus Concept Inc.	8-K	10-5-21	10.1	
10.62	Independent Contractor Agreement, dated October 16, 2021, by and between Venus Concept USA Inc. and Chad Zaring.	8-K	10-5-21	10.2	
10.63	Stock Purchase Agreement, dated December 15, 2021, by and between Venus Concept Inc. and the investors listed therein.	8-K	12-15-21	10.1	
10.64	Resale Registration Rights Agreement, dated December 15, 2021, by and between Venus Concept Inc. and the Purchasers.	8-K	12-15-21	10.2	
10.65	Investor Rights Agreement, dated December 15, 2021, by and between Venus Concept, Inc., Masters Special Situations, LLC, and the other purchasers from time to time party hereto.	8-K	12-15-21	10.3	
14.1	Code of Business Conduct and Ethics.	8-K	11-7-19	14.1	
21.1	List of Subsidiaries.				X
23.2	Consent of MNP LLP, independent registered public accounting firm.				X

24.1	Power of Attorney. Reference is made to the signature page of this Annual Report on Form 10-K.	X
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	

# Indicates management contract or compensatory plan.

† Certain confidential portions of this exhibit were omitted by means of marking such portions with asterisks because the identified confidential portions (i) are not material and (ii) would be competitively harmful if publicly disclosed.

* The certifications attached as Exhibit 32.1 and Exhibit 32.2 that accompany this Annual Report on Form 10-K are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Venus Concept Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Venus Concept Inc.

Date: March 28, 2022

By: /s/ Domenic Serafino
Domenic Serafino
Chief Executive Officer and Director

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of Domenic Serafino and Domenic Della Penna his or her true and lawful attorney-in-fact and agent, with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has executed this Power of Attorney as of the date indicated opposite his or her name.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Domenic Serafino Domenic Serafino	Chief Executive Officer and Director *(Principal Executive Officer)*	March 28, 2022
/s/ Domenic Della Penna Domenic Della Penna	Chief Financial Officer *(Principal Financial and Accounting Officer)*	March 28, 2022
/s/ Scott Barry Scott Barry	Chairman and Director	March 28, 2022
/s/ Garheng Kong, M.D. Garheng Kong, M.D.	Director	March 28, 2022
/s/ Louise Lacchin Louise Lacchin	Director	March 28, 2022
/s/ Fritz LaPorte Fritz LaPorte	Director	March 28, 2022
/s/ Anthony Natale, M.D Anthony Natale, M.D.	Director	March 28, 2022
/s/ Keith Sullivan Keith Sullivan	Director	March 28, 2022
/s/ S.Tyler Hollmig, M.D. S.Tyler Hollmig, M.D.	Director	March 28, 2022

Exhibit 4.1

DESCRIPTION OF SECURITIES

General

Our authorized capital stock consists of 300,000,000 shares of Common Stock, $0.0001 par value per share, and 10,000,000 shares of preferred stock, $0.0001 par value per share. As of December 31, 2021, there were outstanding:

- 63,982,580 shares of our Common Stock held by approximately 149 stockholders of record;
- 5,977,179 shares of our Common Stock issuable upon exercise of outstanding stock options; and
- 15,928,867 shares of our Common Stock issuable upon exercise of outstanding warrants.

The actual number of stockholders is greater than the number of record holders and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

The following description of our capital stock and provisions of our amended and restated certificate of incorporation and amended and restated bylaws are summaries of material terms and provisions and are qualified by reference to our amended and restated certificate of incorporation and amended and restated bylaws, copies of which have been filed with the SEC and are incorporated by reference as exhibits to the Annual Report on Form 10-K for year ended 2021.

Common Stock

Voting Rights

Each holder of our Common Stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders, including the election of directors. Our stockholders do not have cumulative voting rights in the election of directors.

Dividends

Subject to preferences that may be applicable to any then outstanding preferred stock, holders of our Common Stock are entitled to receive dividends, if any, as may be declared from time to time by our board of directors out of legally available funds. However, our current debt instruments restrict our ability to pay dividends.

Liquidation

In the event of our liquidation, dissolution or winding up, holders of our Common Stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then outstanding shares of preferred stock.

Rights and Preferences

Holders of our Common Stock have no pre-emptive, conversion, subscription or other rights, and there are no redemption or sinking fund provisions applicable to our Common Stock. The rights, preferences and privileges of the holders of our Common Stock are subject to and may be adversely affected by the rights of the holders of shares of any series of our preferred stock that we may designate in the future.

Anti-Takeover Effects of Provisions of our Amended and Restated Certificate of Incorporation, our Amended and Restated Bylaws and Delaware Law

Some provisions of Delaware law and our amended and restated certificate of incorporation and our amended and restated bylaws contain provisions that could make the following transactions more difficult: acquisition of us by means of a tender offer; acquisition of us by means of a proxy contest or otherwise; or removal of our incumbent officers and directors. It is possible that these provisions could make it more difficult to accomplish or could deter transactions that stockholders may otherwise consider to be in their best interest or in our best interests, including transactions that might result in a premium over the market price for our shares.

These provisions, summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging these proposals because negotiation of these proposals could result in an improvement of their terms.

Delaware Anti-Takeover Statute

We are subject to Section 203 of the DGCL, which prohibits persons deemed "interested stockholders" from engaging in a "business combination" with a publicly-held Delaware corporation for three years following the date these persons become interested stockholders unless the business combination is, or the transaction in which the person became an interested stockholder was, approved in a prescribed manner or another prescribed exception applies. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status did own, 15% or more of a corporation's voting stock. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the board of directors, such as discouraging takeover attempts that might result in a premium over the market price of our Common Stock.

Undesignated Preferred Stock

The ability to authorize undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of us. These and other provisions may have the effect of deterring hostile takeovers or delaying changes in control or management of our company.

Special Stockholder Meetings

Our amended and restated bylaws provide that a special meeting of stockholders may be called at any time by the board of directors, chief executive officer or president (in the absence of a chief executive officer), but such special meeting may not be called by the stockholders or any other person or persons.

Requirements for Advance Notification of Stockholder Nominations and Proposals

Our amended and restated bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors.

Elimination of Stockholder Action by Written Consent

Our amended and restated certificate of incorporation and our amended and restated bylaws eliminate the right of stockholders to act by written consent without a meeting.

Classified Board; Election and Removal of Directors; Filling Vacancies

Our board of directors is divided into three classes. The directors in each class will serve for a three-year term, one class being elected each year by our stockholders, with staggered three-year terms. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Because our stockholders do not have cumulative voting rights, our stockholders holding a majority of the shares of Common Stock outstanding will be able to elect all of our directors. Our amended and restated certificate of incorporation provides for the removal of any of our directors only for cause and requires a stockholder vote by the holders of at least a 66 2/3% of the voting power of the then outstanding voting stock. Furthermore, any vacancy on our board of directors, however occurring, including a vacancy resulting from an increase in the size of the board, may only be filled by a resolution of the board of directors unless the board of directors determines that such vacancies shall be filled by the stockholders. This system of electing and removing directors and filling vacancies may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us, because it generally makes it more difficult for stockholders to replace a majority of the directors.

Choice of Forum

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the exclusive forum for: any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the DGCL, our amended and restated certificate of incorporation or our amended and restated bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine; provided that, the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Our certificate of incorporation also provides that the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. However, the enforceability of similar federal court choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find this type of provision to be inapplicable or unenforceable. The choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with the combined company or its directors, officers or other employees, which may discourage such lawsuits against the combined company and its directors, officers and other employees.

Amendment of Charter Provisions

The amendment of any of the above provisions, except for the provision making it possible for our board of directors to issue undesignated preferred stock, would require approval by a stockholder vote by the holders of at least a 66 2/3% of the voting power of the then outstanding voting stock, voting together as a single class.

The provisions of the DGCL, our amended and restated certificate of incorporation and our amended and restated bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of our Common Stock that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

Exhibit 10.26

EMPLOYMENT AGREEMENT

This Employment Agreement (this "**Agreement**") is entered into, on this 15th day of October 2021 by and between Venus Concept Inc. (the "**Company**"), and Ross Portaro (the "**Executive**") (together referred to herein as the "**Parties**").

1. **Employment of the Executive; Duties**.

   a. General. Commencing on the Effective Date, the Executive shall be employed by the Company as President, Global Sales, reporting directly to the Chief Executive Officer in accordance with the terms and subject to the conditions set forth in this Agreement.

   b. Position and Duties. The Company desires to employ Executive effective on October 15, 2021, or other date mutually agreed to by the parties (the "**Start Date**"), and in the position set forth in this Section 1, and upon the other terms and conditions herein provided. As President, Global Sales, Executive shall be responsible and oversee the commercial strategy of the Company including global sales of both devices and services (which includes Sales, Clinical Training, Business Development and others as may be needed). Executive shall also serve in such other capacity or capacities as the Company may from time to time prescribe. As a Company employee, Executive will continue to be expected to comply with Company policies.

   c. Location. Executive shall perform services for the Company from the Executive's home office located in Charlotte, North Carolina or with the Company's consent, at any other place in connection with the fulfillment of Executive's role with the Company. Executive is required to travel regularly to other locations in connection with the Company's business.

   d. Exclusivity. Subject to the terms and conditions set forth in this Agreement, the Company agrees to employ Executive as of the date hereof, and Executive hereby accepts such employment and agrees to devote his full time and attention to the business and affairs of the Company, in such capacity or capacities and to perform to the best of his ability such series as shall be determined from time to time by the Chief Executive Officer and the Board of Directors of the Company until the termination of his employment hereunder.

   Further, it is the Company's understanding that there is not any other agreement with a prior employer that would restrict Executive from performing the duties of Executive's position with the Company and Executive represents that such is the case. Moreover, Executive agrees that he has a Duty of Loyalty to the Company. Further, Executive agrees that during his employment with the Company, Executive will not engage in any other employment, occupation, consulting or other business activity directly related to a business involved in the development, manufacturing and/or marketing of non-invasive, minimally invasive aesthetic technologies and other support marketing service or products specific to the business of the Company during Executive's employment (a "**Competing Business**"), nor will Executive engage in any other activities that materially conflict with Executive's obligations with the Company. Notwithstanding the foregoing, Executive may devote reasonable time to unpaid activities such as supervision of personal investments and activities involving professional, charitable, educational, religious, civic and similar types of activities, speaking engagements and membership on committees, *provided* such activities do not individually or in the aggregate interfere with the performance of Executive's duties under this Agreement, violate the Company's standards of conduct then in effect, or raise a conflict under the Company's conflict of interest policies.

2. **Compensation and Related Matters.**

   a. Base Salary. Executive's annual base salary (as may be increased from time to time, "**Base Salary**") will be $300,000, less payroll deductions and all required withholdings, payable in accordance with the Company's normal payroll practices. The Company shall review Executive's Base Salary periodically and any increase to Executive's Base Salary, if any, will be made solely at the discretion of the Company.

   b. Commission. Executive will be eligible to receive a performance commission with a target of seventy-five percent (75%) of Executive's then Base Salary (the "**Commission**"). Commission shall be paid quarterly on a pro-rata basis and shall be calculated based on achievement of quarterly Company revenue targets. For greater clarity, if quarterly target was $10 million USGAAP revenue, and Executive's team achieved $8 million, Executive would be eligible to receive 80% of the maximum available quarterly bonus. For the purposes of this example, Executive's maximum quarterly commission (quarterly base salary x 75%) is $56,250; achievement of 80% of the quarterly revenue target would result in a commission of $45,000 for the quarter ($56,250 x 80%).

   c. Annual Discretionary Bonus. Executive will be eligible to receive a discretionary annual performance bonus, based upon the annual board approved President, Global Sales "scorecard" system with a target achievement of twenty (20%) of Executive's then-Base Salary (the "**Annual Bonus**"). Any Annual Bonus amount payable shall be based on the achievement of personal and Company performance goals to be established by the Company and its Board of Directors after consultation with Executive at the start of each fiscal year. The Chief Executive Officer shall review Executive's Annual Bonus periodically. Any Annual Bonus earned for the current fiscal year during the Effective Date shall be pro-rated for the partial year of service. Executive hereby acknowledges and agrees that nothing contained herein confers upon Executive any right to an Annual Bonus in any calendar year, and that whether the Company pays Executive an Annual Bonus will be determined by the Board of Directors. Executive must be employed with the Company at the time the Annual Bonus is paid in order for the Annual Bonus to be earned. Any Annual bonus earned by Executive pursuant to this section shall be paid to Executive, according to Company policy and after Board approval following the end of the fiscal year to which the Annual Bonus relates.

   d. Super Bonus. Executive will be eligible to receive an annual performance super bonus of $50,000, based upon achieving 110% or more

of the Company's annual USGAAP Revenue target for a given fiscal year (the "**Annual Super Bonus**"). Any Annual Super Bonus earned for the current fiscal year during the Effective Date shall be pro-rated for the partial year of service. Executive hereby acknowledges and agrees that nothing contained herein confers upon Executive any right to an Annual Super Bonus in any calendar year, and that whether the Company pays Executive an Annual Super Bonus will be determined by the CEO. Executive must be employed with the Company at the time the Annual Super Bonus is paid in order for the Annual Super Bonus to be earned. Any Annual Super Bonus earned by Executive pursuant to this section shall be paid to Executive, according to Company policy and after CEO approval following the end of the fiscal year to which the Annual Super Bonus relates.

e. Housing Allowance. Executive will be eligible to receive a housing allowance of

$4,800 per month until December 2021.

f. Relocation Allowance. In acceptance of this offer, Executive agrees to relocate to the United States in early 2022 and as such Executive will be eligible to receive relocation allowance in the amount of $25,000. Relocation allowance will be used to reimburse for actual expenses incurred in the relocation supported by invoices/receipts. In the event you terminate your employment with the Company or the Company terminates your employment on a "with cause" basis within two (2) years of the Start Date, you will be required to repay the Company the full amount of the relocation allowance used and you expressly agree that such amount can be off- set and withheld from any amounts accrued and payable to you up to such termination date. The Company and Executive will reconcile relocation expenses with receipts in and around March 31, 2022.

g. Equity Plan. Executive will receive 200,000 stock options upon approval by the Board of Directors. The price of the options shall be equal to the Fair Market Value pursuant to the 2019 Incentive Award Plan (as amended from time to time). The options will vest quarterly over 4 years. You will receive separate documentation to reflect the detailed terms of the 2019 Incentive Award Plan. Executive shall be entitled to participate in the Company's ongoing equity incentive program, as may exist and/or be amended from time to time and receive grants as determined by the Board of Directors in its discretion.

h. Benefits. Prior to returning to the United States, Executive will continue to be covered under the current Medical Insurance plan in Spain and Venus Concept Inc. will cover the cost. Upon returning to the United States in 2022, Executive may participate in such employee and executive benefit plans and programs as the Company may from time to time offer to provide to its executives, subject to the terms and conditions of such plans. Notwithstanding, nothing herein is intended, or shall be construed, to require the Company to institute or continue any, or any particular, plan or benefits.

i. Vacation. Executive shall be entitled to 4 weeks' vacation, and sick leave, holidays and other paid time-off benefits provided by the Company from time to time that are applicable to the Company's executive officers in accordance with Company policy. The opportunity to take paid time off is contingent upon Executive's workload and ability to manage Executive's schedule.

j. Business Expenses. The Company shall reimburse Executive for all reasonable and necessary business expenses incurred in the conduct of Executive's duties hereunder in accordance with the Company's expense reimbursement policies. In addition, the Company shall continue to reimburse or directly pay the costs incurred by Executive for any reasonable travel expenses and reasonable accommodations. The expenses referred to in this Section 2(g) shall be paid directly by the Company or reimbursed upon Executive's submission of receipts and proper expense reports in such form as may be required by the Company consistent with the Company's policies in place from time-to-time. The Executive will be entitled to travel lowest fare business class for any trips greater than 5 hours in length.

k. Communication Allowance. The Executive will be entitled to receive $200.00 per month as a communication allowance intended to cover home phone, home internet, cellular expenses and any other communication expenses.

l. Indemnification. The Company and Executive shall be bound by a mutually acceptable Indemnification Agreement to be entered into between Executive and the

Company. In addition, the Company agrees to maintain Directors and Officers Liability Insurance providing a level of protection of no less than $15,000,000 for so long as Executive serves as a director and/or officer of the Company.

3. Termination.

a. At-Will Employment. Executive's employment shall continue to be "at-will," as defined under applicable law. This means that it is not for any specified period of time and can be terminated by Executive or by the Company at any time, with or without advance notice, and for any or no particular reason or cause. It also means that the Executive's job duties, title and responsibility and reporting level, work schedule, compensation and benefits, as well as the Company's personnel policies and procedures are subject to change by the Company with prospective effect, with or without notice, at any time, except as prohibited by law. This "at-will" nature of Executive's employment shall remain unchanged during Executive's tenure as an employee and may not be changed, except in an express writing signed by Executive and a duly authorized member of the Company (other than the Executive). If Executive's employment terminates for any reason, Executive shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement.

b. Deemed Resignation. Upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all offices and directorships, if any, then held with the Company or any of its affiliates, and, at the Company's request, Executive shall execute such documents as are necessary or desirable to effectuate such resignations.

