

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2020**

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: **001-36709**

SIENTRA, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)
420 South Fairview Avenue, Suite 200
Santa Barbara, California
(Address of Principal Executive Offices)

20-5551000
(I.R.S. Employer
Identification No.)

93117
(Zip Code)

(805) 562-3500

(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	SIEN	The Nasdaq Stock Market LLC

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, a 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of May 1, 2020, the number of outstanding shares of the registrant's common stock, par value \$0.01 per share, was 50,033,442.

SIENTRA, INC.

FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2020

TABLE OF CONTENTS

	Page
Part I — Financial Information	1
Item 1. Condensed Consolidated Financial Statements - Unaudited	1
Condensed Consolidated Balance Sheets as of March 31, 2020 and December 31, 2019	1
Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2020 and 2019	2
Condensed Consolidated Statement of Stockholders' Equity for the Period from December 31, 2018 through March 31, 2019 and December 31, 2019 through March 31, 2020	3
Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2020 and 2019	4
Notes to the Condensed Consolidated Financial Statements	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	27
Item 3. Quantitative and Qualitative Disclosures About Market Risk	36
Item 4. Controls and Procedures	36
Part II — Other Information	37
Item 1. Legal Proceedings	37
Item 1A. Risk Factors	37
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	43
Item 3. Defaults Upon Senior Securities	43
Item 4. Mine Safety Disclosures	43
Item 5. Other Information	43
Item 6. Exhibits	44

“Sientra”, “Sientra Platinum20”, “Sientra Full Circle”, “OPUS”, “Allox”, “Allox2”, “BIOCORNEUM”, “Curve”, “Dermaspan”, “Luxe”, “Softspan”, “Silishield”, “miraDry”, “Miramar Labs”, “miraDry and Design”, “miraDry Fresh”, “bioTip”, “The Sweat Stops Here”, “No Sweat No Stress”, “Sweat Less Live More”, “Drop Design”, “miraWave”, “miraSmooth”, “miraFresh”, “freshRewards”, “freshNet”, “freshEquity”, “freshConnect”, and “ML Stylized mark” are trademarks of our company. 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 the document, appear without the TM or the (R) 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.

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SIENTRA, INC.
Condensed Consolidated Balance Sheets
(In thousands, except per share and share amounts)
(Unaudited)

	March 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 112,062	\$ 87,608
Accounts receivable, net of allowances of \$2,741 and \$3,835 at March 31, 2020 and December 31, 2019, respectively	25,425	27,548
Inventories, net	42,118	39,612
Prepaid expenses and other current assets	2,264	2,489
Total current assets	181,869	157,257
Property and equipment, net	12,344	12,314
Goodwill	9,202	9,202
Other intangible assets, net	10,383	17,390
Other assets	9,048	8,241
Total assets	<u>\$ 222,846</u>	<u>\$ 204,404</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 25,000	\$ 6,508
Accounts payable	5,835	9,352
Accrued and other current liabilities	26,402	32,551
Customer deposits	15,227	13,943
Sales return liability	8,707	8,116
Total current liabilities	81,171	70,470
Long-term debt	55,918	38,248
Derivative liability	16,230	—
Deferred and contingent consideration	5,285	5,177
Warranty reserve and other long-term liabilities	9,375	8,627
Total liabilities	167,979	122,522
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock, \$0.01 par value — Authorized 10,000,000 shares; none issued or outstanding	—	—
Common stock, \$0.01 par value — Authorized 200,000,000 shares; issued 50,079,024 and 49,612,907 and outstanding 50,006,297 and 49,540,180 shares at March 31, 2020 and December 31, 2019, respectively	500	495
Additional paid-in capital	552,154	550,562
Treasury stock, at cost (72,727 shares at March 31, 2020 and December 31, 2019)	(260)	(260)
Accumulated deficit	(497,527)	(468,915)
Total stockholders' equity	54,867	81,882
Total liabilities and stockholders' equity	<u>\$ 222,846</u>	<u>\$ 204,404</u>

See accompanying notes to condensed consolidated financial statements.

SIENTRA, INC.
Condensed Consolidated Statements of Operations
(In thousands, except per share and share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
Net sales	\$ 16,932	\$ 17,552
Cost of goods sold	6,792	6,474
Gross profit	10,140	11,078
Operating expenses:		
Sales and marketing	16,763	20,401
Research and development	2,908	3,054
General and administrative	9,304	13,474
Restructuring	1,739	—
Impairment	6,432	—
Total operating expenses	37,146	36,929
Loss from operations	(27,006)	(25,851)
Other income (expense), net:		
Interest income	180	304
Interest expense	(1,623)	(952)
Other income (expense), net	(163)	15
Total other income (expense), net	(1,606)	(633)
Loss before income taxes	(28,612)	(26,484)
Income tax	—	—
Net loss	\$ (28,612)	\$ (26,484)
Basic and diluted net loss per share attributable to common stockholders	\$ (0.57)	\$ (0.91)
Weighted average outstanding common shares used for net loss per share attributable to common stockholders:		
Basic and diluted	49,916,412	29,099,382

See accompanying notes to condensed consolidated financial statements.

SIENTRA, INC.
Condensed Consolidated Statement of Stockholders' Equity
(In thousands, except share amounts)
(Unaudited)

	Preferred stock		Common stock		Treasury stock		Additional paid-in capital	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Shares	Amount	Shares	Amount			
Balances at December 31, 2018	—	\$ —	28,701,494	\$ 286	72,727	\$ (260)	\$ 428,949	\$ (362,097)	\$ 66,878
Stock-based compensation	—	—	—	—	—	—	3,772	—	3,772
Stock option exercises	—	—	45,453	—	—	—	106	—	106
Employee stock purchase program (ESPP)	—	—	68,899	1	—	—	682	—	683
Vested restricted stock	—	—	671,245	7	—	—	(7)	—	—
Shares withheld for tax obligations on vested RSUs	—	—	(212,714)	(2)	—	—	(2,723)	—	(2,725)
Net loss	—	—	—	—	—	—	—	\$ (26,484)	(26,484)
Balances at March 31, 2019	—	—	29,274,377	\$ 292	72,727	\$ (260)	\$ 430,779	\$ (388,581)	\$ 42,230
	Preferred stock		Common stock		Treasury stock		Additional paid-in capital	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Shares	Amount	Shares	Amount			
Balances at December 31, 2019	—	\$ —	49,612,907	\$ 495	72,727	\$ (260)	\$ 550,562	\$ (468,915)	\$ 81,882
Issuance of common stock through ATM	—	—	37,000	1	—	—	263	—	264
Stock-based compensation	—	—	—	—	—	—	2,000	—	2,000
Employee stock purchase program (ESPP)	—	—	113,615	1	—	—	533	—	534
Vested restricted stock	—	—	472,914	5	—	—	(5)	—	—
Shares withheld for tax obligations on vested RSUs	—	—	(157,412)	(2)	—	—	(1,199)	—	(1,201)
Net loss	—	—	—	—	—	—	—	(28,612)	(28,612)
Balances at March 31, 2020	—	—	50,079,024	\$ 500	72,727	\$ (260)	\$ 552,154	\$ (497,527)	\$ 54,867

See accompanying notes to condensed consolidated financial statements.

SIENTRA, INC.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (28,612)	\$ (26,484)
Adjustments to reconcile net loss to net cash used in operating activities		
Impairment	6,432	—
Depreciation and amortization	1,228	831
Provision for doubtful accounts	357	342
Provision for warranties	236	273
Provision for inventory	1,081	289
Fair value adjustments of liabilities held at fair value	91	98
Stock-based compensation expense	2,133	3,700
Payments of contingent consideration liability in excess of acquisition-date fair value	—	(630)
Other non-cash adjustments	397	56
Changes in operating assets and liabilities:		
Accounts receivable	1,766	(2,583)
Inventories	(3,720)	(3,373)
Prepaid expenses, other current assets and other assets	(587)	396
Accounts payable, accrued, and other liabilities	(9,867)	(75)
Customer deposits	1,284	956
Sales return liability	592	1,968
Legal settlement payable	—	(410)
Net cash used in operating activities	<u>(27,189)</u>	<u>(24,646)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,206)	(610)
Net cash used in investing activities	<u>(1,206)</u>	<u>(610)</u>
Cash flows from financing activities:		
Proceeds from option exercises and employee stock purchase plan	534	789
Net proceeds from issuance of common stock	264	—
Tax payments related to shares withheld for vested restricted stock units (RSUs)	(1,201)	(2,725)
Gross borrowings under the Revolving Loan	—	4,183
Repayment of the Revolving Loan	(6,508)	(1,565)
Net proceeds from issuance of the Convertible Note	60,000	—
Payments of contingent consideration up to acquisition-date fair value	—	(370)
Deferred financing costs	(240)	—
Net cash provided by financing activities	<u>52,849</u>	<u>312</u>
Net increase in cash, cash equivalents and restricted cash	<u>24,454</u>	<u>(24,944)</u>
Cash, cash equivalents and restricted cash at:		
Beginning of period	87,951	87,242
End of period	<u>\$ 112,405</u>	<u>\$ 62,298</u>
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets		
Cash and cash equivalents	\$ 112,062	\$ 61,955
Restricted cash included in other assets	343	343
Total cash, cash equivalents and restricted cash	<u>\$ 112,405</u>	<u>\$ 62,298</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 1,067	\$ 903
Supplemental disclosure of non-cash investing and financing activities:		
Property and equipment in accounts payable and accrued liabilities	\$ 222	\$ 273
Deferred financing costs in accrued liabilities	1,275	—

See accompanying notes to condensed consolidated financial statements.