4. Obligations At Termination:

a. Executive's Obligations. Executive hereby acknowledges and agrees that all Personal Property (as defined below) and equipment furnished to, or prepared by, Executive in the course of, or incident to, Executive's employment, belongs to the Company and shall be promptly returned to the Company upon termination of Executive's employment (and will not be kept in Executive's possession or delivered to anyone else). For purposes of this Agreement, "**Personal Property**" includes, without limitation, all books, manuals, records, reports, notes, contracts, lists, blueprints, and other documents, or materials, or copies thereof (including computer files), keys,

building card keys, company credit cards, telephone calling cards, computer hardware and software, cellular and portable telephone equipment, personal digital assistant ("**PDA**") devices, and all other proprietary information relating to the business of the Company or its subsidiaries or affiliates. Following termination, Executive shall not retain any written or other tangible material containing any proprietary information of the Company or its subsidiaries or affiliates. In addition, Executive shall continue to be subject to the Confidential Information Agreement. The representations and warranties contained herein and Executive's obligations under Subsection 4(a) and the Confidential Information Agreement (the terms of which are incorporated herein) shall survive the termination of Executive's employment and the termination of this Agreement.

b. Payments of Accrued Obligations upon Termination of Employment. Upon a termination of Executive's employment for any reason, Executive (or Executive's estate or legal representative, as applicable) shall be entitled to receive, within 10 (ten) days after the date of termination of Executive's employment with the Company (or such earlier date as may be required by applicable law); (i) any portion of Executive's Base Salary earned through Executive's date of termination of

employment not theretofore paid, (ii) any expenses owed to Executive under Section 2(g) above, (iii) any accrued but unused vacation pay owed to Executive pursuant to Section 2(f) above, and (iv) any amount arising from Executive's participation in, or benefits under, any employee benefit plans, programs or arrangements under Section 2(e) above, which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs or arrangements.

c. Termination Other Than During A Change in Control Period. In the event that Executive's employment is involuntarily terminated by the Company other than during a Change In Control (as hereinafter defined) and other than for Cause, and if Executive, executes a general release of all claims against the Company and its affiliates in a form acceptable to the Company (a "**Release of Claims**") within 60 days following such involuntary termination, then in addition to any accrued obligations payable under Section 4(b) above, the Company shall provide Executive with the following:

i. Severance. Executive shall be entitled to receive severance in an amount equal to six (6) months of Executive's then-existing annual Base Salary in effect as of Executive's termination date, less applicable withholdings, and payable in cash lump sum on the first regular payroll date following the 60 day anniversary date of Executive's separation from service, subject to Section 9, below. Such amount will be subject to applicable withholdings and payable in a single lump sum cash payment on the first regular payroll date following the 60-day anniversary date of Executive's separation from service, subject to Section 9(b), below.

ii. Benefits Continuation. The Company shall continue Executive's participation in group benefits plans sponsored by the Company, subject to the terms and conditions of such plans, for the period commencing on the date of termination of Executive's employment through the earlier of (A) the last day of the third calendar month following the date of termination of Executive's employment and (B) the date Executive and Executive's covered dependents, if any, become eligible for coverage under another employer's plan(s). Executive shall notify the Company immediately if Executive becomes covered by a group plan of a subsequent employer.

d. Covered Termination On or After a Change in Control Period. If Executive experiences a Covered Termination on or after a Change in Control Period, and if Executive executes a Release of Claims, following such Covered Termination, then in addition to any accrued obligations payable under Section 4(b) above, the Company shall provide Executive with the following:

i. Severance. Executive shall be entitled to receive severance in an amount equal to six (6) months of the Executive's then existing monthly Base Salary. Additionally, Executive will receive one (1) times Executive's target Annual Bonus assuming achievement of performance goals at target, pro rata, in each case as in effect as of the Executive's termination date. Such amount will be subject to applicable withholdings and payable in a single lump sum cash payment on the first regular payroll date following the 60-day anniversary date of Executive's separation from service, subject to Section 9(b) below.

ii. Equity Awards. The provisions of each applicable equity incentive plan and outstanding equity award agreement, including, without limitation, each stock option and restricted stock award agreement shall apply and govern the treatment of such awards in the event Executive's employment is terminated

during a Change in Control Period.

iii. Benefits Continuation. The Company shall continue Executive's participation in group benefits plans sponsored by the Company, subject to the terms and conditions of such plans, for the period commencing on the date of termination of Executive's employment through the earlier of (A) the last day of the ninth full calendar monthly following the date of termination of Executive's employment and (B) the date Executive and Executive's covered dependents, if any, become eligible for coverage under another employer's plan(s). Executive shall notify the Company immediately if Executive becomes covered by a group plan of a subsequent employer.

e. Termination for Cause. The Company may terminate the Executive's employment at any time, for Cause, without notice or any payment in lieu thereof, and upon payment of the accrued obligations payable under Section 4(b) above, shall have no further obligations to the Executive.

f. Non-Solicitation. Executive further agrees that he will not (i) solicit, induce, entice or attempt to entice any employee or contractor of the Company who was an employee or contractor of the Company within the twelve (12) months preceding the date of termination of *the* Executive's employment, to terminate his or her employment, contractual, or other relationship with the Company.

g. Full and Final Satisfaction; No Other Obligations. The payments and benefits provided under this Section 4 shall be inclusive of all of Executive's statutory entitlements to notice or pay in lieu thereof and severance pay, if any, and will be provided to Executive in full and final satisfaction of his entitlements to notice, pay in lieu of notice, severance, and any other payments or benefits arising from Executive's employment and termination thereof, pursuant to contract, tort, statute, common law, or otherwise. The provisions of this Section 4 shall supersede in their entirety any severance payment or other arrangement provided by the Company, including, without limitation, any prior agreement and any severance plan/policy of the Company.

h. No Requirement to Mitigate; Survival. Executive shall not be required to mitigate the amount of any payment provided for under this Agreement by seeking other employment or in any other manner. Notwithstanding anything to the contrary in this Agreement, the termination of Executive's employment shall not impair the rights or obligations of any Party.

5. Successors.

a. Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this Section 5(a) or which becomes bound by the terms of this Agreement by operation of law.

b. Executive's Successors. The terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or

legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees

6. Notices. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or one day following mailing via Federal Express or similar overnight courier service. In the case of Executive, mailed notices shall be addressed to Executive at Executive's home address that the Company has on file for Executive. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of the General Counsel of the Company.

7. Miscellaneous Provisions.

a. Work Eligibility; As a condition of Executive's employment with the Company, Executive will be required to provide evidence of Executive's identity and eligibility for employment in the United States. It is required that Executive brings the appropriate documentation with Executive at the time of employment.

b. Confidentiality Agreement. As a condition of Executive's employment Executive agrees to execute a Confidential Information Agreement between Executive and the Company which meets approval of the Company.

c. Withholdings and Offsets. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, provincial, local or foreign withholding or other taxes or charges which the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise. If Executive is indebted to the Company on the date of his or her termination of employment, the Company reserves the right to offset any payments in lieu of notice under this Agreement by the amount of such indebtedness.

d. Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

e. Whole Agreement. This Agreement and the Confidential Information Agreement represent the entire understanding of the parties here to with respect to the subject matter hereof and supersede all prior arrangements and understandings regarding same, including, without limitation, any prior employment agreement with the Company or one of its subsidiaries, or severance plan of the Company.

f. Amendment. This Agreement cannot be amended or modified except by a written agreement signed by Executive and an authorized member of the Company.

g. Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of North Carolina.

h. Severability. The finding by a court of competent jurisdiction of the unenforceability, invalidity or illegality of any provision of this Agreement shall not render any other provision of this Agreement unenforceable, invalid or illegal, and such unenforceable, invalid or illegal provision shall be deemed severed from this Agreement and the remaining terms shall continue in full force and effect.

i. Interpretation: Construction. The headings set forth in this Agreement are for convenience of reference only and shall not be used in interpreting this Agreement. This Agreement was drafted by legal counsel representing the Company, but Executive has been encouraged to consult with, and has consulted with, Executive's own independent counsel and tax advisors with respect to the terms of this Agreement. The parties hereto acknowledge that each party hereto and its counsel has reviewed and revised, or had an opportunity to review and revise, this Agreement, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

j. Representations; Warranties. Executive represents and warrants that Executive is not restricted or prohibited, contractually or otherwise, from entering into and performing each of the terms and covenants contained in this Agreement, and that Executive 's execution and performance of this Agreement will not violate or breach any other agreements between Executive and any other person or entity and that Executive has not engaged in any act or omission that could be reasonably expected to result in or lead to an event constituting "Cause" for purposes of this Agreement.

k. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

8. **Release**. The Company shall be entitled as a condition to paying any severance pay or providing any benefits hereunder upon a termination of the Executive's employment to require the Executive to deliver on or before the making of any severance payment or providing of any benefit, a release in the form and substance acceptable to the Company. Unless otherwise required by applicable law, the release must be executed and become effective and irrevocable within thirty (30) days of the Executive's Date of Termination.

9. **Accounting: This section is intended to apply to individuals who may be subject to Section 280G of the Code.**

   a. Definitions for this Section:

      i. "Accounting Firm" means the accounting firm of national recognized standing selected by the Corporation promptly upon a Change-of-Control

      ii. "Agreement Payment" shall mean a Payment paid or payable pursuant to this Agreement (disregarding this Section 10);

      iii. "Net After Tax Receipts" shall mean the Present Value of a Payment net of all taxes imposed on the Executive with respect thereto under Sections 1 and 4999 of the Code determined by applying the highest marginal rate under Section 1 of the Code applicable to the Executive's taxable income for such year;

      iv. "Payment" shall mean any payment or distribution by the Corporation or its subsidiaries and affiliates in the nature of compensation to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise;

      v. "Present Value" shall mean such value determined in accordance with Section 280G(d)(4) of the Code; and

      vi. "Reduced Amount" shall mean the greatest aggregate amount of Payments, if any, which (x) is less than the sum of all Payments and (y) results in aggregate Net After Tax Receipts which are greater than the Net After Tax Receipts which would result if the aggregate Payments were made.

   b. Anything in this Agreement to the contrary notwithstanding, in the event that the Accounting Firm shall determine that receipt of all Payments would subject the Executive to tax under Section 4999 of the Code, it shall determine whether some amount of Payments would meet the definition of a "Reduced Amount." If the Accounting Firm determines that there is a Reduced Amount, the aggregate Agreement Payments shall be reduced to such Reduced Amount; provided, however, that if the Reduced Amount exceeds the aggregate Agreement Payments, the aggregate Payments shall, after the reduction of all Agreement Payments, be reduced (but not below zero) in the amount of such excess. The total reduction to the Agreement Payments and such other Payments required under this Section 10 necessary to achieve the "Reduced Amount" shall be made against Agreement Payments and such other Payments that are exempt or otherwise excepted from Section 409A (but excluding stock options and other stock rights). All determinations to be made by the Accounting Firm under this Section 10 shall be binding upon the Corporation and the Executive and shall be made within five (5) days of a Change in Control and, in addition, the subsequent occurrence of any event that requires the Corporation to make payments to the Executive under Section 4(d) of this Agreement. No later than two (2) business days following the making of any such determination by the Accounting Firm, the Corporation shall pay to or distribute for the benefit of the Executive such Payments when and as due to the Executive under this Agreement or any other agreement. The Corporation or its successor shall be responsible for the fees, costs and expenses of the Accounting Firm.

   c. While it is the intention of the Corporation and the Executive to reduce the amounts payable or distributable to the Executive hereunder only if the aggregate Net After Tax Receipts to the Employee would thereby be increased, as a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that amounts will have been paid or distributed by the Corporation to or for the benefit of the Executive pursuant to this Agreement which should not have been so paid or distributed ("Overpayments") or that additional amounts which will not have been paid or distributed by the Corporation to or for the benefit of the Executive pursuant to this Agreement could have been so paid or distributed (an "Underpayment"), in each case, consistent with the calculation of the Reduced Amount hereunder. In the event that the Accounting Firm, based either upon the assertion of a deficiency by the Internal Revenue Service against the Corporation or the Employee which the Accounting Firm believes has a high probability of success or controlling precedent or other substantial authority, determines that an Overpayment has been made, any such Overpayment paid or distributed by the Corporation to or for the benefit of the Employee shall be treated for all purposes as a loan *ab initio* to the Executive which the Executive shall repay to the Corporation together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code; provided, however, that no such loan shall be deemed to have been made and no amount shall be payable by the Executive to the Corporation if and to the extent such deemed loan and payment would not either reduce the amount on which the Executive is subject to tax under Section 1 and Section 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or other substantial authority, makes a final determination that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Corporation to or for the benefit of the

      Executive together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code.

10. **Section 409A**. With respect to U.S. taxpayers, or others who may be subject to Section 409A of the Code, the intent of the parties is that the payments and benefits under this Agreement comply with or be exempt from Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date, ("**Section 409A**") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If the Company determines that any provision of this Agreement would cause Executive to incur any additional tax or interest under Section 409A (with specificity as to the reason therefor), the Company and Executive shall take commercially reasonable efforts to reform such provision to try to comply with or be exempt from Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Section 409A, *provided* that any such modifications shall not increase the cost or liability to the Company. To the extent that any provision hereof is modified in order to comply with or be exempt from Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to Executive and the Company of the applicable provision without violating the provisions of Section 409A.

   a. Separation from Service. Notwithstanding any provision to the contrary in this Agreement, no amount deemed deferred compensation subject to Section 409A of the Code shall be payable pursuant to Section 4 unless Executive's termination of employment constitutes a

"separation from service" with the Company within the meaning of Section 409A ("Separation from Service") and, except as provided under Section 11(b) of this Agreement, any such amount shall not be paid, or in the case of installments, commence payment, until the sixtieth (60th) day following Executive's Separation from Service. Any installment payments that would have been made to Executive during the sixty (60) day period immediately following Executive's Separation from Service but for the preceding sentence shall be paid to Executive on the sixtieth (60th) day following Executive's Separation from Service and the remaining payments shall be made as provided in this Agreement.

b. Specified Employee. Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed at the time of his or her Separation from Service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (i) the expiration of the six (6)-month period measured from the date of Executive's Separation from Service or

(ii) the date of Executive's death.

c. Expense Reimbursements. To the extent that any reimbursements payable pursuant to this Agreement are subject to the provisions of Section 409A, any such reimbursements payable to Executive pursuant to this Agreement shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred, the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, and Executive's right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

d. Installments. For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive's right to receive any installment payments under this Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment.

11.

Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

a. Company. The "Company" means Venus Concept, Inc.

b. Board. The "Board" means the Company's board of directors.

c. Cause. "Cause" means (i) theft or falsification of any employment or Company records committed by Executive that is not trivial in nature; (ii) malicious or willful, reckless disclosure by Executive of the Company's confidential or proprietary information; (iii) commission by Executive of any immoral or illegal act or any gross or willful misconduct where a majority of the non-employee members of the Board reasonably determines that such act or misconduct has (A) seriously undermined the ability of the Board to entrust Executive with important matters or otherwise work effectively with Executive, (B) contributed to the Company's loss of significant revenues or business opportunities, or (C) significantly and detrimentally affected the business or reputation of the Company or any of its subsidiaries; and/or (iv) the willful failure or refusal by Executive to follow the reasonable and lawful directives of the Board, *provided* such failure or refusal continues after Executive's receipt of reasonable notice in writing of such failure or refusal and an opportunity of not less than thirty (30) days to correct the problem. Anything herein to the contrary notwithstanding, no act, or failure to act, on Executive's part shall be considered "willful" unless it is done, or omitted to be done, by Executive without a good faith belief that Executive's action or omission was in, or not opposed to, the best interests of the Company.

d. Change in Control. "Change in Control" shall have the meaning set forth in the Company's 2019 Incentive Award Plan, as amended from time to time. Notwithstanding the foregoing, if and to the extent that a Change in Control is the payment trigger for amounts of deferred compensation under this Agreement, then the Change in Control must also constitute a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5) to the extent required by Section 409A. The Company shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto; *provided* that any exercise of authority is in conjunction with a determination of whether a Change in Control is a "change in control event" as defined in Treasury Regulation Section 1.409A-3(i)(5) shall be consistent with such regulation.

e. Change in Control Period. "Change in Control Period" means the period of time commencing three (3) months prior to a Change in Control and ending twelve (12) months following the Change in Control.

f. Covered Termination. "Covered Termination" shall mean the Executive's Separation from Service by the Company for any reason other than for Cause or by the Executive for Good Reason.

g. Good Reason. "Good Reason" means Executive' s right to resign from employment with the Company after providing written notice to the Company within sixty (60) days after one or more of the following events occurs without Executive's consent provided such event remains uncured thirty (30) days after Executive delivers to the Company written notice thereof: (i) a material reduction in Executive's authority, duties and responsibilities as President, Global Sales, including a material reduction of authority, duties and responsibilities which results from Executive no longer serving as an officer of the Company; (ii) a material reduction by the Company in Executive's Base Salary in effect immediately prior to such reduction; or (iii) the failure of any entity that acquires all or substantially all of the assets of the Company in a Change in Control to assume the Company's obligations under this Agreement. Executive must terminate his employment within 90 days of the initial existence of the Good Reason condition.

h. Incumbent Directors "Incumbent Directors" shall mean for any period of 12 consecutive months, individuals who, at the beginning of such period, constitute the Board together with any new Director(s) (other than a Director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in Section 2.8(a) or 2.8(c)) of the Restoration Robotics, Inc. (now Venus Concept Inc.) 2019 Incentive Award Plan whose election or nomination for election to the Board was approved by a vote of at least a majority (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for Director without objection to such nomination) of the Directors then still in office who either were Directors at

the beginning of the 12- month period or whose election or nomination for election was previously so approved. No individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to Directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be an Incumbent Director.

(Signature page follows)

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year set forth below.

VENUS CONCEPT, INC.

By: /s/ Domenic Serafino Name: Domenic Serafino

Title: Chief Executive Officer

Date: Oct 8, 2021

ROSS PORTARO

Signed: /s/ Ross Portaro

Date: Oct 8, 2021

THIS LEASE AGREEMENT is made between Landlord and Tenant as of the Effective Date below.

1. General Defined Terms.

a)	**Effective Date:**	/D1/_____	
b)	**Landlord:**	AMB Tripoint, LLC	
c)	**Landlord Notice Address:**	Prologis 3353 Gateway Blvd Fremont, California 94538-6512	*With copy to:* Prologis 1800 Wazee Street Suite 500 Denver, Colorado 80202 Attn: General Counsel
d)	**Tenant:**	Venus Concept, Inc.	
e)	**Tenant Notice Address:**	Venus Concept Inc. 235 Yorkland Blvd. Suite 900 Toronto, Ontario M2J 4Y8 Attn: General Counsel	*With copy to:* legal@venusconcept.com
f)	**Premises:**	That portion of the Building containing approximately 30,011 rentable square feet as shown on Exhibit A.	
g)	**Building:**	North San Jose 21 1800 Bering Drive San Jose, CA 95112	
h)	**Project:**	Prologis North San Jose	
i)	**Tenant's Proportionate Share of the Building:**	100.00%	
j)	**Tenant's Proportionate Share of the Project:**	18.91%	
k)	**Lease Term:**	Beginning on the Commencement Date and ending on the day which is 66 full calendar months following the Commencement Date (the "Expiration Date").	
l)	**Commencement Date:**	Upon Substantial Completion of the Initial Improvements, estimated to be November 1, 2021.	
m)	**Monthly Base Rent:**		

Period	**Monthly Base Rent**
Month 1 through Month 6	*USD$52,519.25
Month 7 through Month 12	USD$52,519.25
Month 13 through Month 24	USD$54,094.83
Month 25 through Month 36	USD$55,717.67
Month 37 through Month 48	USD$57,389.20
Month 49 through Month 60	USD$59,110.88
Month 61 through Month 66	USD$60,884.20

*Monthly Base Rent is abated during this period. Operating Expenses will be due as provided in the Lease during this period.

n)	**Initial Estimated Monthly Operating Expenses:**	Taxes:	USD$6,416.35
		Common Area Expense:	USD$4,030.48
		Insurance:	USD$702.26
		Amortized CAM Recoveries (ACR):	USD$0.00

Management Fee:

USD$1,908.70

Total:

USD$13,057.79

o)	**Security Deposit:**	USD$73,943.00 in the form of Cash
p)	**Landlord Broker:**	Cushman & Wakefield, Inc. Cushman & Wakefield, Inc. Cushman & Wakefield, Inc.
q)	**Tenant Broker:**	Hughes Marino
r)	**Guarantor:**	
s)	**Exhibits:**	Exhibit A - Site Plan Exhibit B - Project Rules and Regulations Exhibit C - Commencement Date Certificate Exhibit D - Move-out Conditions Exhibit E - HVAC Maintenance Contract Exhibit F - Construction (Turnkey) Exhibit G - One Renewal Option at Market

2. **Granting Clause**. In consideration of the obligation of Tenant to pay rent and of the other terms, covenants, and conditions as herein provided, Landlord leases to Tenant, and Tenant takes from Landlord, the Premises, for the Lease Term, subject to the terms, covenants and conditions of this Lease. Tenant hereby represents and warrants to Landlord that the individual executing this Lease on behalf of Tenant has the full right and authority to enter into this Lease in accordance with the terms hereof, and all corporate action necessary to do so has been duly taken, and no further action or approval is required in order to constitute this Lease as a binding and enforceable obligation of Tenant.

3. **Acceptance of Premises**. Tenant accepts the Premises in its condition as of the Commencement Date, subject to all applicable laws, ordinances, regulations, covenants and restrictions. Landlord has made no representation or warranty as to the suitability of the Premises for the conduct of Tenant's business, and Tenant waives any implied warranty that the Premises are suitable for Tenant's intended purposes. Except as otherwise expressly provided in this Lease, Landlord shall not have any obligation for any defects in the Premises or any limitation on its use. No later than 10 days after the Commencement Date, Tenant shall execute and deliver to Landlord a Commencement Date Certificate in the form of Exhibit C. Any occupation of the Premises by Tenant prior to the Commencement Date shall be subject to all obligations of Tenant under this Lease except for the payment of Base Rent and Operating Expenses.

Subject to the vacation of the Premises by the existing tenant, if any, Landlord shall allow Tenant access to the Premises upon vacation of the Premises by the existing tenant, if any, for purposes of preparing the Premises for the commencement of Tenant’s normal business operations, subject to applicable ordinances and building codes governing Tenant’s right to occupy or perform in the Premises (“Early Occupancy”). During such Early Occupancy period prior to the Commencement Date, Tenant shall be bound by its obligations under the Lease, including the obligation to provide evidence of insurance, but shall not be obligated to pay the Monthly Base Rent payable by Tenant to Landlord as set forth in the Lease.

Landlord represents and warrants that as of the Commencement Date the Premises’ roof, HVAC, electrical, lighting, plumbing, fire sprinkler and other mechanical systems are in good working order.

4. **Use**. The Premises shall be used only for the purpose of general office administration, research and development, light manufacturing, storage, receiving, storing, shipping and selling (but specifically excluding retail selling) products, and for such other lawful purposes incidental thereto. Tenant shall not conduct any auction, liquidation, or similar activities at the Premises, and will use the Premises, Building, and Project in a safe manner and will not commit waste, overload the floor or structure of the Premises, or subject the Premises to use that would damage the Premises. Tenant shall not permit any outside storage, nuisance or objectionable odors, noise, or vibrations to emanate from the Premises. Tenant shall use the Premises in compliance with all federal, state, local, and municipal laws, orders, judgments, ordinances, regulations, codes, permits, licenses, covenants and restrictions now or hereafter applicable to the Premises (collectively, "Legal Requirements"). The Premises shall not be used as a place of public accommodation under the Americans With Disabilities Act, similar state statutes, local ordinances, or any related regulations, as may be amended from time to time. The Premises shall not be used for residential purposes. Tenant shall, at its expense, make any alterations or modifications to the Premises or Project that are required by Legal Requirements as a result of Tenant's use or occupation of the Premises. Except as otherwise expressly provided herein, any occupation of the Premises by Tenant prior to the Commencement Date shall be subject to all obligations of Tenant under this Lease.

Subject to Legal Requirements (as hereinafter defined) during the Lease Term, Tenant shall be entitled to access of the Premises 24 hours per day, seven days per week, 365 days per year.

5. **Base Rent**. The first month's Base Rent and Operating Expenses shall be due and payable upon execution of this Lease, which amounts shall be applied to the first month when such amounts become due and payable. Tenant shall pay to Landlord in advance, without demand, subsequent monthly installments of Base Rent on, or before, the first day of each calendar month following the Commencement Date (prorated for any fractional calendar month). All payments by Tenant to Landlord (or to such other party or at such location as Landlord may from time to time specify in writing) shall be made by Electronic Fund Transfer or Automated Clearing House. The obligation of Tenant to pay Base Rent, Operating Expenses and other sums to Landlord and the obligations of Landlord under this Lease are independent obligations. Tenant shall not abate, reduce, or set-off any amounts due and payable hereunder except as may be expressly provided in this Lease. If Tenant is delinquent in any monthly installment of Base Rent, Operating Expenses, or other amount due and payable herein beyond 5 days after the due date thereof, and after notice as provided below, Tenant shall pay to Landlord on demand a late charge equal to eight percent (8%) of such delinquent sum. Tenant shall not be obligated to pay the late charge until Landlord has given Tenant 5 days written notice of the delinquent payment (which may be given at any time during the delinquency); provided, however, that such notice shall not be required more than once in any 12-month period. The provision for such late charge shall be in addition to all of Landlord's other rights and remedies hereunder or at law and shall not be construed as a penalty or as limiting Landlord's remedies in any manner.

6. **Operating Expenses.** During each month of the Lease Term, on the same date that Base Rent is due, Tenant shall pay Landlord an amount equal to 1/12 of the annual cost, as estimated by Landlord from time to time, of Tenant's Proportionate Share (hereinafter defined) of Operating Expenses for

the Project or Building. Payments for any fractional calendar month shall be prorated. The term "Operating Expenses" means all costs and expenses incurred by Landlord directly from the ownership, maintenance, and operation of the Project including, but not limited to costs of: Taxes (hereinafter defined); insurance; utilities; maintenance, repair and replacement of all portions of the Building, Premises, and Project, including without limitation, paving and parking areas, roads, non-structural components of exterior walls, non-structural components of the roofs (including the roof membrane), alleys, and driveways, mowing, landscaping, snow removal, exterior painting, utility lines, fire sprinklers and fire protection systems, the current amortized portion of any capital repairs and replacements of all portions of the Building, Premises, and Project, heating, ventilation and air conditioning systems (as defined below), lighting, electrical systems and other mechanical and building systems; amounts paid to contractors and subcontractors for work or services performed in connection with any of the foregoing; charges or assessments of any association to which the Project is subject; a property management or administration fee payable to a property manager, including Landlord, or any affiliate of Landlord, equal to three (3%) percent of gross receipts due and payable by Tenant to Landlord under this Lease; a deductible for all-risk property insurance not to exceed USD$25,000; security services, if any; trash collection, sweeping and debris removal; and additions or alterations made by Landlord to the Project or the Building in order to comply with Legal Requirements (other than those expressly required herein to be made by Tenant) or that are appropriate to the continued operation of the Project or the Building as an industrial/warehouse facility in the market area, provided that the cost of additions or alterations that are required to be capitalized for federal income tax purposes shall be amortized on a straight line basis over a period equal to the useful life thereof as determined by Generally Accepted Accounting Principles.

Operating Expenses do not include (a) debt service under mortgages or ground rent under ground leases; (b) leasing commissions, or the costs of renovating space for tenants; (c) repairs, alterations, additions, improvements or replacements made to rectify or correct any defect in the design, materials or workmanship of the Premises, the Building or the Project; (d) costs of repairs, restoration, replacements or other work occasioned by (i) fire, windstorm or other casualty (including the costs of any deductibles paid by Landlord) and either (aa) payable (whether paid or not) by insurance required to be carried by Landlord under this Lease, or (bb) otherwise paid by insurance then in effect obtained by Landlord (ii) the adjudicated negligence or adjudicated intentional tort of Landlord, or any representative, employee or agent of Landlord, (iii) the act of any other tenant in the Premises, the Building or the Project, or any other tenant’s agents, employees, licensees or invitees to the extent the applicable cost is, in the Landlord’s reasonable judgment, practically recoverable from such person; (e) costs incurred (less costs of recovery) for any items to the extent such amounts are recoverable by Landlord under a manufacturer’s, materialman’s, vendor’s or contractor’s warranty; (f) non-cash items, such as deductions for depreciation and amortization of the Premises, the Building or the Project and the Premises, the Building or the Project equipment, or interest on capital invested; (g) legal fees, accountants’ fees and other expenses incurred in connection with (i) the negotiation of and entry into any lease or other arrangements with other tenants of the Premises, Building or Project, and (ii) disputes with other tenants or occupants of the Premises, the Building or the Project or associated with defense of Landlord’s title to or interest in the Premises, the Building or the Project or any part thereof; (h) costs incurred due to violation by Landlord or any other tenant in the Premises, the Building or the Project of the terms and conditions of any lease; (i) the cost of any service provided to Tenant or other occupants of the Premises, the Building or the Project for which Landlord is entitled to be reimbursed; (j) charitable or political contributions; (k) interest, penalties or other costs arising out of Landlord’s failure to make timely payments of its obligations; (l) costs, expenses, depreciation or amortization for repairs and replacements required to be made by Landlord under Paragraph 11 of this Lease, (m) expenses in connection with services or other benefits which are not offered to Tenant or for which Tenant is charged for directly but which are provided to another tenant or occupant of the Building; or (n) costs incurred by Landlord due to the violation by Landlord of any law, code, regulation, or ordinance.

No later than 90 days following the first day of each calendar year during the Lease Term, Landlord shall deliver to Tenant an Operating Expense Reconciliation Invoice (“Invoice”) and an Operating Expense Summary Report listing the Operating Expenses for the prior year of the Lease Term (“Report”). Provided (x) no Event of Default exists under this Lease, (y) no payments of Base Rent, Operating Expenses, or other amounts due under the Lease are outstanding, and (z) Tenant has a reasonable belief that the Invoice and Report contain an error to the detriment of Tenant, Tenant, at its sole cost and expense, shall have the right to examine property invoices evidencing such costs and expenses as provided in the Invoice and Report which Tenant believes to be in error as more specifically provided herein. Such review of Landlord’s property invoices may occur not more than once per year at Landlord’s local market office during reasonable business hours. Landlord agrees to make the property invoices pertaining to those items which Tenant reasonably believes to be in error, a copier and conference room available to Tenant for a period not to exceed one week to examine such property invoices. In the event Tenant desires to exercise the foregoing right, Tenant shall deliver written notice of Tenant’s intent to review the property invoices, and shall identify the item(s) contained in the Invoice and Report which Tenant believes to be in error, no later than thirty (30) days following Tenant’s receipt of the Invoice and Report. Time is of the essence with regards to the delivery of such notice. Upon Landlord’s receipt of Tenant’s notice, Landlord and Tenant shall work in good faith to schedule a time and date for such property invoice examination which shall be acceptable to both parties. In the event that Tenant accurately determines that the Invoice and Report contain an error to the detriment of Tenant, Landlord shall immediately provide a revised Invoice and Report to Tenant. If Tenant has already paid the Invoice, Landlord will provide a credit against Tenant’s obligations to pay Base Rent the amount overpaid by Tenant. Tenant shall keep any information gained from such examination confidential and shall not disclose it to any other party, except as required by law. If requested by Landlord, Tenant shall be required to sign a confidentiality agreement as a condition of Landlord making Landlord’s invoices available for inspection. Notwithstanding anything contained herein to the contrary, in no event shall Tenant retain any person paid on a contingency fee basis to act on behalf of Tenant with regards to the forgoing rights to review the property invoices and Landlord shall have no obligation to allow any such representative paid on a contingency fee basis access to Landlord’s records. Notwithstanding anything contained in this Lease to the contrary, Tenant agrees that Tenant’s sole remedy pertaining to an error in the Invoice or Report shall be for the recovery from Landlord an amount equal to the amount overpaid by Tenant, and Tenant waives any right to terminate this Lease as a result of any such error in the Invoice or Report which Tenant may have under law or equity.

If Tenant's total payments of Operating Expenses for any year are less than Tenant's Proportionate Share of actual Operating Expenses for such year, then Tenant shall pay the difference to Landlord within 30 days after demand, and if more, then Landlord shall either, at Landlord’s option, retain such excess and credit it against Tenant's next payments or pay such refund to Tenant, except that during the last calendar year of the Lease Term or any extension terms thereof, Landlord shall refund any such excess within 60 days following the termination of the Lease Term or any extension terms thereof, provided that Tenant is not in default of its obligations under this Lease. Any payment required to be paid by Landlord after the expiration or earlier termination of the Lease shall be delivered to the most recent address Tenant has provided to Landlord. With respect to Operating Expenses which Landlord allocates to the entire Project or just the Building, Tenant's "Proportionate Share" shall be the percentage set forth in Paragraph 1 of this Lease as Tenant's Proportionate Share of the Project or Tenant’s Proportionate Share of the Building (as applicable) as reasonably adjusted by Landlord in the future for changes in the physical size of the Premises, Building, or the Project. Landlord may equitably increase Tenant's Proportionate Share for any item of expense or cost reimbursable by Tenant that relates to a repair, replacement, or service that benefits only the Premises or only a portion of the Project or Building that includes the Premises or that varies with Tenant’s use. The estimated Operating Expenses for the Premises set forth in Paragraph 1 of this Lease are only estimates, and Landlord makes no guaranty or warranty that such estimates will be accurate.