1. Formation and Business of the Company

a. Formation

Sientra, Inc. (“Sientra”, the “Company,” “we,” “our” or “us”), was incorporated in the State of Delaware on August 29, 2003 under the name Juliet Medical, Inc. and subsequently changed its name to Sientra, Inc. in April 2007. The Company acquired substantially all the assets of Silimed, Inc. on April 4, 2007. The purpose of the acquisition was to acquire the rights to the silicone breast implant clinical trials, related product specifications and pre-market approval, or PMA, assets. Following this acquisition, the Company focused on completing the clinical trials to gain FDA approval to offer its silicone gel breast implants in the United States.

In March 2012, the Company announced it had received approval from the FDA for its portfolio of silicone gel breast implants, and in the second quarter of 2012 the Company began commercialization efforts to sell its products in the United States. The Company, based in Santa Barbara, California, is a medical aesthetics company that focuses on serving board-certified plastic surgeons and offers a portfolio of silicone shaped and round breast implants, scar management, tissue expanders, and body contouring products.

In November 2014, the Company completed an initial public offering, or IPO, and its common stock is listed on the Nasdaq Stock Exchange under the symbol “SIEN.”

b. Acquisition of miraDry

On June 11, 2017, Sientra entered into an Agreement and Plan of Merger, or the Merger Agreement, with miraDry (formerly Miramar Labs), pursuant to which Sientra commenced a tender offer to purchase all of the outstanding shares of miraDry’s common stock for (i) \$0.3149 per share, plus (ii) the contractual right to receive one or more contingent payments upon the achievement of certain future sales milestones. The total merger consideration was \$18.7 million in upfront cash and the contractual rights represent potential contingent payments of up to \$14 million. The transaction, which closed on July 25, 2017, added the miraDry System to Sientra’s aesthetics portfolio.

c. Acquisition of certain assets from Vesta Intermediate Funding, Inc.

On November 7, 2019, the Company entered into an Asset Purchase Agreement, or the Purchase Agreement, with Vesta Intermediate Funding, Inc., or Vesta, pursuant to which the Company purchased certain assets and obtained a non-exclusive, royalty-free, perpetual, irrevocable, assignable, sublicensable, and worldwide license to certain intellectual property owned by Vesta, or the Vesta Acquisition. The total consideration was \$ 19.1 million in cash, \$3.2 million and \$3.0 million in cash payable on November 7, 2021 and November 7, 2023, respectively, and two contingent share issuances of up to 303,721 shares each, of the Company’s common stock upon the achievement of certain price targets. The transaction, which closed on November 7, 2019, allows the Company to achieve a greater degree of vertical integration, obtaining direct control of breast implant manufacturing and product development activities and generating production-related cost synergies.

d. Regulatory Review of Vesta Manufacturing

Prior to the asset acquisition on November 7, 2019, the Company engaged Vesta for the manufacture and supply of the Company’s breast implants. On March 14, 2017, the Company announced it had submitted a site-change pre-market approval, or PMA, supplement to the FDA for the manufacture of the Company’s PMA-approved breast implants at the Vesta manufacturing facility. On January 30, 2018, the Company announced the FDA has granted approval of the site-change supplement for the manufacture of its silicone gel breast implants at the Vesta manufacturing facility. In support of the move to the Vesta manufacturing facility, the Company also implemented new manufacturing process improvements which, in consultation with the FDA, required three (3) additional PMA submissions. In addition to approving the manufacturing site-change PMA supplement, the FDA approved the Company’s three (3) process enhancement submissions on January 10, 2018, January 19, 2018 and April 17, 2018.

e. Follow-On Offerings and At-The-Market Share Issuance

On May 7, 2018, the Company completed an underwritten follow-on public offering of 7,407,408 shares of its common stock at \$13.50 per share, as well as 1,111,111 additional shares of its common stock pursuant to the full exercise of the over-allotment option granted to the underwriters. Net proceeds to the Company were approximately \$107.6 million after deducting underwriting discounts and commissions of \$6.9 million and offering expenses of approximately \$0.5 million.

On June 7, 2019, the Company completed an underwritten follow-on public offering of 17,391,305 shares of its common stock at \$5.75 per share, as well as 2,608,695 additional shares of its common stock pursuant to the full exercise of the over-allotment option granted to the underwriters. Net proceeds to the Company were approximately \$107.7 million after deducting underwriting discounts and commissions of \$6.9 million and offering expenses of approximately \$0.4 million.

Further, during the first quarter of 2020, the Company sold 37,000 shares of its common stock under the At-The-Market Equity Offering Sales Agreement with Stifel, Nicolaus & Company, Incorporated which was entered into in February 2018. Net proceeds to the Company after commissions were approximately \$0.3 million.

2. Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements in this Quarterly Report on Form 10-Q have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, and the rules and regulations of the U.S. Securities and Exchange Commission, or SEC. Accordingly, they do not include certain footnotes and financial presentations normally required under accounting principles generally accepted in the United States of America for complete financial reporting. The interim financial information is unaudited, but reflects all normal adjustments and accruals which are, in the opinion of management, considered necessary to provide a fair presentation for the interim periods presented. The accompanying condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC on March 16, 2020, or the Annual Report. The results for the three months ended March 31, 2020 are not necessarily indicative of results to be expected for the year ending December 31, 2020, any other interim periods, or any future year or period.

b. Liquidity

Since the Company's inception, it has incurred significant net operating losses and the Company anticipates that losses will continue in the near term. Although the Company expects its operating expenses will begin to decrease with the implementation of the organizational efficiency initiative announced on November 7, 2019, and other measures introduced as announced in the Company's filing on Form 8-K on April 7, 2020, the Company will need to generate significant net sales to achieve profitability. To date, the Company has funded operations primarily with proceeds from the sales of preferred stock, borrowings under term loans and convertible note, sales of products since 2012, and the proceeds from the sale of common stock in public offerings.

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. As of March 31, 2020, the Company had cash and cash equivalents of \$112.1 million. Since inception, the Company has incurred recurring losses from operations and cash outflows from operating activities. The continuation of the Company as a going concern is dependent upon many factors including liquidity and the ability to raise capital. The Company received FDA approval of its PMA supplement on April 17, 2018 and was then able to access a \$10.0 million term loan pursuant to an amendment to the credit agreement with MidCap Financial Trust, or MidCap. In addition, in February 2018, the Company entered into an At-The-Market Equity Offering Sales Agreement with Stifel, Nicolaus & Company, Incorporated, or Stifel, as sales agent pursuant to which the Company may sell, from time to time, through Stifel, shares of our common stock having an aggregate gross offering price of up to \$50.0

million. As of March 31, 2020, the Company has sold 37,000 shares of its common stock pursuant to the sales agreement, resulting in net proceeds after commissions of approximately \$0.3 million. Further, on May 7, 2018 and June 7, 2019, the Company completed public offerings of its common stock, raising approximately \$107.6 million and \$107.7 million, respectively, in net proceeds after deducting underwriting discounts and commissions and other offering expenses.

On July 1, 2019, the Company entered into certain credit agreements with Midcap Financial Trust pursuant to which the Company repaid its existing indebtedness under its Loan Agreement and the outstanding commitment fee was cancelled. On May 11, 2020, the Company amended certain credit agreements with Midcap Financial Trust pursuant to which the Company repaid certain amounts of its existing indebtedness. See Note 11 – Debt and Note 16 – Subsequent Events for further discussion.

On March 11, 2020, the Company entered into a facility agreement with Deerfield Partners, L.P., issuing \$60.0 million in principal amount of 4.0% unsecured and subordinated convertible notes upon the terms and conditions set forth in the facility agreement. See Note 11 – Debt for further discussion.

The Company believes that its cash and cash equivalents will be sufficient to fund its operations for at least the next 12 months. To fund ongoing operating and capital needs, the Company may need to raise additional capital in the future through the sale of equity securities and incremental debt financing.

c. Use of Estimates

The preparation of the condensed consolidated financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

d. Recent Accounting Pronouncements

Recently Adopted Accounting Standards

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The amendment modifies, removes, and adds certain disclosure requirements on fair value measurements. The ASU is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption was permitted. The Company adopted the applicable amendments within ASU 2018-13 prospectively in the first quarter of 2020 and there was no material impact on its condensed consolidated financial statements from the adoption.

In August 2018, the FASB issued ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. The amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendment. The ASU is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2019. Early adoption was permitted. The Company adopted ASU 2018-15 prospectively in the first quarter of 2020 and there was no material impact on its condensed consolidated financial statements from the adoption.