7. **Security Deposit**. The Security Deposit shall be due and payable to Landlord upon execution of this Lease, and shall be held by Landlord as security for the performance of Tenant's obligations. The Security Deposit is not an advance rental deposit, or a measure of Landlord's damages in an Event of Default (as hereinafter defined). Upon any Event of Default, Landlord may use all, or part of, the Security Deposit to pay delinquent payments due under this Lease, and the cost of any damage, injury, expense or liability caused by such Event of Default, without prejudice to any other remedy provided herein or provided by law. Tenant shall pay Landlord within ten (10) business days of demand, the amount that will restore the Security Deposit to its original amount. Landlord's obligation respecting the Security Deposit is that of a debtor, not a trustee. The Security Deposit shall be the property of Landlord, and any remaining amount of the Security Deposit shall be paid to Tenant within thirty (30) days of the date when Tenant's obligations under this Lease have been fulfilled. Landlord shall not be required to keep the Security Deposit separate from its general accounts, and no interest shall accrue thereon. Tenant waives any limitations set forth in California Civil Code Section 1950.7 limiting the use to which a security deposit may be applied. Landlord shall be released from any obligation with respect to the Security Deposit upon transfer of this Lease and the Premises to a person or entity assuming Landlord's obligations.

8. **Utilities**. Tenant shall pay the utility provider directly for all separately metered, or contracted public and private utilities serving the Premises, including, but not limited to, water, gas, electricity, telephone, sewer, and trash collection, along with any taxes, penalties, or surcharges with respect to such utilities. Tenant agrees to limit use of water and sewer to amounts consistent with normal restroom, break room, and office use. In the event Tenant's use of water and sewer services materially exceeds the foregoing limitations, Landlord may separately meter the water and sewer services at Tenant's expense and require Tenant to pay the service provider directly. Interruptions or failures of utilities shall not result in a default by Landlord, termination of this Lease, or the abatement of rent.

Notwithstanding anything contained herein to the contrary, in the event that such interruption or cessation of utilities results from Landlord's negligent or willful act or omission, and continues beyond five (5) consecutive business days from the date of such interruption or cessation, then, provided Tenant has delivered Landlord with prompt notice of such interruption, the rent under this Lease will abate, commencing on the sixth (6th) consecutive business day the Premises remain untenantable, and continuing until the date on which the utilities are restored and the Premises are again tenantable. No abatement of rentals as hereinabove described will apply in the event such interruption of utilities is the result of Tenant's alterations to the Premises, or any negligent act or omission of Tenant, its agents, employees or contractors, or any cause other than the negligent or willful act or omission of Landlord or its employees, agents or contractors.

9. **Taxes**. Landlord shall pay all taxes, assessments, governmental charges, and fees payable to tax consultants and attorneys for consultation and contesting taxes (collectively referred to as "Taxes") that accrue against the Building or Project during the Lease Term, which shall be included as part of the Operating Expenses charged to Tenant. Landlord may contest the amount, validity, or application of any Taxes. All capital levies or other taxes assessed or imposed upon the rents payable to Landlord under this Lease and any franchise tax, excise, use, margin, transaction, sales or privilege tax, assessment, levy or charge measured by or based, in whole or in part, upon such rents from or the value of the Premises and/or the Project or any portion thereof shall be paid by Tenant to Landlord upon demand as additional rent; provided, however, in no event shall Tenant be liable for any net income taxes imposed on Landlord unless such net income taxes are in substitution for any Taxes payable hereunder. If any tax or excise is levied or assessed directly against Tenant, or the Premises, or results from any Tenant-Made Alterations (defined below), or against any personal property or fixtures placed in the Premises, then Tenant shall pay such tax or excise as required by the taxing authority, even if levied or assessed against the Landlord.

10. **Insurance**. Landlord shall maintain all risk property insurance covering the full replacement cost of the Building and commercial general liability insurance on the Project in forms and amounts customary for properties substantially similar to the Building and Project which may be included in a blanket policy or captive insurance program (in which case the cost of such insurance allocable to the Project or Building will be determined by Landlord based upon the total insurance cost calculations). Landlord may, but is not obligated to, maintain such other insurance and additional coverages as it may deem necessary, including, but not limited to, rent loss insurance. All insurance premiums incurred by Landlord with respect to the Project shall be included in Operating Expenses. Tenant will not use the Premises in any manner that would void Tenant's or Landlord's insurance, increase the insurance risk, or cause the disallowance of any insurance credits. If an increase in the cost of any insurance on the Building or the Project is caused by Tenant's use of the Premises, then Tenant shall pay the amount of such increase to Landlord.

Tenant, at its sole expense, shall at all times maintain the following insurance: (i) commercial general liability insurance, on an occurrence basis, covering Tenant, and its activities at the Project, having a minimum limit of $2,000,000 per occurrence (which requirement may be satisfied by a combination of primary and excess policy limits); and in the event property of Tenant's invitees or customers are kept in the Premises or Project, Tenant shall maintain warehouser's legal liability or bailee customers insurance for the full value of such property as determined by the warehouse contract between Tenant and its customer; (ii) all risk property insurance covering the full replacement cost of all property and improvements placed in the Premises by, or on behalf of, Tenant; (iii) workers' compensation insurance as required by the applicable state statute (or equivalent coverage reasonably acceptable to Landlord in the event there is no such statutory requirement) which shall include a waiver of subrogation in favor of Landlord, Prologis, Inc., its affiliates, and property manager (Landlord and such parties are collectively referred to herein as the "Landlord Parties"); (iv) employers liability insurance of at least $1,000,000; and (v) business automobile liability insurance having a combined single limit of not less than $2,000,000 per occurrence which can be satisfied by a combination of primary and excess policy limits insuring Tenant against liability arising out of the ownership maintenance or use of any owned, hired or non-owned vehicles; provided, however, that Tenant shall not be required to carry such insurance in the event Tenant does not use any owned, hired or non-owned vehicles at the Premises. Tenant's insurance companies shall have an A.M. Best rating of not less than A-VIII and provide primary and non-contributory coverage to the Landlord Parties (any policy issued to Landlord providing duplicate or similar coverage shall be deemed excess over Tenant's policies). All commercial general liability policies shall name the Landlord Parties as additional insureds. The limits and types of insurance maintained by Tenant shall not limit Tenant's liability under this Lease. Tenant shall provide Landlord with certificates of such insurance in forms reasonably acceptable to Landlord prior to the date Tenant is in possession of the Premises, and thereafter at least 15 days prior to the expiration of the insurance coverage, or 15 days following Tenant's receipt of Landlord's request for such certificates, provided that such requests from the Landlord shall occur no more than two (2) times in any 12 month period. Acceptance by Landlord of delivery of any certificates of insurance does not constitute approval or agreement by Landlord that the insurance requirements of this section have been met. In the event any of the insurance policies required to be carried by Tenant under this Lease shall be cancelled, or if Tenant receives notice of any cancellation from the insurer prior to the expiration date of such policy, Tenant shall promptly replace such insurance policy in order to assure no lapse of coverage shall occur.

The all risk property insurance obtained by Landlord and Tenant shall include a waiver of subrogation by the insurers and all rights based upon an assignment from its insured, against Landlord, and Landlord Parties or Tenant, and Tenant Parties (as defined in Paragraph 30), in connection with any insured loss or damage. Neither party, nor its Landlord Parties or Tenant Parties (as applicable), shall be liable to the other for loss or damage caused by any risk coverable by all risk property insurance, and each party waives any claims against the other party, and against the Landlord Parties and Tenant Parties (as applicable) for such loss or damage. The failure of a party to insure its property shall not void this waiver. Neither party, nor the Landlord Parties and Tenant Parties, shall be liable to the other for any business interruption loss incurred, and each party waives any claims against the other party, and the Landlord Parties and Tenant Parties, for such business interruption loss from any cause whatsoever, including, but not limited to damage caused in whole or in part, directly or indirectly, by the negligent acts of the other party at the Premises or the Project. Notwithstanding the foregoing to the contrary, with respect to any damage to the Premises caused by Tenant, or Tenant Parties, Tenant shall pay Landlord's all-risk property insurance deductible, not to exceed $25,000 per occurrence, within thirty (30) days following notice for such amount.

11. **Landlord's Repairs and Maintenance**. Landlord shall repair, at its expense and without pass through as an Operating Expense, the structural soundness of the roof (which does not include the roof membrane, the costs of which will be included in Operating Expenses), the structural soundness of the foundation, and the structural soundness of the exterior walls of the Building, reasonable wear and tear and uninsured losses and damages caused by Tenant, its agents and contractors excluded. The term "walls" as used in this Paragraph shall not include windows, glass or plate glass, doors or overhead doors, store fronts, dock bumpers, dock plates or levelers, or office entries. Tenant shall promptly give Landlord written notice of any repair required by Landlord pursuant to this Paragraph, after which Landlord shall have a reasonable opportunity to repair.

12. **Tenant's Repairs**. At Tenant's expense as provided in Paragraph 6, Landlord shall maintain in good repair and condition the roof membrane, parking areas and other common areas of the Building, including, but not limited to driveways, alleys, landscape and grounds surrounding the Premises. Subject to Landlord's obligation in Paragraph 11, and subject to Paragraphs 10 and 16, Tenant, at its expense, shall repair, replace and maintain in good condition all areas, improvements and systems exclusively serving the Premises including, without limitation, dock and loading areas, dock doors, dock equipment, plumbing, water and sewer lines up to points of common connection, entries, doors, ceilings, windows, the heating, ventilation, and air conditioning units serving the Premises (the "HVAC"), and interior walls, which repair and replacement obligations include capital repairs or capital replacements whose benefit may extend beyond the Expiration Date. The HVAC systems serving the Premises shall be maintained at Tenant's expense pursuant to maintenance service contracts entered into by Tenant in accordance with Exhibit E to this Lease. The scope of services and contractors under such maintenance contracts shall be reasonably approved by Landlord. If Tenant fails to perform any maintenance, repair, or replacement for which it is responsible, Landlord may perform such work and be reimbursed by Tenant within 15 days after written demand. Subject to Paragraphs 10 and 16, Tenant shall bear the cost of any repair or replacement to any part of the Building or Project that results from damage caused by Tenant, its agents, contractors, or invitees, or Tenant's failure to maintain the Premises in accordance with this Lease. Notwithstanding anything contained herein to the contrary, Landlord shall warrant any repairs or replacements to the heating, ventilation and air conditioning systems and equipment related thereto servicing the Premises for a period of 6 months from the Commencement Date; provided, however, that such warranty shall not be effective for any repairs or replacements necessitated due to the misuse of, lack of maintenance by, or damages caused by, Tenant, its employees, contractors, agents, subtenants, or invitees. Notwithstanding the foregoing, Tenant shall continue to be responsible for the maintenance of such heating, ventilation and air conditioning systems and equipment related thereto during such 6 -month period and thereafter during the Lease Term.

13. **Tenant-Made Alterations and Trade Fixtures.** Any alterations, additions, or improvements made to the Premises by, or on behalf of, Tenant ("Tenant-Made Alterations") shall be subject to Landlord's prior written consent and approval of the plans, not to be unreasonably withheld, delayed or conditioned provided that such alteration does not materially affect the structure or the roof of the Building, modify the exterior of the Building, or modify the utility or mechanical systems of the Building or Project. Tenant shall reimburse Landlord for its reasonable out-of-pocket costs in reviewing plans and specifications and for monitoring construction. Promptly after Tenant's written request, Landlord agrees to provide a good faith estimate of such out of pocket costs prior to incurring such costs (and shall not incur such costs if Tenant gives notice to Landlord that Tenant is withdrawing its request for such Tenant-Made Alterations). Landlord's right to review plans and specifications and to monitor construction shall be solely for its own benefit, and Landlord shall have no duty to see that such plans and specifications or construction comply with Legal Requirements. Tenant shall cause, at its expense, all Tenant-Made Alterations to: (a) be constructed in a good and workmanlike manner by contractors reasonably acceptable to Landlord using only good grades of materials, and (b) comply with Landlord's insurance and Legal Requirements. Tenant shall provide Landlord with the names and mailing addresses of all persons performing work or supplying materials, prior to beginning such construction, and Landlord may post on and about the Premises notices of non-responsibility pursuant to applicable law. Tenant shall cause its contractor to provide certificates of insurance for worker's compensation, including a waiver of subrogation in favor of the Landlord Parties, and commercial general liability in an amount equal to USD$2,000,000 from an insurance company reasonably satisfactory to Landlord, including a provision of additional insured status for the Landlord Parties, from any contractor completing work on Tenant-Made Alterations. Upon completion of any Tenant-Made Alterations, Tenant shall deliver to Landlord all final lien waivers from all contractors and subcontractors. Upon surrender of the Premises all Tenant-Made Alterations and any leasehold improvements constructed by Landlord or Tenant shall remain on the Premises as Landlord's property, except to the extent Landlord requires removal, in which case, at Tenant's expense, Tenant shall repair any damage caused by such removal. Upon Tenant's prior written request, Landlord shall provide Tenant a list of which Tenant-Made Alterations Landlord will require Tenant to remove upon surrender of the Premises.

Without Landlord's prior approval, Tenant may erect shelves, racking, bins, machinery and trade fixtures (collectively "Trade Fixtures") provided that such items do not overload the Premises, may be removed without damaging the floor slab or the Premises, and installation thereof complies with all Legal Requirements. Upon surrender of the Premises Tenant shall remove its Trade Fixtures and shall repair any damage to the floor slab or the Premises caused by such removal.

14. **Signs**. Except as expressly provided herein, Tenant shall not install any decorations, flags, pennants, banners, exterior awnings, window or door lettering, placards, advertising media, lights or signs to the exterior of the Building, or interior window blinds, draperies, bars, or other window treatments which are visible from the exterior of the Building, without Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Prior to the surrender or vacation of the Premises, Tenant shall remove all signs and repair, paint, and/or replace the

building facia surface damaged as a result. Tenant, at its expense, shall obtain all applicable governmental permits and approvals for any sign. Landlord shall, at Landlord's sole cost, place Tenant's name on the monument sign existing as of the Effective Date.

15. **Parking**. Tenant may park operable vehicles in areas of the Project designated for non-reserved parking and park operable vehicles and trailers overnight at the truck loading docks and designated truck and trailer parking areas for the Premises, provided there is no interference with the access of other tenants to the Building and Project parking lots and truck courts. Landlord may allocate parking spaces among Tenant and other tenants if Landlord reasonably determines such allocation is beneficial to the Project. Landlord shall not be responsible for enforcing Tenant's parking rights against any third parties. If Tenant fails to comply with any of the parking requirements or otherwise creates a nuisance for other tenants at the Project as a result of Tenant's parking or staging of vehicles (a "Parking Default"), and such Parking Default continues for more than 3 business days from Landlord's demand to cease such Parking Default, Landlord may, in addition to any other rights, cause vehicles causing a Parking Default to be towed at Tenant's cost without liability to Landlord, and Landlord may hire a parking management company to enforce Parking Defaults by Tenant, and Tenant Parties, and Tenant shall reimburse Landlord for all costs incurred with respect to such parking management no later than thirty (30) days from receipt of an invoice for such amount.

16. **Restoration.** If at any time during the Lease Term the Premises are damaged by fire or other casualty, Landlord shall notify Tenant within 60 days after such damage as to the amount of time Landlord reasonably estimates it will take to restore the Premises. If the restoration time is estimated to exceed 5 months, either Landlord or Tenant may elect to terminate this Lease upon notice to the other party given no later than 30 days after Landlord's notice. If neither party elects to terminate this Lease, or if Landlord estimates that restoration will take 5 months or less, then Landlord shall, subject to delays arising from the collection of insurance proceeds or from events of Force Majeure, restore the Premises, excluding any Tenant-Made Alterations. Notwithstanding the foregoing, either party may terminate this Lease if the Premises are damaged during the last year of the Lease Term and Landlord reasonably estimates that it will take more than one month to repair such damage. Base Rent and Operating Expenses shall be abated for the period of repair and restoration commencing on the date of such casualty event in the proportion of the Premises, if any, which is not usable by Tenant bears to the total area of the Premises. Such abatement shall be the sole remedy of Tenant, and except as provided above, Tenant waives any right to terminate the Lease by reason of damage or casualty loss.

Notwithstanding the terms and conditions of this Paragraph, if the Premises are not restored by Landlord on, or prior to, the date which is the later of 5 months of the date of the casualty event (subject to Force Majeure and Tenant-caused delays) or the date Landlord estimated completion of the restoration as described above (subject to Force Majeure and Tenant-caused delays), Tenant may terminate the Lease upon thirty (30) days written notice to Landlord; provided, however, if Landlord completes the restoration in said thirty (30) day notice period, Tenant's notice of termination shall be null and void and this Lease shall continue in full force and effect.

17. **Condemnation**. If any part of the Premises or the Project are taken for any public or quasi-public use under governmental law, ordinance, or regulation, or by right of eminent domain, or by private purchase in lieu thereof (a "Taking" or "Taken"), and the Taking would materially interfere with or impair Landlord's ownership or operation of the Building or Project, then upon written notice by Landlord this Lease shall terminate and Base Rent and Operating Expenses shall be apportioned as of such date. If part of the Premises is Taken, and this Lease is not terminated as provided above, the Base Rent and Operating Expenses shall be proportionately reduced to such extent as may be fair and reasonable under the circumstances. In the event of any such Taking, Landlord shall be entitled to receive the entire price or award from any such Taking without any payment to Tenant, and Tenant hereby assigns to Landlord Tenant's interest, if any, in such award. Without diminishing Landlord's award, Tenant shall have the right to make a separate claim against the condemning authority (but not Landlord) for such compensation as may be separately awarded or recoverable by Tenant for moving expenses and damage to Tenant's Trade Fixtures.

18. **Assignment and Subletting**. Except as provided below, Tenant shall not assign this Lease or sublease the Premises or any part thereof, without Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed, and any attempt to do so without Landlord's consent shall be void and of no effect. Furthermore, Tenant shall not mortgage, or pledge, its leasehold interest in this Lease. It shall be reasonable for the Landlord to withhold, delay or condition consent to any assignment or sublease if the intended use of the Premises by the assignee or sublessee would impact the operations of other tenants, their use of the Project, or impair Landlord's ability to re-lease other space in the Building or Project. Tenant shall provide to Landlord all information concerning the assignee or sublessee as Landlord may reasonably request, and any approved assignment or sublease shall be (i) expressly subject to the terms and conditions of this Lease, and (ii) revocable if there is an uncured Event of Default, either at the time of notice or as of the effective date of the assignment or sublease. For purposes of this Paragraph, a transfer of the ownership interests controlling Tenant shall be deemed an assignment of this Lease unless such ownership interests are publicly traded. Notwithstanding the above, Tenant may assign or sublet the Premises, or any part thereof, to any entity controlling Tenant, controlled by Tenant or under common control with Tenant (a "Tenant Affiliate"), without the prior written consent of Landlord. Landlord may charge Tenant USD$1,500 in connection with any assignment or sublease for which Landlord's consent is required. This Lease shall be binding upon Tenant and its successors and permitted assigns. Upon Landlord's receipt of Tenant's written notice of a desire to assign or sublet the Premises, or any part thereof (other than to a Tenant Affiliate), Landlord may, by giving written notice to Tenant within 30 days, terminate this Lease as of the commencement date specified in Tenant's notice, with respect to the space described in Tenant's notice. Tenant may withdraw its notice to sublease or assign by notifying Landlord within 10 days after Landlord has given Tenant notice of such termination, in which case the Lease shall not terminate but shall continue.

Notwithstanding any assignment or subletting, Tenant and any guarantor of Tenant's obligations shall remain liable for the payment of the Base Rent, Operating Expenses, and any other amounts due, and compliance with all of Tenant's obligations under this Lease (regardless of whether Landlord's approval has been obtained for any such assignment or subletting). In the event that the rent due by a sublessee or assignee exceeds the rental payable under this Lease, then Tenant shall pay to Landlord all such excess as additional rent within 10 days following receipt by Tenant.

If this Lease is assigned or if the Premises are subleased (whether in whole or in part), or if the Premises are occupied by anyone other than Tenant, then upon an Event of Default Landlord may collect rent from any occupant and, except to the extent set forth in the preceding paragraph, apply the amount collected to the next rent payable hereunder.

19. **Indemnification**. Except for the negligence, or willful misconduct, of the Landlord Parties, Tenant agrees to indemnify, defend and hold harmless the Landlord Parties, and Landlord's agents, employees, and contractors, from and against all losses, liabilities, damages, costs and expenses (including reasonably incurred attorneys' fees) resulting from claims by third parties for injuries to any person and damage to or theft or misappropriation or loss of property occurring in or about the Project and arising from the use and occupancy of the Premises by Tenant or Tenant Parties, or from any activity, work, or thing done, permitted or suffered by Tenant or Tenant Parties in or about the Project or due to any other act or omission of Tenant, its subtenants, assignees, invitees, employees, contractors and agents. The furnishing of insurance required hereunder shall not be deemed to limit Tenant's obligations under this Paragraph.

20. **Inspection, Data and Access**. Landlord and its agents, representatives, and contractors may enter the Premises at reasonable times to inspect the Premises, for any business purpose, and, during the last year of the Lease Term, to show the Premises to prospective tenants. Landlord shall not enter the Premises for the purposes stated in this Paragraph without providing at least 24 hours' telephonic notice to Tenant, unless an emergency circumstance exists. Landlord may erect signs on the Building stating the Premises are available to lease or that the Project is available for sale. Landlord may grant easements, make public dedications, designate and modify common areas and create restrictions affecting the Project (collectively "Encumbrances"), provided that such Encumbrances do not materially interfere with Tenant's use or occupancy of the Premises, and Tenant agrees to execute any instruments as may be necessary for such Encumbrances. Upon reasonable prior notice to Tenant, Landlord shall have the right to enter the Premises for the purpose of the installation and maintenance of Devices, and the collection of Data from the Devices during the Lease Term for the purpose of supporting the effective management of Landlord's building portfolio, provided that such installation and maintenance of the Devices and collection of Data does not materially interfere with Tenant's use or occupancy of the Premises. Landlord shall not sell or disclose, for commercial purposes, the Data in any way that identifies Tenant, Tenant's equipment, or Tenant's personnel. Landlord may disclose Data to the extent required by applicable law, for benchmarking purposes, or in order to provide, maintain, improve, and keep in good working order the properties of Landlord, Prologis, Inc. and its affiliates. Landlord shall own the Data collected from such Devices and maintain as confidential except that Landlord may use for and disclose to governmental and regulatory bodies to fulfill Landlord's statutory obligations only. Tenant shall not tamper with or interfere with the Devices. The term "Devices" as used herein shall mean any sensors, computers or electronic devices, systems and application software, peripherals, meters, or other data collection devices installed and owned by Landlord. Devices shall not include cameras, video, or voice recording devices. The term "Data" as used herein shall mean any information associated with, created or generated by, or transmitting through a Device. Landlord shall not use the Devices for the collection of personal or employee related Data; Tenant's business and operational Data, or for the purpose of tracking, or identifying, people, equipment, or inventory of Tenant at the Premises

21. **Quiet Enjoyment**. Absent any Event of Default subject to the terms of this Lease, Tenant shall have peaceful and quiet enjoyment of the Premises against any person claiming by, through or under Landlord.

22. **Surrender**. Upon the Expiration Date or earlier termination of Tenant's right of possession, Tenant shall surrender the Premises to Landlord in the same condition as received, ordinary wear and tear, casualty loss and condemnation covered by Paragraphs 16 and 17 excepted and otherwise in accordance with the Move Out Conditions attached hereto. Any Trade Fixtures, Tenant-Made Alterations and property not removed by Tenant as required shall either, at Landlord's election: (i) become the property of Landlord, or (ii) be deemed abandoned in which case it may be stored, removed, and disposed of by Landlord at Tenant's expense, and Tenant waives all claims against Landlord for any damages resulting from Landlord's retention and disposition of such property. Any outstanding Tenant obligations under this Lease shall survive the termination of the Lease Term, including without limitation, indemnity obligations, payment of Operating Expenses, and all obligations concerning the condition and repair of the Premises. Notwithstanding anything contained herein to the contrary, in the event Tenant fails to surrender the Premises in the condition as provided herein, upon the expiration, or earlier termination, of this Lease, Tenant agrees that Landlord shall have the right, but not the obligation, to complete such modifications, maintenance, repairs, and replacements on Tenant's behalf, and Tenant shall reimburse Landlord for such costs as estimated by independent contractors, along with a management fee equal to five (5%) of such costs, no later than thirty (30) days from receipt of demand.

23. **Holding Over**. If Tenant retains possession of the Premises after the Expiration Date, such possession shall be subject to immediate termination by Landlord, and all terms of this Lease shall be applicable during such holdover period except (i) any expansion, renewal, or similar right or option, and (ii) Base Rent for the holdover period shall be one hundred fifty percent (150%) the amount of the then-effective Base Rent. All other amounts payable under this Lease shall continue under the terms of this Lease. In addition, Tenant shall be liable for all damages incurred by Landlord as a result of such holding over. Holding over by Tenant (with or without consent of Landlord) shall not extend this Lease except as otherwise expressly provided, and this Paragraph shall not be construed as consent for Tenant to retain possession of the Premises. For purposes of this Paragraph, "possession of the Premises" shall continue until Landlord has complete control over the Premises, all keys have been delivered, and Tenant has fulfilled all required obligations upon termination of the Lease concerning the condition and repair of the Premises.

24. **Events of Default**. Each of the following shall be an event of default ("Event of Default") by Tenant:

a) Tenant fails to pay any installment of Base Rent, Operating Expenses, or any other payment required when due, and such failure shall continue for a period of 5 days after written notice from Landlord to Tenant that such payment was due; provided, however, that Landlord shall not be obligated to provide written notice of such failure more than 2 times in any consecutive 12-month period, and the failure of Tenant to pay any subsequent installment of Base Rent or any other payment required herein when due in any consecutive 12-month period shall constitute an Event of Default by Tenant under this Lease without the requirement of notice or opportunity to cure; provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under applicable law.

b) Tenant or any guarantor or surety of Tenant's obligations hereunder shall (i) make a general assignment for the benefit of creditors; (ii) commence any case, proceeding or other action seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or of any substantial part of its property (collectively a "proceeding for relief"); (iii) become the subject of any proceeding for relief which is not dismissed within 60 days of its filing or entry; or (iv) die or suffer a legal disability (if Tenant, guarantor, or surety is an individual) or be dissolved or otherwise fail to maintain its legal existence (if Tenant, guarantor or surety is a corporation, partnership or other entity).

c) (i) Any insurance required to be maintained by Tenant pursuant to this Lease is cancelled or terminated, expires, or is reduced or materially changed (except, in each case, as permitted in this Lease) or (ii) Tenant fails to timely deliver to Landlord any certificate of insurance as required under Paragraph 10 and such failure continues for ten (10) days following written notice from Landlord to Tenant regarding such failure to provide such certificate.

d) Tenant vacates the Premises and fails to make arrangements reasonably acceptable to Landlord to ensure that (i) Tenant's insurance for the Premises will not be voided or cancelled, (ii) the Premises will be secured, and (iii) the Premises will be properly maintained, including maintaining utility services. Tenant shall inspect the Premises at least monthly and report to Landlord in the event the condition of the Premises has adversely changed.

e) Tenant assigns, subleases or transfers Tenant’s interest in this Lease except as permitted in this Lease.

f) Tenant fails to discharge any lien placed upon the Premises or Building as a result of some action or inaction by Tenant within 30 days after Tenant receives notice that such lien or encumbrance is filed against the Premises or Building.

g) Tenant fails to comply with any provision of this Lease other than those specifically referred to in this Paragraph, and such default shall continue for more than 30 days after Landlord has given Tenant written notice of such default except as otherwise provided in this Lease (said notice being in lieu of, and not in addition to, any notice required as a prerequisite to a forcible entry and detainer or similar action for possession of the Premises), provided, however, that Tenant shall not be in default under the circumstances described in this Paragraph 24 if Tenant has made diligent efforts to cure such default within the thirty (30) day period described therein, and thereafter proceeds continuously and diligently to cure such default within a commercially reasonable time.

Tenant agrees that any notice given by Landlord pursuant to this Paragraph of the Lease shall satisfy the requirements for notice under California Code of Civil Procedure Section 1161, and Landlord shall not be required to give any additional notice in order to be entitled to commence an unlawful detainer proceeding.

25. **Landlord's Remedies**. Upon each occurrence of an Event of Default and so long as such Event of Default continues, Landlord may at any time elect to: (i) terminate this Lease or Tenant's right of possession, (but Tenant shall remain liable as hereinafter provided), and/or (ii) pursue any other remedies at law or in equity. Upon the termination of this Lease or termination of Tenant's right of possession, Landlord may, without formal demand or notice of any kind, re-enter the Premises by summary dispossession proceedings or any other action or proceeding authorized by law and remove Tenant, and all persons and property therefrom. If Landlord re-enters the Premises, Landlord shall have the right to keep in place and use, or remove and store, all property at the Premises. Notwithstanding anything contained herein to the contrary, in the event Landlord delivers three notices of an Event of Default under this Lease in any twelve month period, any subsequent Event of Default under the Lease shall be deemed an immediate Event of Default, and Tenant shall have no cure period as otherwise provided in this Lease, and Landlord may immediately pursue all of its remedies as provided in this Lease.

Except as otherwise provided in the next paragraph, if Tenant breaches this Lease and abandoned the Premises prior to the end of the term hereof, or if Tenant's right to possession is terminated by Landlord because of an Event of Default by Tenant under this Lease, this Lease shall terminate. Upon such termination, Landlord may recover from Tenant the following, as provided in Section 1951.2 of the Civil Code of California: (i) the worth at the time of award of the unpaid Base Rent, Operating Expenses, and other charges under this Lease that had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the reasonable value of the unpaid Base Rent, Operating Expenses, and other charges under this Lease which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; (iii) the worth at the time of award by which the reasonable value of the unpaid Base Rent, Operating Expenses, and other charges under this Lease for the balance of the term of this Lease after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or that in the ordinary course of things would be likely to result therefrom. As used herein, the following terms are defined: (a) The "worth at the time of award" of the amounts referred to in Sections (i) and (ii) is computed by allowing interest at the lesser of 12 percent per annum or the maximum lawful rate. The "worth at the time of award" of the amount referred to in Section (iii) is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent; (b) The "time of award" as used in clauses (i), (ii), and (iii) above is the date on which judgment is entered by a court of competent jurisdiction; (c) The "reasonable value" of the amount referred to in clause (ii) above is computed by determining the mathematical product of (1) the "reasonable annual rental value" (as defined herein) and (2) the number of years, including fractional parts thereof, between the date of termination and the time of award. The "reasonable value" of the amount referred to in clause (iii) is computed by determining the mathematical product of (1) the annual Base Rent, Operating Expenses, and other charges under this Lease and (2) the number of years including fractional parts thereof remaining in the balance of the term of this Lease after the time of award. Tenant acknowledges and agrees that the term “detriment proximately caused by Tenant's failure to perform its obligations under this Lease” includes, without limitation, the value of the unamortized portion of any abated or free rent given to Tenant.

Even though Tenant has breached this Lease and abandoned the Premises, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession, and Landlord may enforce all its rights and remedies under this Lease, including the right to recover rent as it becomes due. This remedy is intended to be the remedy described in California Civil Code Section 1951.4, and the following provision from such Civil Code Section is hereby repeated: "The Lessor has the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has right to sublet or assign subject only to reasonable limitations)." Tenant shall immediately pay any such deficiency upon demand and Tenant agrees that Landlord may file suit to recover any sums as they become due. Notwithstanding any such reletting without termination, Landlord may at any time thereafter elect in writing to terminate this Lease for such previous breach.

Landlord’s exercise of any remedies shall not be deemed to be an acceptance of surrender of the Premises and/or a termination of this Lease by Landlord. Any law, usage, or custom to the contrary notwithstanding, Landlord shall have the right at all times to enforce the provisions of this Lease in strict accordance with the terms hereof; and the failure of Landlord at any time to enforce its rights under this Lease strictly in accordance the terms hereof shall not be construed as having created a custom or manner in any way contrary to the specific terms, provisions, and covenants of this Lease or as having modified the same. Tenant and Landlord further agree that forbearance or waiver by Landlord to enforce its rights pursuant to this Lease or at law or in equity, shall not be a waiver of Landlord's right to enforce one or more of its rights in connection with any subsequent Event of Default.

Receipt by Landlord of rent or other payment with knowledge of the breach of any covenant hereof shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless agreed in writing and signed by Landlord. To the greatest extent permitted by law, Tenant waives all right of redemption in case the Lease is terminated or Tenant shall be dispossessed by a judgment or by warrant of any court or judge. In the event Landlord exercises self-help, or lock-out, remedies as provided by law, Tenant hereby waives all claims against Landlord for any business loss or business interruption which Tenant may incur and any property remaining on the Premises shall be deemed abandoned by Tenant and Landlord may store, remove, or disposed of such property at Tenant's expense, and Tenant waives all claims against Landlord for any damages resulting from Landlord's retention and disposition of such property. The terms "enter," "re-enter," "entry" or "re-entry," as used in this Lease, are not restricted to their technical legal meanings.

26. **Tenant's Remedies/Limitation of Liability**. Landlord shall not be in default unless Landlord fails to perform any of its obligations within 30 days after written notice from Tenant specifying such failure (unless such performance will, due to the nature of the obligation, require more than 30 days, then after such period of time as is reasonably necessary). If such default by Landlord shall occur, Tenant may pursue any legal or equitable remedy for which it is entitled. All obligations of Landlord shall be construed as covenants, not conditions; and, except as may be otherwise provided in this Lease, Tenant may not terminate this Lease for breach of Landlord's obligations hereunder. All obligations of Landlord under this Lease will be binding upon Landlord only during the period of its ownership of the Premises and not thereafter. The term "Landlord" in this Lease shall mean only the then current owner of the Premises, and in the event of a transfer of ownership of the Premises, such transferring owner shall be released and discharged from all obligations of Landlord thereafter accruing, but such obligations shall be binding during the Lease Term upon each new owner for the duration of such owner's ownership. Any liability of Landlord under this Lease shall be limited solely to its interest in the Building, and in no event shall any personal liability or recourse to any other property or assets of Landlord be asserted against Landlord in connection with this Lease.