Recently Issued Accounting Standards

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)-Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendment provides optional expedients and exceptions for contract modifications that replace a reference rate affected by reference rate reform. The amendments are effective for all entities as of March 12, 2020 through December 31, 2022, and entities may elect to apply by Topic as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. The Company is currently evaluating the impact the election of the optional expedient will have on the consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The amendment removes certain exceptions for recognizing deferred taxes for investments, performing intraperiod allocation, and calculating income taxes in interim periods. The amendment also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. The ASU is effective for annual and interim periods in fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the impact that adoption of the standard will have on the consolidated financial statements.

e. Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus, also known as COVID-19, a global pandemic. Due to the pandemic, there has been uncertainty and disruption in the global economy and significant volatility of financial markets. The Company is subject to risks and uncertainties as a result of the COVID-19 pandemic. The full extent to which the COVID-19 pandemic will directly or indirectly impact the Company's business, results of operations and financial condition, including sales, expenses, reserves and allowances, manufacturing, and employee-related amounts, will depend on future developments that are highly uncertain. The Company continues to monitor and assess new information related to the COVID-19 pandemic, the actions taken to contain or treat COVID-19, as well as the economic impact on local, regional, national and international customers and markets.

As an aesthetics company, the Company's products are susceptible to local and national government restrictions, such as social distancing, "shelter in place" orders and business closures, due to the economic and logistical impacts these measures have on consumer demand as well as the practitioners' ability to administer such procedures. The inability to perform such non-emergency procedures has harmed the Company's revenues for the period ending March 31, 2020 and will likely result in future harm while these or new restrictions remain in place. In addition, capital markets and economies worldwide have also been negatively impacted by the COVID-19 pandemic, and it is possible that this can lead to a local and/or global economic recession, which may result in further harm to the aesthetics market. Such economic disruption could adversely affect the Company's business.

The estimates used for, but not limited to, determining the collectability of accounts receivable, fair value of long-lived assets, and goodwill could be impacted by the pandemic. While the full impact of COVID-19 is unknown at this time, the Company has made appropriate estimates based on the facts and circumstances available as of the reporting date. These estimates may change as new events occur and additional information is obtained.

f. Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

3. Restructuring

On November 7, 2019, the Company announced an organizational efficiency initiative, or the Plan, designed to reduce spending and simplify operations. Under the Plan, the Company will implement numerous initiatives to reduce spending, including closing the Santa Clara offices of miraDry, Inc. and consolidating a number of business support services via a shared services organization at the Company's Santa Barbara headquarters.

Under the Plan, the Company intends to reduce its workforce by terminating approximately 70 employees. The Company expects to incur total charges of approximately \$4.1 million in connection with one-time employee termination costs, retention costs and other benefits. In addition, the Company expects to incur estimated charges of approximately \$0.7 million related to contract termination costs, duplicate operating costs, and other associated costs. In total, the Plan is estimated to cost approximately \$4.8 million, excluding non-cash charges, with related cash payments expected to be substantially paid out with cash on hand by the end of 2020.

The following table details the amount of the liabilities related to the Plan included in "Accrued and other current liabilities" in the condensed consolidated balance sheet as of March 31, 2020 (amounts in thousands):

	Severance costs		Other associated costs	
Balance at December 31, 2019	\$	894	\$	—
Costs charged to expense		1,642		97
Costs paid or otherwise settled		(632)		(97)
Balance at March 31, 2020	\$	1,904	\$	—

During the three months ended March 31, 2020, the Company recorded \$1.7 million of severance and other associated costs related to the Plan. The following table details the charges by reportable segment, recorded in "Restructuring" under operating expenses in the condensed consolidated statements of operations for the three months ended March 31, 2020 by segment (amounts in thousands):

	Year Ended December 31, 2019		Three Months Ended March 31, 2020		Cumulative Restructuring Charges	
Breast Products	\$	499	\$	828	\$	1,327
miraDry		584		911		1,495
Total	\$	1,083	\$	1,739	\$	2,822

The Company has incurred cumulative restructuring charges of \$2.8 million since the commencement of the restructuring plan through March 31, 2020. It is anticipated that the Company will additionally incur approximately \$2.0 million of total restructuring costs during the remainder of 2020, of which \$0.1 million would be attributable to the Breast Products segment and \$1.9 million would be attributable to the miraDry segment. As the development of the Plan is completed, the Company will update its estimated costs by reportable segment as needed.

4. Revenue

Revenue Recognition

The Company generates revenue primarily through the sale and delivery of promised goods or services to customers and recognizes revenue when control is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for the goods or services. Performance obligations typically include the delivery of promised products, such as breast implants, tissue expanders, BIOCORNEUM, miraDry Systems and bioTips, along with service-type warranties and deliverables under certain marketing programs. Other deliverables are sometimes promised, but are ancillary and insignificant in the context of the contract as a whole. Sales prices are documented in the executed sales contract, purchase order or order acknowledgement prior to the transfer of control to the customer. Customers may enter into a separate extended service agreement to purchase an extended warranty for miraDry products from the Company whereby the payment is due at the inception of the agreement. Typical payment terms are 30 days for Breast Products and direct sales of consumable miraDry products, and tend to be

longer for capital sales of miraDry Systems and sales to miraDry distributors, but do not extend beyond one year. For delivery of promised products, control transfers and revenue is recognized upon shipment, unless the contractual arrangement requires transfer of control when products reach their destination, for which revenue is recognized once the product arrives at its destination. Revenue for extended service agreements are recognized ratably over the term of the agreements.

For Breast Products, with the exception of the Company's BIOCORNEUM scar management products, the Company allows for the return of products from customers within six months after the original sale, which is accounted for as variable consideration. Reserves are established for anticipated sales returns based on the expected amount calculated with historical experience, recent gross sales and any notification of pending returns. The estimated sales return is recorded as a reduction of revenue and as a sales return liability in the same period revenue is recognized. Actual sales returns in any future period are inherently uncertain and thus may differ from the estimates. If actual sales returns differ significantly from the estimates, an adjustment to revenue in the current or subsequent period would be recorded. The Company has established an allowance for sales returns of \$8.7 million and \$8.1 million as of March 31, 2020 and December 31, 2019 respectively, recorded as "sales return liability" on the condensed consolidated balance sheets.

The following table provides a rollforward of the sales return liability (in thousands):

	Sales return liability	
Balance as of December 31, 2019	\$	8,116
Addition to reserve for sales activity		28,538
Actual returns		(28,074)
Change in estimate of sales returns		127
Balance as of March 31, 2020	\$	<u>8,707</u>

For Breast Products, a portion of the Company's revenue is generated from the sale of consigned inventory of breast implants maintained at doctor, hospital, and clinic locations. For these products, revenue is recognized at the time the Company is notified by the customer that the product has been implanted, not when the consigned products are delivered to the customer's location.

For miraDry, in addition to domestic and international direct sales, the Company leverages a distributor network for selling the miraDry System internationally. The Company recognizes revenue when control of the goods or services is transferred to the distributors. Standard terms in both direct sales agreements (domestic and international), and international distributor agreements do not allow for trial periods, right of return, refunds, payment contingent on obtaining financing or other terms that could impact the customer's payment obligation.

Arrangements with Multiple Performance Obligations

The Company has determined that the delivery of each unit of product in the Company's revenue contracts with customers is a separate performance obligation. The Company's revenue contracts may include multiple products or services, each of which is considered a separate performance obligation. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price. The Company generally determines standalone selling prices based on observable prices or using an expected cost plus margin approach when an observable price is not available. The Company invoices customers once products are shipped or delivered to customers depending on the negotiated shipping terms.

The Company introduced its Platinum20 Limited Warranty Program, or Platinum20, in May 2018 on all OPUS breast implants implanted in the United States or Puerto Rico on or after May 1, 2018. Platinum20 provides for financial assistance for revision surgeries and no-charge contralateral replacement implants upon the occurrence of certain qualifying events. The Company considers Platinum20 to have an assurance warranty component and a service warranty component. The assurance component is recorded as a warranty liability at the time of sale (as discussed in Note 7). The Company considers the service warranty component as an additional performance obligation and defers revenue at the time of sale based on the relative estimated selling price, by estimating a standalone selling price using the expected cost plus margin approach for the performance obligation. Inputs into the

expected cost plus margin approach include historical incidence rates, estimated replacement costs, estimated financial assistance payouts and an estimated margin. The liability for unsatisfied performance obligations under the service warranty as of March 31, 2020 and December 31, 2019 was \$1.3 million and \$1.2 million, respectively. The short-term obligation related to the service warranty as of both March 31, 2020 and December 31, 2019 was \$0.5 million and is included in “accrued and other current liabilities” on the condensed consolidated balance sheets. The long-term obligation related to the service warranty as of March 31, 2020 and December 31, 2019 was \$0.8 million and \$0.7 million, respectively, and is included in “warranty reserve and other long-term liabilities” on the condensed consolidated balance sheets. The performance obligation is satisfied at the time that Platinum20 benefits are provided and are expected to be satisfied over the following 3 to 24 month period for financial assistance and 20 years for product replacement. Revenue recognized for the service warranty performance obligations for the three months ended March 31, 2020 was immaterial.

Practical Expedients and Policy Election

The Company generally expenses sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded within sales and marketing expenses.

The Company does not adjust accounts receivable for the effects of any significant financing components as customer payment terms are shorter than one year.