27. **Subordination**. Without the necessity of any further instrument or act of Tenant, this Lease, and Tenant's interest and rights hereunder, are, and shall be, subject and subordinate at all times to the lien of any existing or future first mortgage on the Building or any ground lease which the Building is subject to, and all amendments, modifications, assignments and extensions thereof. Tenant agrees, at the election of the holder of any such mortgage, or lessor for any ground lease, to attorn to any such holder or lessor. Tenant agrees upon demand to execute, acknowledge and deliver such instruments, confirming such subordination and such instruments of attornment as shall be requested by any such holder. Notwithstanding the foregoing, any such holder may at any time subordinate its mortgage to this Lease, without Tenant's consent, by notice in writing to Tenant. The term "mortgage" whenever used in this Lease shall be deemed to include deeds of trust, security assignments and any other encumbrances, and any reference to the "holder" of a mortgage shall be deemed to include the beneficiary under a deed of trust.

28. **Mechanic's Liens**. Tenant has no express or implied authority to create or place any lien or encumbrance of any kind upon the Building, the Premises or this Lease. Tenant covenants and agrees that it will save and hold Landlord harmless from all loss, cost or expense based on or arising out of claims or liens asserted against the leasehold estate, the interest of Landlord in the Premises, or under this Lease. Tenant shall give Landlord immediate written notice of any lien or encumbrance placed against the Premises and cause such lien or encumbrance to be discharged, or bonded over in a manner reasonably satisfactory to Landlord, within 30 days of the filing or recording thereof.

29. **Estoppel Certificates**. Tenant agrees to execute and deliver to Landlord or Landlord’s designee, within 20 days after Landlord’s request, an estoppel certificate containing customary provisions**.** No cure or grace period provided in this Lease shall apply to Tenant's obligations to timely deliver an estoppel certificate.

30. **Environmental Requirements**. Except for Hazardous Materials contained in: (i) products used by Tenant in de minimis quantities for ordinary cleaning and office purposes; (ii) forklift propane tanks, and (iii) products stored and/or distributed by Tenant in their original, sealed, and unopened containers, Tenant shall not bring, permit, or cause any party to bring any Hazardous Material onto the Project, or transport, store, use, generate, manufacture, or dispose of any Hazardous Material in, on, or about the Project without Landlord's prior written consent. Tenant, at its sole cost and expense, shall: (v) operate its business at the Project in strict compliance with all Environmental Requirements, including complying with all reporting obligations imposed by applicable Environmental Requirements in the capacity as “operator” of Tenant’s “facility” and the “owner” (as such terms are used in applicable Environmental Requirements) of all Hazardous Materials brought onto the Project by Tenant, or any Tenant Parties (as defined below), and the wastes, by-products, or residues generated, resulting, or produced therefrom, or extracted from the Project; (w) promptly provide copies of any claims, reports, complaints, notices, letters, warnings or asserted violations relating in any way to Hazardous Materials at the Project which Tenant receives or sends; (x) promptly and diligently remediate in a manner reasonably satisfactory to Landlord any Hazardous Materials released on, or from, the Project by Tenant, its agents, employees, contractors, subtenants, licensees, or invitees (collectively, the “Tenant Parties”); (y) promptly notify Landlord in writing of any spill, release, discharge, or disposal of any Hazardous Material in, on, or under the Project; and (z) promptly complete and deliver any disclosure or certification reasonably requested by Landlord concerning Tenant's, or any Tenant Parties’, transportation, storage, use, generation, manufacture or release of Hazardous Materials in, on, or about the Project. Tenant shall be strictly liable to Landlord as a result of Tenant’s, or any Tenant Parties’, transportation, storage, use, generation, manufacturing, disposal, or release of Hazardous Materials at the Project without regard to the fault or negligence of any other party. No cure or grace period provided in this Lease shall apply to Tenant's obligations to promptly commence and diligently pursue its remediation obligations in accordance with the terms and conditions of this Paragraph. The term "Environmental Requirements" means all applicable present and future statutes, regulations, ordinances, rules, codes, judgments, orders, or other similar enactments of any governmental authority or agency regulating or relating to health, safety, or environmental conditions, including, without limitation, the following: the Comprehensive Environmental Response, Compensation and Liability Act; the Resource Conservation and Recovery Act; and all state and local counterparts thereto, and any regulations or policies promulgated or issued thereunder. The term "Hazardous Materials" means and includes any substance, material, waste, pollutant, or contaminant regulated by any Environmental Requirements, asbestos, radioactive materials, and petroleum (including crude oil or any fraction thereof, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel or mixtures of natural gas and such synthetic gas).

Tenant shall have no liability of any kind to Landlord as to Hazardous Materials on the Project which arise prior to the Commencement Date, or during the Lease Term, which were caused or permitted by any party other than Tenant, or any Tenant Parties.

Tenant shall indemnify, defend, and hold the Landlord Parties harmless from and against any and all losses (including diminution in value of the Premises or the Project, and loss of rental income from the Project), claims, demands, actions, suits, damages (including punitive damages), costs and

expenses (including reasonable attorney, consultant, and expert fees) which are brought or recoverable against, or suffered or incurred by Landlord as a result of: (i) any release of Hazardous Materials on, or from, the Project by Tenant, or any Tenant Parties, or (ii) Tenant's, or any Tenant Parties', breach of, or noncompliance with, this Paragraph, regardless of whether Tenant had knowledge of such noncompliance. Tenant's obligations under this Paragraph shall survive the Expiration Date or earlier termination of this Lease.

Landlord (including Landlord's consultants, lenders, or designees) shall, at reasonable intervals and upon at least 24 hours prior notice to the Tenant, have access to, and the right to inspect and perform tests at the Premises to assess the condition of the Premises, or determine Tenant's compliance with this Paragraph, or any applicable Environmental Requirements. If such inspection reveals noncompliance by Tenant, Tenant shall promptly reimburse Landlord for the reasonable cost of such inspection and testing. Landlord's receipt of a 'clean' environmental assessment shall in no way release Tenant from its obligations under this Paragraph or constitute a waiver by Landlord of its rights and remedies herein.

31. **Rules and Regulations**. Tenant shall comply with all rules and regulations reasonably established by Landlord covering use of the Premises and the Project, provided to Tenant in writing from time to time. The current rules and regulations are attached hereto as Exhibit B. Landlord shall not have any liability or obligation for the breach of any rules or regulations by other tenants in the Project.

32. **Security Service**. Tenant acknowledges and agrees that, while Landlord may patrol the Project, Landlord is not providing any security services and that Landlord shall not be liable to Tenant for, and Tenant waives any claim against Landlord with respect to, any breach of security or loss by theft or any other damage suffered or incurred by Tenant.

33. **Force Majeure**. Except for monetary obligations, neither Landlord nor Tenant shall be responsible for delays in the performance of its obligations hereunder caused by labor disputes, acts of God, epidemic or pandemic, inability to obtain labor or materials, governmental restrictions or regulations or delay in issuance of permits, enemy or hostile governmental action, civil commotion, casualty, and other causes beyond the reasonable control of Landlord or Tenant, as the case may be ("Force Majeure").

34. **Entire Agreement**. This Lease constitutes the entire agreement of Landlord and Tenant with respect to the subject matter hereof. Any prior agreements, promises, negotiations, or representations are superseded by this Lease. This Lease may only be amended by an instrument in writing signed by both parties hereto.

35. **Severability**. If any clause of this Lease is illegal, invalid or unenforceable under present or future laws, then and in that event, it is the intention of the parties that such clause be replaced with a valid clause of similar meaning and that the remainder of this Lease shall not be affected.

36. **Brokers**. Each party represents and warrants to the other that it has dealt with no broker, agent or other person in connection with this transaction and that no broker, agent or other person brought about this transaction, other than the Landlord Broker and Tenant Broker, if any, set forth in Paragraph 1 of this Lease, and each party agrees to indemnify and hold the other harmless from and against any claims by any other broker, agent or other person claiming a commission or other form of compensation by virtue of having dealt with the indemnifying party with regard to this leasing transaction.

37. **Miscellaneous**.

a) **TIME IS OF THE ESSENCE AS TO THE PERFORMANCE OF TENANT'S AND LANDLORD'S OBLIGATIONS UNDER THIS LEASE.**

b) Any payments or charges due from Tenant to Landlord hereunder shall be considered rent for all purposes of this Lease.

c) If the term "Tenant," includes more than one person, firm or corporation, each shall be jointly and severally liable for the obligations of Tenant.

d) All notices provided under this Lease shall be in writing and shall be sent by registered or certified mail, return receipt requested, or by a reputable national overnight courier service, postage prepaid, or by hand delivery addressed to Landlord or Tenant at the applicable notice address as provided in Paragraph 1 of this Lease. Either party may, by the above notice, change its notice address for all subsequent notices or add an additional party to be copied on all subsequent notices. Except where otherwise provided to the contrary, notice shall be deemed given upon delivery or refusal of delivery

e) Except as otherwise provided in this Lease or as otherwise required by law, Landlord retains the absolute right to withhold any consent or approval.

f) In the event of (i) a default by Tenant of its obligations under the Lease, or (ii) a need by Landlord to effectuate a financing transaction or sale of the Building, or (iii) an assignment or subletting of the Lease by Tenant, then at Landlord's request from time to time Tenant shall furnish Landlord with true and complete copies of its most recent annual and quarterly financial statements prepared by Tenant or Tenant's accountants and any other financial information or summaries that Tenant typically provides to its lenders or shareholders. Notwithstanding the foregoing to the contrary, for so long as ownership interest in Tenant is publicly traded on a U.S.-based stock exchange, Tenant shall not be required to comply with the foregoing sentence.

g) Neither this Lease, nor a memorandum of lease, shall be recorded by or on behalf of Tenant; however, upon request by Landlord, Tenant will execute, and Landlord may record, a memorandum of lease.

h) Construction and interpretation of this Lease shall be governed by the laws of the state in which the Project is located, excluding any principles of conflicts of laws.

i) The normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the

interpretation of this Lease or any exhibits or amendments to the Lease.

j) The submission by Landlord to Tenant of this Lease shall have no binding force or effect, shall not constitute an option for the leasing of the Premises, nor confer any right or impose any obligations upon either party until execution of this Lease by both parties.

k) Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires. The captions inserted in this Lease are for convenience only and in no way define, limit or otherwise describe the scope or intent of this Lease, or any provision hereof, or in any way affect the interpretation of this Lease.

l) Any amount not paid by Tenant when due shall bear interest from such due date until paid in full at the lesser of the highest rate permitted by applicable law or 12 percent per year.

m) All exhibits and addenda attached hereto are hereby incorporated into this Lease and made a part hereof. In the event of any conflict between such exhibits or addenda and the terms of this Lease, such exhibits or addenda shall control.

n) In the event either party initiates litigation to enforce the terms and provisions of this Lease, the non-prevailing party in such action shall reimburse the prevailing party for its reasonable attorney's fees, filing fees, and court costs.

o) Provided that such installation does not interfere with the Tenant's use of the Premises or the Project, Tenant agrees that Landlord shall have the right, without Tenant's consent, to place a solar electric generating system on the roof of the Building or enter into a lease for the roof of the Building whereby such roof tenant shall have the right to install a solar electric generating system on the roof of the Building (provided that the exercise of Landlord's rights does not adversely affect Tenant's use and occupancy of the Premises or subject Tenant to additional costs). Except as provided otherwise in this Lease, Tenant hereby waives all rights to use, and agrees and acknowledges that Landlord shall retain the exclusive right to the use of the exterior of the Building and Project for any signage purposes, virtual or otherwise. Landlord may request in writing at reasonable intervals, and Tenant shall deliver to Landlord, at Tenant's sole cost and expense, data regarding utility usage consumed in the operation of the Premises as required by applicable law and for the purposes of benchmarking or in order to provide, maintain, improve, and keep in good working order the Project. Tenant can satisfy the requirement to provide utility data by either: (a) executing a written consent as necessary for Landlord to obtain such information directly from the utility company, or (b) providing the data to Landlord in an electronic format reasonably acceptable to Landlord.

p) This agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which shall constitute one and the same agreement. The signature of a party transmitted electronically (e.g., e-signature) or by facsimile, PDF and/or other electronic image file format shall constitute and have the same force and effect as the original signature of the party. Following execution, a PDF (or similar image file format) of this entire agreement (whether signed electronically or in ink) shall be considered to be the original agreement for all purposes.

q) All references and uses of the term "days" in this Lease shall mean calendar days unless otherwise specified. The term "business days" shall mean days on which banks in San Francisco, California are open for and conducting normal business.

r) Within fifteen (15) days of Landlord's written request, Tenant agrees to deliver to Landlord such information and/or documents as Landlord requires for Landlord to comply with California Public Resources Code Section 25402.10, or successor statute(s), and California Energy Commission adopted regulations set forth in California Code of Regulations, Title 20, Division 2, Chapter 4, Article 9, Sections 1680-1685, and successor and related California Code of Regulations, relating to commercial building energy ratings. Landlord makes the following statement based on Landlord's actual knowledge in order to comply with California Civil Code Section 1938: The Building and Premises have not undergone an inspection by a Certified Access Specialist ("CASp"). A CASp can inspect the subject Premises and determine whether the subject Premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject Premises, the Landlord may not prohibit the Tenant from obtaining a CASp inspection of the subject Premises for the occupancy or potential occupancy of the Tenant, if requested by the Tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the Premises. Landlord and Tenant hereby agree that a Tenant-requested CASp inspection shall be at Tenant's sole cost and expense and that the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the Premises shall be governed by Paragraph 4 of the Lease.

s) Tenant represents to Landlord and Landlord hereby represents to Tenant that,

(i) such entity, nor any person or entity that directly owns a 10% or greater equity interest in it nor any of its officers, directors or managing members is a person or entity (each, a "Prohibited Person") with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury, including those parties names on the OFAC's Specially Designated and Blocked Persons List and those covered pursuant to Executive Order 13224 (the "Executive Order") signed on September 24, 2001, entitled "Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action; and

(ii) that such entity's activities do not violate the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 or USA Patriot Act or the regulations or orders promulgated thereunder (as amended from time to time, the "Money Laundering Acts").

38. <u>WAIVER OF JURY TRIAL</u>. TENANT AND LANDLORD WAIVE ANY RIGHT TO TRIAL BY JURY OR TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (IN CONTRACT, TORT, OR OTHERWISE), BETWEEN LANDLORD AND TENANT ARISING OUT OF THIS LEASE OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED HERETO.

[Remainder of page is intentionally blank; signature page to follow]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the Effective Date.

TENANT:

Venus Concept, Inc.

By:
/OPPS1/_____

Name:
/OPPN1/_____

Title:
/OPPT1/_____

LANDLORD:

AMB TRIPOINT, LLC
a Delaware limited liability company

By: Authorized Person

_____
[name, title] of Prologis, Inc., a Maryland
corporation

Exhibit: SITE PLAN
A

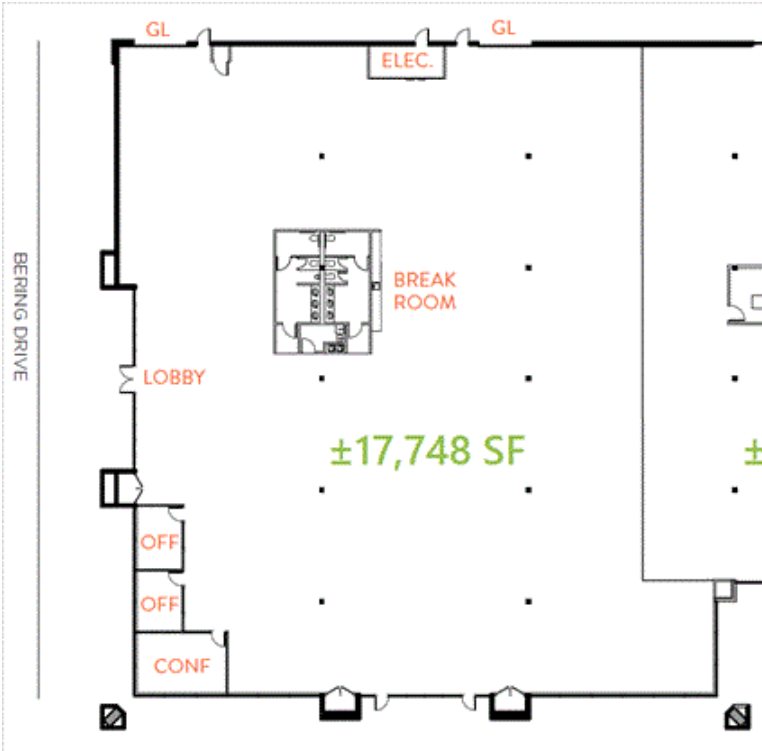

Exhibit: PROJECT RULES AND REGULATIONS
B

1. The sidewalk, entries, and driveways of the Project shall not be obstructed by Tenant, or its agents, or used by them for any purpose other than ingress and egress to and from the Premises.

2. Tenant shall not place any personal property or objects in the parking areas, landscaped areas or other areas outside of its Premises, or on the roof of the Project.

3. Except for service dogs, no animals shall be allowed in, or on, any part of the Building or the Project.

4. If Tenant desires telegraphic, telephonic or other electric connections in the Premises, Landlord or its agent will direct the electrician as to where and how any conduit or wires may be introduced; and, without such direction, no boring or cutting of existing wires or conduit is permitted. Any such installation or connection shall be made at Tenant's expense.