The Company has elected to account for shipping and handling activities performed after a customer obtains control of the products as activities to fulfill the promise to transfer the products to the customer. Shipping and handling activities are largely provided to customers free of charge for the Breast Products segment. The associated costs were \$0.7 million and \$0.4 million for the three months ended March 31, 2020 and 2019, respectively. These costs are viewed as part of the Company’s sales and marketing programs and are recorded as a component of sales and marketing expense in the condensed consolidated statement of operations as an accounting policy election. For the miraDry segment, shipping and handling charges are typically billed to customers and recorded as revenue. The shipping and handling costs incurred are recorded as a component of cost of goods sold in the condensed consolidated statement of operations. The associated costs were \$0.1 million for both the three months ended March 31, 2020 and 2019.

5. Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, customer deposits and sales return liability are reasonable estimates of their fair value because of the short maturity of these items. The fair value of the common stock warrant liability, contingent consideration, and the convertible feature related to the convertible note are discussed in Note 6. The fair value of debt is based on the amount of future cash flows associated with the instrument discounted using the Company’s estimated market rate. As of March 31, 2020, the carrying value of the long-term debt and convertible note was not materially different from the fair value.

6. Fair Value Measurements

Certain assets and liabilities are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

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

- Level 2 — Observable inputs (other than Level 1 quoted prices) such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

Common Stock Warrants

The Company's common stock warrant liabilities are carried at fair value determined according to the fair value hierarchy described above. The Company has utilized an option pricing valuation model to determine the fair value of its outstanding common stock warrant liabilities. The inputs to the model include fair value of the common stock related to the warrant, exercise price of the warrant, expected term, expected volatility, risk-free interest rate and dividend yield. The warrants are valued using the fair value of common stock as of the measurement date. The Company estimates its expected stock volatility based on company-specific historical and implied volatility information of its stock. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve for time periods approximately equal to the remaining contractual term of the warrants. The Company has estimated a 0% dividend yield based on the expected dividend yield and the fact that the Company has never paid or declared dividends. As of March 31, 2020, the fair value of the warrants was immaterial as a result of the decline in the Company's stock price.

Contingent Consideration

The Company assessed the fair value of the contingent consideration for future royalty payments related to the acquisition of BIOCORNEUM and the contingent consideration for the future milestone payments related to the acquisition of miraDry using a Monte-Carlo simulation model. The contingent consideration related to the acquisition of BIOCORNEUM consist of royalty obligations based on future net sales for a defined term, beginning in 2024. The significant assumption utilized in the fair value measurement was the revenue discount rate, which was 19.0%. The contingent consideration for future milestone payments related to the acquisition of miraDry is based on the timing of achievement of target net sales, which is estimated based on an internal management forecast. The significant assumption utilized in the fair value measurement was the miraDry company discount rate, which was 11.2%. As these inputs are not observable, the overall fair value measurement of the contingent consideration is classified as Level 3. During the quarter ended March 31, 2020, there were no material changes to the fair value of the contingent consideration.

Convertible note conversion feature

The Company assessed the fair value of the conversion feature related to the convertible note due in 2025. The conversion feature was bifurcated and recorded as a current derivative liability on the condensed consolidated balance sheet with a corresponding discount at the date of issuance that is netted against the principal amount of the note. The Company has utilized a binomial lattice method to determine the fair value of the conversion feature, which utilizes inputs including the common stock price, volatility of common stock, the risk-free interest rate and the probability of conversion to common shares at the Base Conversion Rate and in the event of a major transaction (e.g. a change in control). As the probability of conversion is a significant unobservable input, the overall fair value measurement of the conversion feature is classified as level 3.

The following tables present information about the Company's liabilities that are measured at fair value on a recurring basis as of March 31, 2020 and December 31, 2019 and indicate the level of the fair value hierarchy utilized to determine such fair value (in thousands):

	Fair Value Measurements as of			
	March 31, 2020 Using:			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Liability for contingent consideration	\$ —	—	6,891	6,891
Liability for convertible note conversion feature	—	—	16,230	16,230
	<u>\$ —</u>	<u>—</u>	<u>23,121</u>	<u>23,121</u>

	Fair Value Measurements as of			
	December 31, 2019 Using:			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Liability for common stock warrants	\$ —	—	38	38
Liability for contingent consideration	—	—	6,891	6,891
	<u>\$ —</u>	<u>—</u>	<u>6,929</u>	<u>6,929</u>

The liability for the current portion of contingent consideration is included in "accrued and other current liabilities" and the long-term portion is included in "deferred and contingent consideration" in the condensed consolidated balance sheet. The liability for the conversion feature related to the convertible note is included in "derivative liability" in the condensed consolidated balance sheet.

The Company recognizes changes in the fair value of the derivative liability in "other income (expense), net" in the condensed consolidated statement of operations and changes in the contingent consideration are recognized in "general and administrative" expense in the condensed consolidated statement of operations.

7. Product Warranties

The Company offers a product replacement and limited warranty program for the Company's silicone gel breast implants, and a product warranty for the Company's miraDry Systems and consumable bioTips. For silicone gel breast implant surgeries occurring prior to May 1, 2018, the Company provides lifetime replacement implants and up to \$3,600 in financial assistance for revision surgeries, for covered rupture events that occur within ten years of the surgery date. The Company introduced its Platinum20 Limited Warranty Program in May 2018, covering OPUS silicone gel breast implants implanted in the United States or Puerto Rico on or after May 1, 2018. The Company considers the program to have an assurance warranty component and a service warranty component. The service warranty component is discussed in Note 4 above. The assurance component is related to the lifetime no-charge contralateral replacement implants and up to \$5,000 in financial assistance for revision surgeries, for covered rupture events that occur within twenty years of the surgery date. Under the miraDry warranty, the Company provides a standard product warranty for the miraDry System and bioTips, which the Company considers an assurance-type warranty.

The following table provides a rollforward of the accrued warranties (in thousands):

	Three Months Ended March 31,	
	2020	2019
Balance as of January 1	\$ 1,562	\$ 1,395
Warranty costs incurred during the period	(185)	(139)
Changes in accrual related to warranties issued during the period	242	244
Changes in accrual related to pre-existing warranties	(6)	29
Balance as of March 31	<u>\$ 1,613</u>	<u>\$ 1,529</u>

8. Net Loss Per Share

Basic net loss per share attributable to common stockholders is computed by dividing net loss by the weighted average number of common shares outstanding during each period. Diluted net loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares and dilutive potential common share equivalents then outstanding, to the extent they are dilutive. Potential common shares consist of shares issuable upon the exercise of stock options and warrants (using the treasury stock method). Diluted net loss per share is the same as basic net loss per share for all periods presented because the effects of potentially dilutive items were anti-dilutive.

	Three Months Ended March 31,	
	2020	2019
Net loss (in thousands)	\$ (28,612)	\$ (26,484)
Weighted average common shares outstanding, basic and diluted	49,916,412	29,099,382
Net loss per share attributable to common stockholders	\$ (0.57)	\$ (0.91)

The Company excluded the following potentially dilutive securities, outstanding as of March 31, 2020 and 2019, from the computation of diluted net loss per share attributable to common stockholders for the three months ended March 31, 2020 and 2019 because they had an anti-dilutive impact due to the net loss attributable to common stockholders incurred for the periods.

	March 31,	
	2020	2019
Stock options to purchase common stock	1,590,903	1,907,938
Warrants for the purchase of common stock	32,375	47,710
Equity contingent consideration	607,442	—
Stock issuable upon conversion of convertible note	19,733,352	—
	21,964,072	1,955,648

The Company uses the if-converted method for calculating any potential dilutive effects of the convertible note. The Company did not adjust the net loss for the quarter ended March 31, 2020 to eliminate any interest expense or gain/loss for the derivative liability related to the note in the computation of diluted loss per share, as the effects would be anti-dilutive. Further, the Company excluded from diluted weighted average shares approximately 14.6 million shares issuable upon conversion for the quarter ended March 31, 2020, as the effects would be anti-dilutive.

9. Balance Sheet Components

a. Inventories

Inventories, net consist of the following (in thousands):

	March 31,		December 31,	
	2020		2019	
Raw materials	\$	7,175	\$	8,095
Work in progress		5,254		5,543
Finished goods		27,264		23,893
Finished goods - right of return		2,425		2,081
	\$	42,118	\$	39,612

b. Property and Equipment

Property and equipment, net consist of the following (in thousands):

	March 31, 2020	December 31, 2019
Leasehold improvements	\$ 2,857	\$ 2,841
Manufacturing equipment and toolings	8,481	8,175
Computer equipment	1,524	1,250
Software	2,652	2,602
Office equipment	129	111
Furniture and fixtures	1,162	1,144
	<u>16,805</u>	<u>16,123</u>
Less accumulated depreciation	(4,461)	(3,809)
	<u>\$ 12,344</u>	<u>\$ 12,314</u>

Depreciation expense for the three months ended March 31, 2020 and 2019 was \$0.7 million and \$0.3 million, respectively.

c. Goodwill and Other Intangible Assets, net

The Company has determined that it has two reporting units, Breast Products and miraDry, and evaluates goodwill for impairment at least annually on October 1st and whenever circumstances suggest that goodwill may be impaired.

The changes in the carrying amount of goodwill during the three months ended March 31, 2020 and the year ended December 31, 2019 were as follows (in thousands):

	Breast Products	miraDry	Total
Balances as of December 31, 2018	\$ 4,878	\$ 7,629	\$ 12,507
Goodwill acquired	4,324	—	4,324
Accumulated impairment losses	—	(7,629)	(7,629)
Balances as of December 31, 2019	<u>\$ 9,202</u>	<u>\$ —</u>	<u>\$ 9,202</u>
Goodwill acquired	—	—	—
Balances as of March 31, 2020	<u>\$ 9,202</u>	<u>\$ —</u>	<u>\$ 9,202</u>

In the first quarter of 2020, the Company noted a decline in actual and forecasted earnings for the miraDry reporting unit due to the effects and uncertainty surrounding the COVID-19 pandemic. As a result, the Company performed a test of recoverability by comparing the carrying value of the reporting unit to the future undiscounted cash flows the reporting unit is expected to generate. As the future undiscounted cash flows attributable to the asset group were less than the carrying value, the Company performed a quantitative analysis to compare the fair value of the intangible assets in the reporting unit to their carrying amount.

The Company's fair value analysis of intangible assets utilizes methods under various income approaches. The Company values its customer relationships using an excess earnings method, which assumes the value of the asset is the discounted future cash flows derived from existing customers and requires the use of customer attrition rates and discount rates to determine the estimated fair value. The future revenues and free cash flow from existing customers are determined based upon actual results giving effect to management's expected changes in operating results in future years. The attrition rate is based on average historical levels of customer attrition and the discount rate is based upon market participant assumptions using a defined peer group. Tradenames and developed technology are valued using a relief from royalty method, which assumes the value of the asset is the discounted cash flows of the amount that would be paid by a hypothetical market participant had they not owned the asset and instead licensed the asset from another company. This method requires the use of royalty rates which are determined based on comparable third party license agreements involving similar assets and discount rates similar to the above to determine the estimated fair value.

After performing the impairment analysis as of March 31, 2020, the Company determined that the carrying values of all of the intangible assets in the miraDry reporting unit exceeded their estimated fair values. Consequently, the Company recorded total non-cash impairment charges of \$1.1 million for trade names, \$1.4 million for developed technology, and \$3.9 million for customer relationships within impairment in the accompanying condensed consolidated statement of operations for the quarter ended March 31, 2020. As March 31, 2020, the remaining carrying value of the intangible assets are entirely associated with the Breast Products segment.

The components of the Company's other intangible assets consist of the following (in thousands):

	Average Amortization Period (in years)	March 31, 2020		
		Gross Carrying Amount	Accumulated Amortization	Intangible Assets, net
Intangibles with definite lives				
Customer relationships	10	\$ 4,940	\$ (3,470)	\$ 1,470
Trade names - finite life	12	800	(272)	528
Non-compete agreement	2	80	(80)	—
Regulatory approvals	1	670	(670)	—
Acquired FDA non-gel product approval	11	1,713	(1,713)	—
Manufacturing know-how	19	8,240	(305)	7,935
Total definite-lived intangible assets		<u>\$ 16,443</u>	<u>\$ (6,510)</u>	<u>\$ 9,933</u>
Intangibles with indefinite lives				
Trade names - indefinite life	—	450	—	450
Total indefinite-lived intangible assets		<u>\$ 450</u>	<u>\$ —</u>	<u>\$ 450</u>
	Average Amortization Period (in years)	December 31, 2019		
		Gross Carrying Amount	Accumulated Amortization	Intangible Assets, net
Intangibles with definite lives				
Customer relationships	11	\$ 9,540	\$ (3,846)	\$ 5,694
Trade names - finite life	14	2,000	(292)	1,708
Developed technology	13	1,500	(84)	1,416
Non-compete agreement	2	80	(80)	—
Regulatory approvals	1	670	(670)	—
Acquired FDA non-gel product approval	11	1,713	(1,713)	—
Manufacturing know-how	19	8,240	(118)	8,122
Total definite-lived intangible assets		<u>\$ 23,743</u>	<u>\$ (6,803)</u>	<u>\$ 16,940</u>
Intangibles with indefinite lives				
Trade names - indefinite life	—	450	—	450
Total indefinite-lived intangible assets		<u>\$ 450</u>	<u>\$ —</u>	<u>\$ 450</u>

Amortization expense for the three months ended March 31, 2020 and 2019 was \$0.6 million. The following table summarizes the estimated amortization expense relating to the Company's definite-lived intangible assets as of March 31, 2020 (in thousands):

Period	Amortization Expense
2020	\$ 997
2021	1,221
2022	1,163
2023	1,092
2024	948
Thereafter	4,512
	<u>\$ 9,933</u>

d. Accrued and Other Current Liabilities

Accrued and other current liabilities consist of the following (in thousands):

	March 31, 2020	December 31, 2019
Payroll and related expenses	\$ 3,341	\$ 6,789
Accrued severance	1,904	894
Accrued commissions	3,830	4,984
Accrued equipment	116	400
Accrued inventory	525	2,216
Deferred and contingent consideration, current portion	6,830	6,830
Audit, consulting and legal fees	260	630
Accrued sales and marketing expenses	1,357	1,109
Operating lease liabilities	1,430	1,259
Finance lease liabilities	54	40
Other	6,755	7,400
	<u>\$ 26,402</u>	<u>\$ 32,551</u>

10. Leases

The Company leases certain office space, warehouses, distribution facilities and office equipment. The Company determines if an arrangement contains a lease at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Company obtains substantially all of the economic benefits from and has the ability to direct the use of the asset.

Operating and finance lease right-of-use, or ROU, assets and lease liabilities are recognized based on the present value of the future lease payments over the lease term at the commencement date. The Company determines its incremental borrowing rate based on the information available at the commencement date in determining the lease liabilities as the Company's leases generally do not provide an implicit rate. The ROU assets also include any initial direct costs incurred and any lease payments made at or before the lease commencement date, less lease incentives received. Lease terms may include options to extend or terminate when the Company is reasonably certain that the option will be exercised. The Company elected to apply the short-term lease measurement and recognition exemption in which ROU assets and lease liabilities are not recognized for short-term leases. The Company's lease agreements generally do not contain material residual value guarantees or material restrictive covenants.

The Company's leases of office space, warehouses and distribution facilities are treated as operating leases and often contain lease and non-lease components. The Company has elected to account for these lease and non-lease components separately. Non-lease components for these assets are primarily comprised of common-area maintenance, utilities, and real estate taxes that are passed on from the lessor in proportion to the space leased by the Company, and are recognized in operating expenses in the period in which the obligation for those payments was incurred. Lease cost for these operating leases is recognized on a straight-line basis over the lease term in operating expenses.

The Company's leases of office equipment are accounted for as finance leases as they meet one or more of the five finance lease classification criteria. Lease cost for these finance leases is comprised of amortization of the ROU asset and interest expense which are recognized in operating expenses and other income (expense), net.

Components of lease expense were as follows:

Lease Cost	Classification	Three Months Ended March 31, 2020		Three Months Ended March 31, 2019	
Operating lease cost	Operating expenses	\$	530	\$	380
Operating lease cost	Inventory		—		1,248
Total operating lease cost		\$	530	\$	1,628
Finance lease cost					
Amortization of right-of-use assets	Operating expenses		14		9
Interest on lease liabilities	Other income (expense), net		2		1
Total finance lease cost		\$	16	\$	10
Variable lease cost	Inventory		—		2,373
Total lease cost		\$	546	\$	4,011

Short-term lease expense for both the three months ended March 31, 2020 and 2019 was not material.

Supplemental cash flow information related to operating and finance leases for the three months ended March 31, 2020 was as follows (in thousands):

	Three Months Ended March 31, 2020		Three Months Ended March 31, 2019	
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash outflows from operating leases	\$	487	\$	1,462
Operating cash outflows from finance leases		14		9
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	\$	1,105	\$	23,046
Finance leases		60		119

Supplemental balance sheet information, as of March 31, 2020, related to operating and finance leases was as follows (in thousands, except lease term and discount rate):

	March 31, 2020	December 31, 2019
Reported as:		
Other assets		
Operating lease right-of-use assets	\$ 8,234	\$ 7,494
Finance lease right-of-use assets	124	78
Total right-of-use assets	<u>\$ 8,358</u>	<u>\$ 7,572</u>
Accrued and other current liabilities		
Operating lease liabilities	\$ 1,430	\$ 1,259
Finance lease liabilities	54	40
Warranty reserve and other long-term liabilities		
Operating lease liabilities	7,005	6,434
Finance lease liabilities	69	35
Total lease liabilities	<u>\$ 8,558</u>	<u>\$ 7,768</u>
Weighted average remaining lease term (years)		
Operating leases	5	5
Finance leases	3	2
Weighted average discount rate		
Operating leases	7.70%	7.45%
Finance leases	5.42%	4.06%

As of March 31, 2020, maturities of the Company's operating and finance lease liabilities are as follows (in thousands):

Period	Operating leases	Finance leases	Total
2020	\$ 1,560	\$ 45	\$ 1,605
2021	2,075	53	2,128
2022	1,893	17	1,910
2023	1,940	17	1,957
2024 and thereafter	2,974	1	2,975
Total lease payments	<u>\$ 10,442</u>	<u>\$ 133</u>	<u>\$ 10,575</u>
Less imputed interest	2,007	10	2,017
Total operating lease liabilities	<u>\$ 8,435</u>	<u>\$ 123</u>	<u>\$ 8,558</u>

11. Debt

On July 25, 2017, the Company entered into a Credit and Security Agreement, or the Existing Term Loan Credit Agreement, and a Credit and Security Agreement, or the Existing Revolving Credit Agreement with MidCap Financial Trust, which replaced the Company's prior Silicon Valley Bank Loan Agreement, or the SVB Loan Agreement. On July 1, 2019 the Company entered into a Restated Term Loan Credit Agreement with MidCap Financial Trust as the agent and lender, and additional lenders thereto from time to time, or the Restated Term Loan Agreement, which restated the Existing Term Loan Agreement. Also on July 1, 2019, the Company entered into an Amended and Restated Credit and Security Agreement (Revolving Loan), by and among the Company, the lenders party thereto from time to time, and MidCap Financial Trust, or the Restated Revolving Credit Agreement and, together with the Restated Term Loan Agreement, the Credit Agreements, which restated the Existing Revolving Credit Agreement.