5. Tenant shall not install or operate any steam or gas boiler. The use of oil, gasoline or flammable liquids for heating, lighting or any other purpose is expressly prohibited. Explosives or other articles deemed extra hazardous shall not be brought into the Project.

6. Parking any type of recreational vehicles or boats is specifically prohibited on or about the Project. Parking any type of trucks, trailers or other vehicles in the Building is specifically prohibited. In no event shall any inoperable vehicles be parked at the Project, nor shall any "For Sale" or other advertising signs be displayed for any parked vehicle. No repair, maintenance or washing of vehicles shall take place on the Project. All vehicles shall be parked in designated parking areas in conformity with all signs and other markings.

7. Tenant shall use commercially reasonable efforts to maintain the Premises free from rodents, insects and other pests.

8. Landlord reserves the right to exclude or expel from the Project any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or should harass or threaten, verbally or physically Landlord's employees, or contractors, or who shall in any manner do any act in violation of the Rules and Regulations of the Project.

9. All moveable trash receptacles provided by the trash disposal firm for the Premises must be kept in the trash enclosure areas provided, and all trash receptacles shall remain closed at all times.

10. The Premises shall not be used for lodging, sleeping or cooking (other than kitchenette or break room use) or for any immoral or illegal purposes or for any purpose other than that specified in the Lease. No gaming devices shall be operated in the Premises.

11. Tenant assumes full responsibility for protecting the Premises from theft, robbery and pilferage.

12. Tenant shall not permit recreational or medical marijuana to be grown, sold, dispensed, or consumed on the Premises or Project.

13. Tenant shall not permit smoking in any interior area of the Premises.

14. Tenant shall provide advance notice to Landlord of the date Tenant, or Tenant Parties, require access to the roof of the Building. Tenant shall follow all Legal Requirements, including, but not limited to, OSHA requirements, when Tenant or Tenant Parties access the roof of the Building, and shall use reasonable and appropriate safety precautions in order to ensure such employees, contractors, or agents are not subject to injury or death.

15. Tenant shall not use any part of the Premises to store or in any other way handle firearms, firearms accessories, or ammunition.

Exhibit: FORM OF COMMENCEMENT DATE CERTIFICATE C

Notice Contact Name

Company Name

Notice Street Address

City, State Zip Code

RE: Lease dated Date between Customer & Owner for Premises Address

Dear Salutation Notice Contact Last Name:

Welcome to your new facility. We would like to confirm the terms of the above referenced lease agreement:

Commencement Date: Date
Expiration Date: Date
Base Rent Commencement Date: Date

We are pleased to welcome you as a customer of Prologis and look forward to working with you. Please indicate your agreement with the above changes to your lease by signing and returning the enclosed copy of this letter to me. If I can be of service, please do not hesitate to contact me.

Sincerely,

Property Manager Name

Title

Accepted by: Accepted by By: _____ Printed: _____ Title: _____ Date:

Exhibit: MOVE-OUT CONDITIONS D

Tenant shall surrender the Premises in the same condition as received, ordinary wear and tear, casualty loss, and condemnation covered by Paragraphs 16 and 17 excepted.

Before surrendering the Premises, Tenant shall remove all personal property, trade fixtures, and such alterations or additions to the Premises made by Tenant as may be required herein. The following list is designed to assist Tenant with the move-out procedures but is not intended to be all inclusive. Upon Tenant's completion of its surrender obligations as provided in this Lease, please contact Landlord's property manager to coordinate turning in keys, utility and fiberoptic internet changeover, and scheduling an inspection of the Premises. In the event Tenant fails to arrange a joint inspection of the Premises with Landlord upon Tenant's vacating of the Premises, Landlord's inspection at, or subsequent to, Tenant's vacation of the Premises shall be conclusively deemed correct for the purpose of determining Tenant's responsibilities with respect to the repair and restoration of the Premises.

1. Lights: All interior office, warehouse, dock, emergency and exit lights will be fully operational with all bulbs, ballasts and fixtures functioning.

2. Dock Levelers, Service Doors and Truck Doors: All truck doors, service doors, and dock levelers shall be serviced and placed in good operating order, including the replacement of any dented or damaged truck door panels and adjustment of door tension to insure proper operation. All door panels which are replaced must be painted to match the building standard.

3. Dock Seals/Dock Bumpers: Free of tears and broken backboards repaired. All dock bumpers must be left in place and well secured.

4. Columns All columns in the warehouse and office shall be inspected for damage caused by Tenant. Necessary structural repairs must be pre-approved by Landlord prior to implementation. Any markings removed.

5. Warehouse Floor: Free of stains and swept clean with no racking bolts and other protrusions or holes left in floor. Cracks, spalling, and racking bolt damage must be repaired with mm-80 (or equivalent) epoxy or polymer to match concrete color and finished smooth with slab surface. All floor striping (including paint or tape) in the Premises shall be removed with no residual staining or other indication that such striping or taping existed.

6. Tenant-Installed Equipment and Wiring: Air lines, conveyor or process electrical distribution, junction

boxes, conduit, etc., removed and space returned to the original condition when leased.

7. Walls: Sheetrock (drywall) and/ or plywood damage patched and fire-taped so that there are no holes in either office or warehouse walls. Any damage to perimeter concrete or metal walls similarly repaired.

8. Floor Finishes (Carpet and Tile): Carpet and vinyl or ceramic tiles should be in a clean condition and absent any holes or chips, ordinary wear and tear excepted provided they have been maintained.

9. Roof: Any Tenant-installed equipment must be removed with all roof penetrations properly repaired by a licensed roofing contractor approved by Landlord. Leaks arising from any Tenant-installed equipment or roof penetrations must be fixed in accordance with Landlord's maintenance and repair recommendations.

10. Signs: All exterior signs must be removed with holes patched and painted to match Building standard paint as necessary. All window or other interior signs must be removed.

11. Electrical & Plumbing: All electrical and plumbing equipment to be returned in good working condition conforming to code.

12. Overall Cleanliness: Clean windows, sanitize bathroom(s), vacuum carpet, and remove all trash and debris from office and warehouse. Remove all pallets and debris from exterior of Premises. All trade fixtures, dumpsters, racking, vending machines and other personal property to be removed.

13. Odors: Remove any lingering odor which may exist in the Premises resulting from Tenant's use and occupancy prior to surrendering or vacating the Premises.

Exhibit: HVAC MAINTENANCE CONTRACT E

Tenant agrees to enter into and maintain through the Lease Term, a regularly scheduled preventative maintenance/service contract for servicing all hot water, heating and air conditioning systems and equipment within the Premises. Landlord requires a qualified HVAC contractor perform this work.

The service contract must become effective within 30 days of occupancy, and Tenant shall provide Landlord with a copy of such service contract within such 30-day period. Service visits shall be performed on a quarterly basis. Tenant shall send the following list to a qualified HVAC contractor to be assured that these items are included in the maintenance contract:

HVAC MAINTENANCE

1. Adjust belt tension;
2. Lubricate all moving parts, as necessary;
3. Inspect and adjust all temperature and safety controls;
4. Check refrigeration system for leaks and operation;
5. Check refrigeration system for moisture;
6. Inspect compressor oil level and crank case heaters;
7. Check head pressure, suction pressure and oil pressure;
8. Inspect air filters and replace when necessary;
9. Check space conditions;
10. Check condensate drains and drain pans and clean, if necessary;
11. Inspect and adjust all valves;
12. Check and adjust dampers;
13. Run machine through complete cycle.

Exhibit F: CONSTRUCTION (Allowance)

(a) Landlord agrees to perform, at Landlord's sole cost, the following improvements (the "Initial Improvements"):

(i) Labs and additional office pursuant to scope, plans, and bid attached hereto as Exhibit F-1; provided, however, that in no event shall the Initial Improvements include any "alternates" identified on such Exhibit F-1; and

(ii) Replacement of all warn or damaged carpet. Landlord and Tenant acknowledge and agree that they have walked the Premises and have agreed on locations of replacement.

Landlord and Tenant hereby agree and acknowledge that the estimated cost of the Initial Improvements is $1,256,600 ("Initial Improvements Amount"). Tenant shall pay for the costs in excess of the Initial Improvement Amount to the extent resulting from any changes to the scope of the Initial Improvements requested by Tenant pursuant to Subsection (b) below. Notwithstanding anything to the contrary contained herein, Landlord shall be responsible, at Landlord's sole cost, for any changes to the Building or Project made necessary by applicable Legal Requirements and resulting from the performance of the Initial Improvements.

Landlord shall collect a construction management fee equal to 5% of the cost of the Initial Improvements, payable by Tenant within 30 days following receipt of Landlord's invoice, which fee shall be calculated based upon the scope of work of the Initial Improvements as described herein, taking into account costs generally payable for similar services within the market area in which the Project is located.

(b) If Tenant shall desire any changes to the scope of the Initial Improvements, Tenant shall advise Landlord in writing and Landlord shall determine whether such changes can be made in a reasonable and feasible manner. All costs of reviewing any requested changes, all costs of making changes to the Building or Project made necessary by applicable Legal Requirements to the extent resulting from such changes, and all costs of making any changes to the scope of the Initial Improvements which Tenant may request and which Landlord may agree to shall be at Tenant's sole cost and expense and shall be paid to Landlord upon demand and before execution of the change order.

(c) Landlord shall proceed with and complete the construction of the Initial Improvements. As soon as such improvements have been Substantially Completed, Landlord shall notify Tenant in writing of the date that the Initial Improvements were Substantially Completed. The Initial Improvements shall be deemed substantially completed ("Substantially Completed" or "Substantial Completion") when, in the opinion of the construction manager (whether an employee or agent of Landlord or a third party construction manager) ("Construction Manager"), the Initial Improvements are substantially completed except for punch list items which do not prevent in any material way the use of the Initial Improvements for the purposes for which they were intended. In the event Tenant, its employees, agents, or contractors cause construction of such improvements to be delayed, the date of Substantial Completion shall be deemed to be the date that, in the opinion of the Construction Manager, Substantial Completion would have occurred if such delays had not taken place. Tenant shall be solely responsible for delays caused by Tenant's request for any changes in the plans, Tenant's request for long lead items or Tenant's interference with the construction of the Initial Improvements, and such delays shall not cause a deferral of the Commencement Date. After the date the Initial Improvements are Substantially Completed Tenant shall, upon demand, execute and deliver to Landlord a letter of acceptance of the Initial Improvements. In the event of any dispute as to the Initial Improvements the certificate of the Construction Manager shall be conclusive absent manifest error.

(d) Tenant's failure to take possession of or to occupy the Premises shall not serve to relieve Tenant of its obligations arising on the Commencement Date or to delay the payment of rent by Tenant. Subject to applicable Legal Requirements, Tenant shall be allowed to install its tenant improvements, Trade Fixtures or other property on the Premises during the final stages of Landlord's construction provided that Tenant does not interfere with completion of construction or cause any labor dispute. Tenant hereby agrees to indemnify, defend, and hold Landlord harmless from any loss or damage to such property, and all liability, loss, or damage arising from any injury to the Project or the property of Landlord, its contractors, subcontractors, or materialmen, and any death or personal injury to any person or persons arising out of such installations, unless any such loss, damage, liability, death, or personal injury was caused by Landlord's negligence. Any such occupancy or installation of tenant improvements or Trade Fixtures in the Premises shall be in accordance with the provisions governing Tenant-Made Alterations and Trade Fixtures in the Lease, and shall be subject to Tenant providing to Landlord satisfactory evidence of insurance for personal injury and property damage related to such installations and satisfactory payment arrangements with respect to installations permitted hereunder. Delay in putting Tenant in possession of the Premises shall not serve to extend the Lease Term or to make Landlord liable for any damages arising therefrom.

Exhibit F-1: Scope, Plan, and Bid for Initial Improvements

Description of Scope of Work:

Work based off preliminary plans by KOBZA2 / Revision 1 Dated April 9th, 2021

1. Includes Architectural for complete permit scope (except tool anchorage) and Structural Engineering for new roof at pad.
2. Provide labor and equipment to demo and remove existing walls, flooring, T-bar grid, ceiling tiles and ducting.
3. Provide final cleaning of space at completion of work. Stock restrooms with supplies.
4. Provide and install (N) 10' high standard chain link fencing in manufacturing area w/ Dutch door and slider gates per plan note # 17.
5. Provide and install (N) corrugated metal roof per plan NOTE # 16.
6. Sawcut, demo, off haul and dispose of concrete for plumbing trenches.
7. Provide wood blocking at roof line for new full height walls throughout.
8. Remove existing millwork and re-install to new break area location**.** Provide 6' of new standard p-lam lower cabinet at wet lab and clinical room.
9. Insulate all new walls with R-13. Repair cap sheet insulation at (N) wall lines throughout.
10. Provide (10) 3'-0"x8'x0" CLR maple doors in clr. Aluminum frames, provide (12) CLR maple doors w/ 6' S/L, provide (4) set of 6'-0"x8'-0" CLR maple doors in clr. aluminum frames, provide (1) 4'-0"x8'-0" CLR maple door w/ frame, provide (1) 3'-0"x8'-0" CLR maple door w/ 19' S/L, provide 34' x 8' clear aluminum frame for east wall at demo room, provide door hardware to match existing. Relocate existing doors and frames per plan.
11. Provide and install (N) glass roll up door in existing storefront opening in machine shop.
12. Install (N) glass sidelites at offices and conf. rooms. Per plan.
13. Install (N) glass sidelites at offices and conf. rooms. Per plan.
14. Provide materials and labor to install ceramic floor tile in (2) new showers, (match existing as close as possible), Remove existing wall tile and repair (match as close as possible).
15. Provide all new full height and under grid metal stud walls with 5/8" gyp board each side, tape, top and finish, prep for paint. Excludes furred walls at new offices at exterior walls for electrical and data.
16. Provide and install (N) T-bar grid ceilings in all offices, conf. rooms and board room. All labs to have open ceilings.
17. Provide and install (N) VCT flooring per plan note. Relocate (E) carpet tiles to offices as needed, provide and install new wall base on all new walls.
18. Prep and painting of new sheetrock walls, restrooms and steel columns throughout space.
19. Relocate and add sprinkler heads at (N) full height walls and T-bar ceilings. Includes engineering design drawings. Excludes any seismic upgrades or relocating existing mains or branch lines.
20. Demo and cap off associated plumbing at current break room sink, supply and install prefab shower stalls at new showers, provide (2) new sinks at machine shop and wet lab, provide plumbing at (N) break area, associated waste and vent piping, domestic hot and cold-water piping for new fixtures. Provide and install new 50 gal. water heater to support showers.
21. Provide and install (N) shop fabricate and install new plenums at (14) (E) HVAC units, run all new spiral duct to (15) (E) HVAC units, Furnish and install approx. 90 supply air outlets, re-run (E) thermostat wiring and install (15) (E) 24v programmable thermostats, upsize existing restroom exhaust fan and provide aluminum duct, to incorporate the (2) new showers, air balance the whole building, mechanical engineering and permit drawings included.
22. Provide and install (60) 120V, 20A duplex receptacles throughout, (37) data ring and strings throughout, (1) floor box in Board rm., (44) 2x4 LED dimmable light fixtures, power for(20) cubicles, relocate existing HP -4 pendant fixtures for open area, provide power to (1) 208V, 1ph, 30A water heater, re-switch lighting to accommodate new wall layout, provide 208V power distribution to labs, ext. compressor and machine shop per program requirements, re-work lighting in open area to accommodate new offices, provide and install integrated battery backed up emergency lighting, provide and install lighting controls to comply with title-24 requirements, provide commissioning and documents per new Title-24 requirements, and provide plans and engineering. Excludes any power distribution from existing generator currently in place. Includes electrical engineering and plans.
23. Re-wire all existing HVAC units and tie into existing panel for global shut down of units in large open areas per fire code, also tie B.A. fan into panel for shut down too.