The Restated Term Loan Agreement provided for (i) a \$35 million term loan facility drawn at signing, (ii) a \$5 million term loan facility drawn at signing, (iii) at any time after September 30, 2020 to December 31, 2020, a \$10.0 million term loan facility (subject to the satisfaction of certain conditions, including evidence that the Company's Net Revenue for the past 12 months was greater than or equal to \$100.0 million), and (iv) until December 31, 2020 and upon the consent of Agent and the lenders following a request from the Company, an additional \$15.0 million term loan facility, or altogether, the Restated Term Loan. The Restated Term Loan matures on July 1, 2024 and carries an interest rate of LIBOR plus 7.50%. The Company will make monthly payments of accrued interest under the Restated Term Loan from the funding date of the Restated Term Loan, until July 31, 2021, to be followed by monthly installments of principal and interest through the Maturity Date of July 1, 2024. The Company may prepay some or all of the Restated Term Loan prior to its maturity date provided the Company pays MidCap a prepayment fee. Net proceeds from the Restated Term Loan were used to repay the \$35 million outstanding balance related to the Term Loans. As of March 31, 2020, there was \$40.0 million outstanding related to the Restated Term Loans of which \$25.0 million is presented in "Current portion of long-term debt" and \$15 million is presented in "Long-term debt, net of current portion" on the condensed consolidated balance sheet as a result of the Company entering into the Second Amendment to Amended and Restated Credit and Security Agreement, by and among the Company, certain of the Company's subsidiaries, the lenders party thereto and MidCap Financial Trust as agent, or the Debt Restructuring. Refer to Note 16 – Subsequent Events for further detail on the Debt Restructuring. As of March 31, 2020, the unamortized debt issuance costs on the Restated Term Loans was \$1.6 million and are included as a reduction to debt in "Long-term debt, net of current portion" on the condensed consolidated balance sheet.

The Restated Revolving Credit Agreement provides for, among other things, a revolving loan of up to \$10.0 million (the "Restated Revolving Loan"). The amount of loans available to be drawn under the Revolving Credit Agreement is based on a borrowing base equal to 85% of the net collectible value of eligible accounts receivable plus 40% of eligible finished goods inventory, or the Borrowing Base, provided that availability from eligible finished goods inventory does not exceed 20% of the Borrowing Base. The Restated Revolving Loan carries an interest rate of LIBOR plus 4.50%. The Borrowers may make (subject to the applicable borrowing base at the time) and repay borrowings from time to time under the Restated Revolving Credit Agreement until the maturity of the facility on July 1, 2024. Immediately prior to the effectiveness of the Restated Revolving Credit Agreement, the Company converted the \$4.3 million outstanding borrowings under the Revolving Loan into the Restated Revolving Loan. As of March 31, 2020, there were no borrowings outstanding under the Revolving Loan. As of March 31, 2020, the unamortized debt issuance costs related to the Revolving Loan was approximately \$0.1 million and was included in "Other assets" on the condensed consolidated balance sheet. On May 11, 2020, in association with the Debt Restructuring, the Company entered in to the Second Amendment to Amended and Restated Credit and Security Agreement (Revolving Loan), by and among the Company, certain of the Company's subsidiaries, the lenders party thereto and MidCap Financial Trust as agent (the "Revolving Amendment"). Refer to Note 16 – Subsequent Events for further detail on the Debt Restructuring.

The amortization of debt issuance costs on the Restated Term Loans and the Restated Revolving Loan for the three months ended March 31, 2020 and 2019 were \$0.1 million, and was included in interest expense in the condensed consolidated statements of operations.

The Credit Agreements include customary affirmative and restrictive covenants and representations and warranties, including a financial covenant for minimum revenues, a financial covenant for minimum cash requirements, a covenant against the occurrence of a "change in control," financial reporting obligations, and certain limitations on indebtedness, liens, investments, distributions, collateral, mergers or acquisitions, taxes, and deposit accounts. Upon the occurrence of an event of default, a default interest rate of an additional 5.0% may be applied to any outstanding principal balances, and MidCap may declare all outstanding obligations immediately due and payable and take such other actions as set forth in the Credit Agreements. The Company's obligations under the Credit Agreements are secured by a security interest in substantially all of the Company's assets. In association with the Debt Restructuring on May 11, 2020, certain covenants in the Credit Agreements were amended. Refer to Note 16 – Subsequent Events for further detail on the Debt Restructuring.

Convertible Note

On March 11, 2020, the Company issued \$60.0 million of unsecured and subordinated convertible notes with an interest rate of 4.00% ("Note") to Deerfield Partners, L.P. ("Holder") in order to fund ongoing operations. The Note matures on March 11, 2025, subject to earlier conversion by the option of the Holder at any time in whole or in part into common shares of the Company, for a period up to five years. Upon conversion by the Holder, the Company shall deliver, shares of the Company's common stock at a conversion rate of 14,634 per \$1,000 principal amount of the Note (which represents an initial conversion rate price of \$4.10), or the Base Conversion Rate, in each case subject to customary anti-dilution adjustments. In addition to the typical anti-dilution adjustment, the Note also provides the Holder with additional consideration ("Make-Whole Provision") beyond the settlement of the conversion obligation, in the event of a major transaction prior to maturity (e.g. a change in control). Upon conversion by the Holder in the event of a major transaction, the Company shall deliver, either cash, shares of the Company's common stock or a combination of cash and common stock at the Base Conversion rate plus the additional consideration from the Make-Whole Provision. The \$60.0 million principal amount of the Note is not payable until the maturity date of March 11, 2025, unless converted to equity earlier. The Company will pay interest in cash on the Note at 4.00% per annum, quarterly from July 1, 2020.

The conversion features in the outstanding convertible debt instrument are accounted for as a free-standing embedded derivative bifurcated from the principal balance of the Note, as (1) the conversion features are not clearly and closely related to the debt instrument and are not considered to be indexed to the Company's equity, (2) the conversion features standing alone meet the definition of a derivative, and (3) the Note is not remeasured at fair value each reporting period with changes in fair value recorded in the condensed consolidated statement of operations.

The initial embedded derivative liability of \$16.1 million was recorded as a non-current liability on the condensed consolidated balance sheet and is remeasured to fair value at each balance sheet date with a resulting non-cash gain or loss related to the change in the fair value being charged to earnings (loss). As of March 31, 2020, the fair value of the derivative liability was \$16.2 million. A corresponding debt discount of \$16.1 million and issuance costs of \$1.5 million were recorded on the issuance date and is netted against the principal amount of the Note. As of March 31, 2020, the unamortized debt discount and issuance costs were \$17.5 million. The Company will amortize the debt discount and debt issuance costs to interest expense under the effective interest method over the term of the Note, at a resulting effective interest rate of approximately 12%. For the quarter ended March 31, 2020, the amortization of the convertible debt discount and issuance costs were \$0.2 million and were included in interest expense in the condensed consolidated statements of operations. The accrued interest on the outstanding principal amount of \$60 million as of March 31, 2020 was \$0.1 million and was included in "Accrued and other current liabilities" in the condensed consolidated balance sheet.

Future Principal Payments of Debt

The future schedule of principal payments for all outstanding debt as of March 31, 2020 was as follows (in thousands):

<u>Fiscal Year</u>		
Remainder of 2020	\$	25,000
2021		2,083
2022		5,000
2023		5,000
2024		2,917
Thereafter		60,000
Total	\$	100,000

12. Stockholders' Equity

a. Authorized Stock

The Company's Amended and Restated Certificate of Incorporation authorizes the Company to issue 210,000,000 shares of common and preferred stock, consisting of 200,000,000 shares of common stock with \$0.01 par value and 10,000,000 shares of preferred stock with \$0.01 par value. As of March 31, 2020 and December 31, 2019, the Company had no preferred stock issued or outstanding.

b. Common Stock Warrants

On January 17, 2013, the Company entered into a Loan and Security Agreement, or the Original Term Loan Agreement, with Oxford Finance, LLC, or Oxford. On June 30, 2014, the Company entered into an Amended and Restated Loan and Security Agreement, or the Amended Term Loan Agreement, with Oxford. In connection with the Original Term Loan Agreement and the Amended Term Loan Agreement, the Company issued to Oxford (i) seven-year warrants in January 2013 to purchase shares of the Company's common stock with a value equal to 3.0% of the tranche A, B and C term loans amounts, or the Original Warrants, and (ii) seven-year warrants in June 2014 to purchase shares of the Company's common stock with a value equal to 2.5% of the tranche D term loan amount. The warrants have an exercise price per share of \$14.671. The warrants within Tranche A expired on January 17, 2020. As of March 31, 2020, there were warrants to purchase an aggregate of 32,375 shares of common stock outstanding.

c. Stock Option Plans

In April 2007, the Company adopted the 2007 Equity Incentive Plan, or the 2007 Plan. The 2007 Plan provides for the granting of stock options to employees, directors and consultants of the Company. Options granted under the 2007 Plan may either be incentive stock options or nonstatutory stock options. Incentive stock options, or ISOs, may be granted only to Company employees. Nonstatutory stock options, or NSOs, may be granted to all eligible recipients. A total of 1,690,448 shares of the Company's common stock were initially reserved for issuance under the 2007 Plan.