COMMERCIAL OPI BUILDERS

Design Build… Repeat

VENUS
Interior Improvement budget
1800 Bering Drive
07.09.21

CODE	ACTIVITY DESCRIPTION	ESTIMATE	Add/deletes	PSF	REMARKS
01	**GENERAL REQUIREMENTS**				
1000	INSURANCE	15,511	-48	0.49	Liability insurance at 1.25% of the project cost.
1010	PRINTING AND SUPPLIES	500	0	0.02	Cost to reproduce drawings for subcontractors.
1020	PERMITS	10,000	0	0.32	**Allowance only**
1110	TEMPORARY CONSTRUCTION	1,500	0	0.05	Protect existing finishes with masonite and RAM board during demo. Install task lighting throughout space.
1200	PROJECT EXPENSES	1,150	0	0.04	Cost for safety, COVID-19 protocol, small

						tools, cells phones and site protection.
	1220	RENTALS	3,500	0	0.11	Provide scissor lifts and temp facilities.
	1400	ARCHITECTURAL DESIGN	33,000	0	1.05	**Per Bud Kobza**
	1420	STRUCTURAL ENGINEERING	0	0	0.00	**See add alternates below**
	1460	ENVIRONMENTAL SERVICES	0	0	0.00	**Excluded.**
	1320	SPECIAL INSPECTIONS	0	0	0.00	**Excluded.**
	1510	PROJECT SUPERVISION	12,250	0	0.39	Part time project supervision for job duration.
	1520	PROJECT MANAGEMENT	11,800	0	0.38	Cost for part time project management for the design and construction phases.
	1600	DEMOLITION	6,175	0	0.20	Provide labor and equipment to demo and remove existing walls, flooring, T-bar grid, ceiling tiles and ducting.
	1700	DAILY CLEANUP	2,500	0	0.08	Daily clean up.
	1800	FINAL CLEAN UP	5,890	0	0.19	Provide final cleaning of space at completion of work. Stock restrooms with supplies.
	1900	OVERHEAD AND FEE	70,239	-150	2.24	
02		**SITE WORK**				
	2500	PAVING AND SURFACING	0	0	0.00	**Excluded.**
	2800	STRIPING & BUMPERS	0	0	0.00	**Excluded.**
	2830	FENCING - **INTERIOR**	9,880	0	0.31	Provide and install (N) 10' high standard chain link fencing in manufacturing area w/ Dutch door and slider gates per plan note # 17.
	2830	FENCING - **EXTERIOR**	4,500	0	0.14	Provide and install (N) corrugated metal roof per plan NOTE # 16.
	2900	LANDSCAPING AND IRRIGATION	0	0	0.00	**Excluded.**
03		**CONCRETE**				
	3050	CONCRETE DEMOLITION	3,500	-550	0.11	Sawcut, demo, off haul and dispose of concrete for plumbing trenches.
	3300	CONCRETE PLACE & FINISH	4,650	-700	0.15	Pour back for concrete at plumbing trenches at (N) showers and finish.
05		**METALS**				
	5100	STRUCTURAL STEEL	0	0	0.00	**Excluded.**
	5700	ORNAMENTAL METAL	0	0	0.00	**Excluded.**
	5750	RAILINGS	0	0	0.00	**Excluded.**
06		**WOOD AND PLASTICS**				
	6100	ROUGH CARPENTRY	5,500	0	0.18	Provide wood blocking at roof line for new full height walls throughout.
	6200	FINISH CARPENTRY	0	0	0.00	**Excluded.**
	6400	CUSTOM CASEWORK	9,200	-3,350	0.29	Remove existing millwork and re-install to new break area location**. Provide 6' of new standard p-lam lower cabinet at wet lab and clinical room.**
07		**THERMAL AND MOISTURE PROTECTION**				
	7200	INSULATION	3,500	875	0.11	Insulate all new walls with R-13. Repair cap sheet insulation at (N) wall lines throughout.
	7500	BUILT UP ROOFING	0	0	0.00	**Excluded.**
	7600	FLASHING AND SHEET METAL	0	0	0.00	**Excluded.**
08		**DOORS AND WINDOWS**				
	8100	DOORS, FRAMES & HARDWARE	74,750	7,100	2.38	Provide (10) 3'-0"x8'x0" CLR maple doors in clr. Aluminum frames, provide (12) CLR maple doors w/ 6' S/L, provide (4) set of 6'-0"x8'-0" CLR maple doors in clr. aluminum frames, provide (1) 4'- 0"x8'-0" CLR maple door w/ frame, provide (1) 3'-0"x8'-0" CLR maple door w/ 19' S/L, provide 34' x 8' clear aluminum frame for east wall at demo room, provide door hardware to match existing. Relocate existing doors and frames per plan. - **Add (2) doors and frames per revised plan dated 6/30/2021**, **Add 24' of new glass wall in east side of break room wall per 7/9/2021 change request**
	8300	SPECIAL DOORS	4,880	-4,880	0.16	Provide and install (N) glass roll up door in existing storefront opening in machine shop.
	8800	GLASS & GLAZING	4,790	0	0.15	Install (N) glass sidelites at offices and conf. rooms. Per plan.

09	**FINISHES**					
9200	LATH & PLASTER	0	0	0.00	**Excluded.**	
9300	CERAMIC TILE	6,770	0	0.22	Provide materials and labor to install ceramic floor tile in (2) new showers,(match existing as close as possible), Remove existing wall tile and repair (match as close as possible).	
9250	DRYWALL	140,000	4,860	4.46	Provide all new full height and under grid metal stud walls with 5/8" gyp board each side, tape, top and finish, prep for paint. **excludes furred walls at new offices at exterior walls for electrical and data.**	
9500	SUSPENDED CEILINGS	21,885	0	0.70	Provide and install (N) T-bar grid ceilings in all offices, conf. rooms and board room. All labs to have open ceilings.	
9650	FLOOR COVERINGS	38,559	0	1.23	Provide and install (N) VCT flooring per plan note. Relocate (E) carpet tiles to offices as needed, provide and install new wall base on all new walls.	
9900	PAINTING	21,558	0	0.69	Prep and painting of new sheetrock walls, restrooms and steel columns throughout space.	
15	**MECHANICAL**					
15300	FIRE PROTECTION SYSTEMS	30,000	0	0.95	Relocate and add sprinkler heads at (N) full height walls and T-bar ceilings. Includes engineering design drawings. **Excludes any seismic upgrades or relocating existing mains or branch lines.**	
15400	PLUMBING	82,800	-3,600	2.64	~~Demo and cap off associated plumbing at current break room sink~~, supply and install pre-fab shower stalls at new showers, provide (2) new sinks at machine shop and wet lab,~~ provide plumbing at (N) break area~~, associated waste and vent piping, domestic hot and cold water piping for new fixtures. Provide and install new 50 gal. water heater to support showers.	
15500	HVAC	275,000	0	8.75	Provide and install (N) shop fabricate and install new plenums at (14) (E) HVAC units, run all new spiral duct to (15) (E) HVAC units, Furnish and install approx. 90 supply air outlets, re-run (E) thermostat wiring and install (15) (E) 24v programmable thermostats, upsize existing restroom exhaust fan and provide aluminum duct, to incorporate the (2) new showers, air balance the whole building, **mechanical engineering and permit drawings included.**	
16	**ELECTRICAL**					
16100	ELECTRICAL	330,790	0	10.53	Provide and install (60) 120V, 20A duplex receptacles throughout, (37) data ring and strings throughout, (1) floor box in Board rm., (44) 2x4 LED dimmable light fixtures, power for(20) cubicles, relocate existing HP -4 pendant fixtures for open area, provide power to (1) 208V, 1ph, 30A water heater, re-switch lighting to accommodate new wall layout, provide 208V power distribution to labs, ext. compressor and machine shop per program requirements, re-work lighting in open area to accommodate new offices, provide and install integrated battery backed up emergency lighting, provide and install lighting controls to comply with title-24 requirements, provide commissioning and documents per new Title-24 requirements, and provide plans and engineering. **Excludes any power distribution from existing generator currently in place.**	
16760	FIRE ALARM SYSTEMS	9,880	0	0.31	Re-wire all existing HVAC units and tie into existing panel for global shut down of units in large open areas per fire code, also tie B.A. fan into panel for shut down too.	
	T O T A L	**1,256,408**	**-443**	**1,255,965**		**39.98**

ADD ALTERNATES

Alt #1:	**UL LISTING OF EQUIPMENT**	**4,000**	**4,000**	**Add alt. allowance if required by city.**
Alt #2:	**SEISMIC HOLD DOWNS ON EQUIPMENT**	**25,000**	**25,000**	**Add alt. allowance if required by city to fabricate steel hold downs for equipment in machine shop, includes**

				installation.
Alt #3:	**ARCHITECTURAL &STRUCTURAL DESIGN FOR EQUIPMENT**	**11,500**	**11,500**	**Add alt. for structural design and calculations for equipment.**

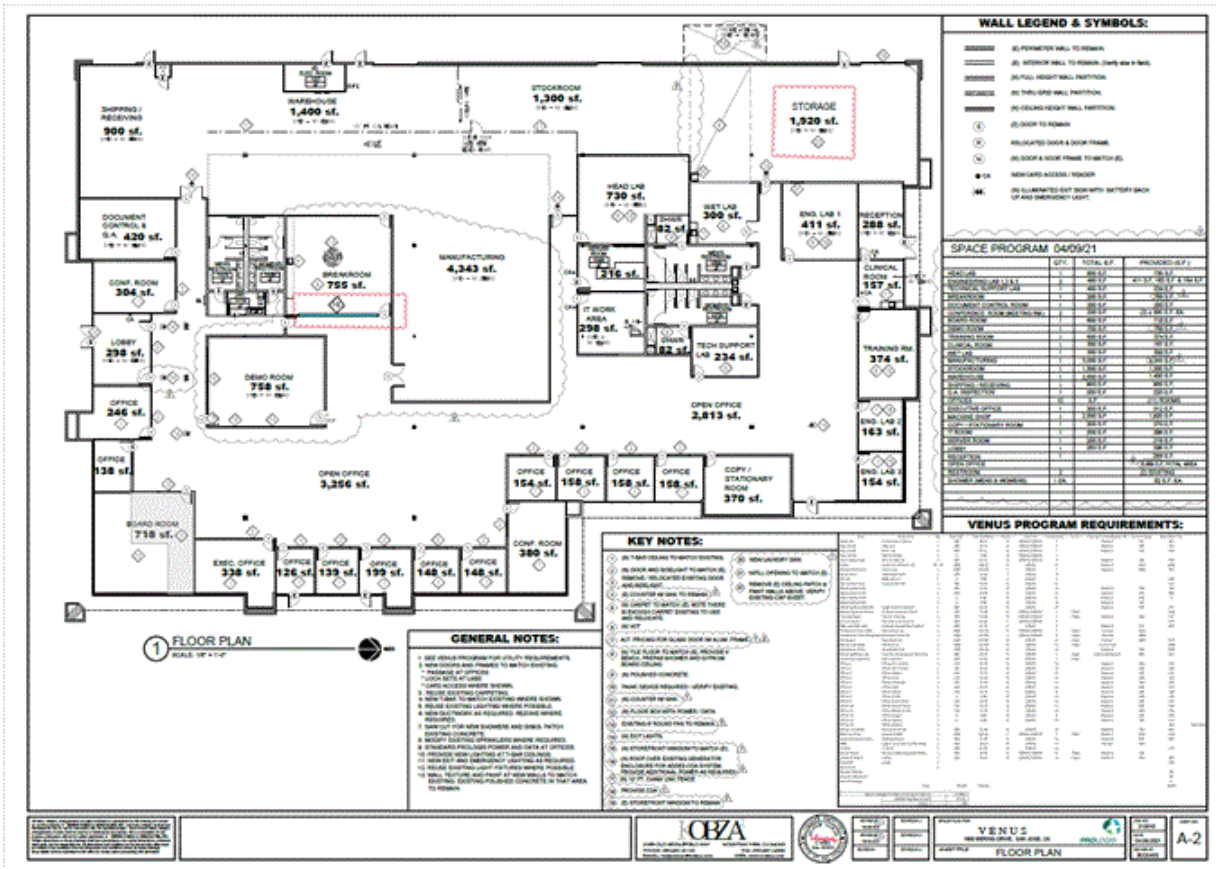

Exhibit: ONE RENEWAL OPTION AT MARKET
G

(a) Provided that as of the time of the giving of the Extension Notice and the Commencement Date of the Extension Term, (x) Tenant is the Tenant originally named herein, or a Tenant Affiliate as defined herein, (y) Tenant continues to lease the entire Premises initially demised under this Lease and any space added to the Premises, and (z) no Event of Default exists or would exist but for the passage of time or the giving of notice, or both; then Tenant shall have the right to extend the Lease Term for an additional term of 60 months (such additional term is hereinafter called the "Extension Term") commencing on the day following the expiration of the Lease Term (hereinafter referred to as the "Commencement Date of the Extension Term"). Tenant shall give Landlord notice (hereinafter called the "Extension Notice") of its election to extend the term of the Lease Term at least 6 months, but not more than 12 months, prior to the scheduled expiration date of the Lease Term.

(b) The Base Rent payable by Tenant to Landlord during the Extension Term shall be the then prevailing market rate for comparable space in the Project and comparable buildings in the vicinity of the Project, taking into account the size of the Lease, the length of the renewal term, market escalations and the credit of Tenant. The Base Rent shall not be reduced by reason of any costs or expenses saved by Landlord by reason of Landlord's not having to find a new tenant for such premises (including, without limitation, brokerage commissions, costs of improvements, rent concessions or lost rental income during any vacancy period). In the event that, following good faith negotiations and commercially reasonable efforts on the part of each party, Landlord and Tenant fail to reach an agreement on such rental rate and execute the Amendment (defined below) at least 4 months prior to the expiration of the Lease, then Tenant's exercise of the renewal option shall be deemed withdrawn and the Lease shall terminate on its original expiration date.

(c) The determination of Base Rent does not reduce the Tenant's obligation to pay or reimburse Landlord for Operating Expenses and other reimbursable items as set forth in the Lease, and Tenant shall reimburse and pay Landlord as set forth in the Lease with respect to such Operating Expenses and other items with respect to the Premises during the Extension Term without regard to any cap on such expenses set forth in the Lease.

(d) Except for the Base Rent as determined above, Tenant's occupancy of the Premises during the Extension Term shall be on the same terms and conditions as are in effect immediately prior to the expiration of the initial Lease Term; provided, however, Tenant shall have no further right to any allowances, credits or abatements or any options to expand, contract, renew or extend the Lease.

(e) If Tenant does not give the Extension Notice within the period set forth in paragraph (a) above, Tenant's right to extend the Lease Term shall automatically terminate. Time is of the essence as to the giving of the Extension Notice.

(f) Landlord shall have no obligation to refurbish or otherwise improve the Premises for the Extension Term. The Premises shall be tendered on the Commencement Date of the Extension Term in "as-is" condition.

(g) If the Lease is extended for the Extension Term, then Landlord shall prepare and Tenant shall execute an amendment to the Lease confirming the extension of the Lease Term and the other provisions applicable thereto (the "Amendment").

(h) If Tenant exercises its right to extend the term of the Lease for the Extension Term pursuant to this Exhibit, the term "Lease Term" as used in the Lease, shall be construed to include, when practicable, the Extension Term except as provided in (d) above.

Exhibit 21.1

LIST OF SUBSIDIARIES

Name	Jurisdiction
Restoration Robotics, Inc. Limited	Hong Kong
Restoration Robotics Europe Limited	United Kingdom
Restoration Robotics Korea Yuhan Hoesa	South Korea
Venus Concept SL	Spain
Venus Concept Mexico SA DE SV	Mexico City, Mexico
Venus Concept GmbH	Germany
Venus Concept Australia PTY Ltd	Victoria, Australia
Venus Concept USA Inc.	Delaware, USA
Venus Concept France SAS	France
Venus Concept Canada Corp.	Ontario, Canada
Venus Concept UK Limited	England and Wales, United Kingdom
Venus Concept Ltd	Israel
Venus Concept Israel Ltd	Israel
Venus Concept Sucursal Colombia	Colombia
Venus Concept (Shanghai) Co., Ltd.	China
Venus Concept Argentina SA	Argentina
Venus Concept Japan Co., Ltd.	Japan
Venus Concept Korea Ltd.	South Korea
Venus Concept (HK) Limited	Hong Kong
Venus Concept Brasil Ltda	Brazil

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No(s). 333-220993, 333-223448, 333-231507, 333-235480, 333-246083 and 333-255159 on Form S-8, and in Registration Statement No(s). 333-228562, 333-236207, 333-237737, 333-252562, 333-260267 and 333-262160 on Form S-3 of our auditors' report dated March 28, 2022, relating to the consolidated financial statements of Venus Concept Inc. and its subsidiaries (the "Company") for the years ended December 31, 2021 and 2020 (which expresses an unqualified opinion and includes an explanatory paragraph relating to the conditions and events that raise substantial doubt on the Company's ability to continue as a going concern) appearing in this Report on Form 10-K dated March 28, 2022.

/s/ MNP LLP

Chartered Professional Accountants
Licensed Public Accountants
March 28, 2022
Toronto, Canada

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Domenic Serafino, certify that:

I have reviewed this annual report on Form 10-K of Venus Concept Inc.;

1. 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;

2. 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;

3. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-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 fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

4. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

[SIGNATURE PAGE FOLLOWS]

Date: March 28, 2022

By: /s/ Domenic Serafino

Name: Domenic Serafino
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Domenic Della Penna, certify that:

1. I have reviewed this annual report on Form 10-K of Venus Concept Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

[SIGNATURE PAGE FOLLOWS]

Date: March 28, 2022

By: /s/ Domenic Della Penna

Name: Domenic Della Penna
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Domenic Serafino, the Chief Executive Officer of Venus Concept Inc. (the "**Company**"), hereby certify, that, to my knowledge:

1. The Annual Report on Form 10-K for the year ended 2021 (the "**Report**") of the Company fully complies with the requirements of Section 13(a) 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: March 28, 2022

By: /s/ Domenic Serafino
Name: Domenic Serafino
Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Domenic Della Pena, the Chief Financial Officer of Venus Concept Inc. (the "Company"), hereby certify, that, to my knowledge:

1. The Annual Report on Form 10-K for the year ended 2021 (the "Report") of the Company fully complies with the requirements of Section 13(a) 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: March 28, 2022

By: /s/ Domenic Della Penna
Name: Domenic Della Penna
Chief Financial Officer (Principal Financial Officer)