The Company's board of directors adopted the 2014 Equity Incentive Plan, or 2014 Plan, in July 2014, and the stockholders approved the 2014 Plan in October 2014. The 2014 Plan became effective upon completion of the IPO on November 3, 2014, at which time the Company ceased granting awards under the 2007 Plan. Under the 2014 Plan, the Company may issue ISOs, NSOs, stock appreciation rights, restricted stock awards, restricted stock unit awards and other forms of stock awards, or collectively, stock awards, all of which may be granted to employees, including officers, non-employee directors and consultants of the Company and their affiliates. ISOs may be granted only to employees. A total of 1,027,500 shares of common stock were initially reserved for issuance under the 2014 Plan, subject to certain annual increases. As of March 31, 2020, a total of 2,347,664 shares of the Company's common stock were available for issuance under the 2014 Plan.

Pursuant to a board-approved Inducement Plan, the Company may issue NSOs and restricted stock unit awards, or collectively, stock awards, all of which may only be granted to new employees of the Company and their affiliates in accordance with NASDAQ Stock Market Rule 5635(c)(4) as an inducement material to such individuals entering into employment with the Company. As of March 31, 2020, inducement grants for 1,412,083 shares of common stock have been awarded, and 749,276 shares of common stock were available for future issuance under the Inducement Plan.

Options under the 2007 Plan and the 2014 Plan may be granted for periods of up to ten years as determined by the Company's board of directors, provided, however, that (i) the exercise price of an ISO shall not be less than 100% of the estimated fair value of the shares on the date of grant, and (ii) the exercise price of an ISO granted to a more than 10% shareholder shall not be less than 110% of the estimated fair value of the shares on the date of grant. An NSO has no such exercise price limitations. NSOs under the Inducement Plan may be granted for periods of up to ten years as determined by the board of directors, provided, the exercise price will not be less than 100% of the estimated fair value of the shares on the date of grant. Options generally vest with 25% of the grant vesting on the

first anniversary and the balance vesting monthly on a straight-lined basis over the requisite service period of three additional years for the award. Additionally, options have been granted to certain key executives that vest upon achievement of performance conditions based on performance targets as defined by the board of directors, which have included net sales targets and defined corporate objectives over the performance period with possible payout ranging from 0% to 100% of the target award. Compensation expense is recognized on a straight-lined basis over the vesting term of one year based upon the probable performance target that will be met. The vesting provisions of individual options may vary but provide for vesting of at least 25% per year.

The following summarizes all option activity under the 2007 Plan, 2014 Plan and Inducement Plan:

	Option Shares	Weighted average exercise price	Weighted average remaining contractual term (year)
Balances at December 31, 2019	1,880,846	\$ 7.42	5.48
Forfeited	(300,000)	7.93	
Balances at March 31, 2020	<u>1,580,846</u>	<u>\$ 7.33</u>	<u>4.97</u>

For stock-based awards the Company recognizes compensation expense based on the grant date fair value using the Black-Scholes option valuation model. There was no stock-based compensation expense related to stock options for the three months ended March 31, 2020. Stock-based compensation expense related to stock options was \$0.2 million for the three months ended March 31, 2019. As of March 31, 2020, there were also no unrecognized compensation costs related to stock options.

d. Restricted Stock Units

The Company has issued restricted stock unit awards, or RSUs, under the 2014 Plan and the Inducement Plan. The RSUs issued to employees generally vest on a straight-line basis annually over a 3-year requisite service period. RSUs issued to non-employees generally vest either monthly or annually over the service term.

Activity related to RSUs is set forth below:

	Number of shares	Weighted average grant date fair value
Balances at December 31, 2019	2,232,956	\$ 11.99
Granted	768,663	5.88
Vested	(472,914)	8.42
Forfeited	(291,222)	3.50
Balances at March 31, 2020	<u>2,237,483</u>	<u>\$ 11.75</u>

Stock-based compensation expense for RSUs for the three months ended March 31, 2020 and 2019 was \$1.9 million and \$3.4 million, respectively. As of March 31, 2020, there was \$12.2 million of total unrecognized compensation costs related to non-vested RSU awards. The cost is expected to be recognized over a weighted average period of approximately 1.70 years.

e. Employee Stock Purchase Plan

The Company's board of directors adopted the 2014 Employee Stock Purchase Plan, or ESPP, in July 2014, and the stockholders approved the ESPP in October 2014. The ESPP allows eligible employees to purchase shares of the Company's common stock at a discount through payroll deductions of up to 15% of their eligible compensation, subject to any plan limitations. The ESPP provides for offering periods not to exceed 27 months, and each offering period will include purchase periods, which will be the approximately six-month period commencing with one exercise date and ending with the next exercise date. Employees are able to purchase shares at 85% of the lower of

the fair market value of the Company's common stock on the first trading day of the offering period or on the purchase date. A total of 255,500 shares of common stock were initially reserved for issuance under the ESPP, subject to certain annual increases.

During the three months ended March 31, 2020, employees purchased 113,615 shares of common stock at a weighted average price of \$4.70 per share. As of March 31, 2020, the number of shares of common stock available for future issuance was 1,036,405.

The Company estimated the fair value of employee stock purchase rights using the Black-Scholes model. Stock-based compensation expense related to the ESPP was \$0.1 million and \$0.2 million for the three months ended March 31, 2020 and 2019, respectively.

f. Significant Modifications

During the three months ended March 31, 2020, there were no material modifications of equity awards. During the three months ended March 31, 2019, the Company recognized \$0.4 million in incremental compensation cost resulting from entering into a consulting agreement with one former employee that resulted in the modification of their existing equity awards.

13. Income Taxes

The Company operates in several tax jurisdictions and is subject to taxes in each jurisdiction in which it conducts business. To date, the Company has incurred cumulative net losses and maintains a full valuation allowance on its net deferred tax assets due to the uncertainty surrounding realization of such assets. The Company had no tax expense for both the three months ended March 31, 2020 and 2019.

14. Segment Information

Reportable Segments

The Company has two reportable segments: Breast Products and miraDry. The Breast Products segment focuses on sales of silicone gel breast implants, tissue expanders and scar management products under the brands OPUS, Luxe, Curve, AlloX2, Dermaspan, Softspan and BIOCORNEUM. The miraDry segment, acquired on July 25, 2017, focuses on sales of the miraDry System, consisting of a console and a handheld device which uses consumable single-use bioTips. These segments align with the Company's principal target markets. miraDry has been included in the condensed consolidated results of operations as of the acquisition date and financial performance of the acquired business is reported in the miraDry segment. The Vesta Acquisition, completed on November 7, 2019, has been included in the condensed consolidated results of operations as of the acquisition date and financial performance of the acquired business is reported in the Breast Products segment.

The Company's Chief Operating Decision Maker, or CODM, assesses the performance of each segment and allocates resources to those segments based on net sales and operating income (loss). Operating income (loss) by segment includes items that are directly attributable to each segment, including sales and marketing functions, as well as finance, information technology, human resources, legal and related corporate infrastructure costs, along with certain benefit-related expenses. There are no unallocated expenses for the two segments.

The following tables present the net sales, net operating loss and net assets by reportable segment for the periods presented (in thousands):

	March 31,	
	2020	2019
Net sales		
Breast Products	\$ 12,471	\$ 9,751
miraDry	4,461	7,801
Total net sales	<u>\$ 16,932</u>	<u>\$ 17,552</u>

	March 31,	
	2020	2019
Loss from operations		
Breast Products	\$ (12,363)	\$ (14,032)
miraDry	(14,643)	(11,819)
Total loss from operations	<u>\$ (27,006)</u>	<u>\$ (25,851)</u>
	March 31,	December 31,
	2020	2019
Assets		
Breast Products	\$ 196,172	\$ 169,613
miraDry	26,674	34,791
Total assets	<u>\$ 222,846</u>	<u>\$ 204,404</u>

15. Commitments and Contingencies

The Company is subject to claims and assessment from time to time in the ordinary course of business. The Company accrues a liability for such matters when it is probable that future expenditures will be made and such expenditures can be reasonably estimated.

Product Liability Litigation

On October 7, 2019, a lawsuit was filed in the Superior Court of the State of California against the Company and Silimed Industria de Implantes Ltda. (the Company's former contract manufacturer). The lawsuit alleges that the Company's textured breast implants caused certain of the plaintiffs to develop a condition known as breast implant associated anaplastic large cell lymphoma ("BIA-ALCL"), and that the Company is liable to the plaintiffs based on claims for strict liability (failure to warn), strict liability (defective manufacture), negligence and loss of consortium. On January 21, 2020, the Company filed a demurrer to the plaintiff's complaint, which demurrer is still pending before the Court. The Company intends to vigorously defend itself in this lawsuit. Given the nature of this case, the Company is unable to estimate the reasonably possible loss or range of loss, if any, arising from this matter.

16. Subsequent Events

CARES Act

On April 20, 2020, the Company was granted a loan of \$6.7 million under the Paycheck Protection Program of the CARES Act, or the PPP Loan, from Silicon Valley Bank, or the Lender. The PPP Loan matures on April 20, 2022, or the Maturity Date, and bears interest at a rate of 1.0% per annum. Under the terms of the PPP Loan, the Company will make no payments during the six month period beginning on the date of the loan, or the Deferral Period. Commencing one month after the expiration of the Deferral Period, and continuing on the same day of each month thereafter until the Maturity Date, the Company will pay to Lender monthly payments of principal and interest, each in such equal amount required to fully amortize the principal amount outstanding on the PPP Loan on the last day of the Deferral Period by the Maturity Date.

All or a portion of the PPP Loan may be forgiven upon application by the Company beginning 60 days, but not later than 120 days, after loan approval and upon documentation of expenditures in accordance with certain specified requirements. Under the CARES Act, loan forgiveness is available for the sum of documented payroll costs, covered rent payments, covered mortgage interest and covered utilities during the eight week period beginning on the date of loan approval. Not more than 25% of the forgiven amount may be for non-payroll costs. The amount of the PPP Loan eligible to be forgiven will be reduced if the Company's full-time headcount declines, or if salaries and wages for employees with salaries of \$100,000 or less annually are reduced by more than 25%. The Company will be required to repay any portion of the outstanding principal that is not forgiven, along with accrued interest, in accordance with the amortization schedule described above.

Debt Restructuring

On May 11, 2020, the Company entered in to the Second Amendment to Amended and Restated Credit and Security Agreement (Term Loan) (the "Term Agreement"), by and among the Company, certain of the Company's subsidiaries, the lenders party thereto and MidCap Financial Trust as agent (the "Term Amendment"). The Term Amendment provides for, among other things, the prepayment by the Company of approximately \$25.0 million of outstanding principal plus accrued interest, with the parties agreeing to waive the prepayment fee with respect to this amount. In connection with the prepayment, the Term Amendment requires the Company to prepay \$1.25 million of the exit fee under the Term Agreement. The Term Amendment increases the tranche 3 commitment amount from \$10.0 million to \$15.0 million, extends the tranche 3 termination date from December 31, 2020 to June 30, 2021, and amends certain conditions upon which the tranche 3 commitment can be withdrawn, including evidence that the Company's Net Revenue for the past six months was greater than or equal to \$30.0 million. In addition, the Term Amendment amends certain financial requirements including reducing the Company's minimum unrestricted cash amount from \$20.0 million to \$5.0 million and amends certain minimum net revenue requirements. Further, the monthly minimum net revenue requirements were revised to be calculated on a trailing three month basis. On May 11, 2020, the Company prepaid \$25.0 million of principal, \$1.25 million of the exit fee, and \$0.1 million of accrued interest.

In addition, on May 11, 2020, the Company entered in to the Second Amendment to Amended and Restated Credit and Security Agreement (Revolving Loan), by and among the Company, certain of the Company's subsidiaries, the lenders party thereto and MidCap Financial Trust as agent (the "Revolving Amendment"). The Revolving Amendment includes conforming changes to reflect the changes in the Term Amendment. In addition, the Revolving Amendment reduces the borrowing base by the portion of the eligible inventory previously included in the calculation.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q and the audited financial statements and notes thereto as of and for the year ended December 31, 2019 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations are contained in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission on March 16, 2020, or the Annual Report. Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to "Sientra," "the Company," "we," "us" and "our" refer to Sientra, Inc.

Forward-Looking Statements

The information in this discussion contains forward-looking statements and information within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, which are subject to the "safe harbor" created by those sections. These forward-looking statements include, but are not limited to, statements concerning our strategy, future operations, future financial position, future revenues, projected costs, prospects and plans and objectives of management. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements that we make. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those in the forward-looking statements, including, without limitation, the risks set forth in Part II, Item 1A, "Risk Factors" in this Quarterly Report on Form 10-Q and in our other filings with the SEC. The forward-looking statements are applicable only as of the date on which they are made, and we do not assume any obligation to update any forward-looking statements.

Overview

We are a medical aesthetics company committed to making a difference in patients' lives by enhancing their body image, growing their self-esteem and restoring their confidence. We were founded to provide greater choices to board-certified plastic surgeons and patients in need of medical aesthetics products. We have developed a broad portfolio of products with technologically differentiated characteristics, supported by independent laboratory testing and strong clinical trial outcomes. We sell our breast implants for augmentation procedures exclusively to board-certified and board-admissible plastic surgeons and tailor our customer service offerings to their specific needs, which we believe helps secure their loyalty and confidence. We sell our breast tissue expanders for reconstruction procedures predominantly to hospitals and surgery centers, and our BIOCORNEUM scar management products to plastic surgeons, dermatologists and other specialties.

On June 11, 2017, we entered into a Merger Agreement with miraDry (formerly Miramar Labs) pursuant to which we commenced a tender offer to purchase all of the outstanding shares of miraDry's common stock. Pursuant to the transaction, which closed on July 25, 2017 we added the miraDry System, the only FDA-cleared device to reduce underarm sweat, odor and hair of all colors to our aesthetics portfolio. Following our acquisition of miraDry in July 2017, we began selling the miraDry System, consisting of a console and a handheld device, and consumable single-use bioTips. As a result of the miraDry acquisition, we determined that we conduct our business in two operating segments: Breast Products and miraDry. The Breast Products segment focuses on sales of our breast implants, tissue expanders and scar management products under the brands Sientra, AlloX2, Dermaspan, Softspan and BIOCORNEUM. The miraDry segment focuses on sales of the miraDry System, and bioTips.

We sell both our Breast Products and miraDry products in the U.S. through a direct sales organization, which as of March 31, 2020, consisted of 93 employees, including 78 sales representatives and 15 sales managers. Additionally, we also sell our miraDry System in several international markets where we leverage a combination of distributor relationships and direct sales efforts. As of March 31, 2020, our international operations were supported by 7 sales representatives and 3 sales managers, as well as a number of consultants supporting both direct sales efforts and distributor relationships.

Recent developments

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus, also known as COVID-19, a global pandemic. Due to the pandemic, there has been uncertainty and disruption in the global economy and significant volatility of financial markets. We are subject to risks and uncertainties as a result of the COVID-19 pandemic. The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition, including sales, expenses, reserves and allowances, manufacturing, and employee-related amounts, will depend on future developments that are highly uncertain. We continue to monitor and assess new information related to the COVID-19 pandemic, the actions taken to contain or treat COVID-19, as well as the economic impact on local, regional, national and international customers and markets.

As an aesthetics company, our breast and miraDry products are susceptible to local and national government restrictions, such as social distancing, “shelter in place” orders and business closures, due to the economic and logistical impacts these measures have on consumer demand as well as the practitioners’ ability to administer such procedures. The inability to perform such non-emergency procedures has harmed our revenues for the period ending March 31, 2020 and will likely result in future harm while these or new restrictions remain in place. In addition, capital markets and economies worldwide have also been negatively impacted by the COVID-19 pandemic, and it is possible that this can lead to a local and/or global economic recession, which may result in further harm to the aesthetics market. Such economic disruption could adversely affect our business.

The estimates used for, but not limited to, determining the collectability of accounts receivable, fair value of long-lived assets, and goodwill could be impacted by the pandemic. While the full impact of COVID-19 is unknown at this time, we have made appropriate estimates based on the facts and circumstances available as of the reporting date. These estimates may change as new events occur and additional information is obtained. See additional information below regarding the allowance for credit losses for accounts receivable.

Change in miraDry business strategy

In April 2020, in part as a result of the impact of COVID-19, we re-focused our miraDry business to drive high margin, bioTip utilization to our existing installed base. We expect that the net sales we generate from our bioTips will represent high margin sales (on a gross margin basis) and account for a substantial amount of our net sales for the next several years, with high margin consumables comprising a sizable percentage of our miraDry segment’s net sales.

Restructuring

On November 7, 2019, we announced an organizational efficiency initiative, or the Plan, designed to reduce spending and simplify operations. Under the Plan, we will implement numerous initiatives to reduce spending, including closing the Santa Clara offices of miraDry, Inc. and consolidating a number of business support services via a shared services organization at our Santa Barbara headquarters.

Under the Plan, we intend to reduce our workforce by terminating approximately 70 employees. As a result, we expect to incur total charges of approximately \$4.1 million in connection with one-time employee termination costs, retention costs and other benefits. In addition, we expect to incur estimated charges of approximately \$0.7 million related to contract termination costs, duplicate operating costs, and other associated costs. In total, the Plan is estimated to cost approximately \$4.8 million, excluding non-cash charges, with related cash payments expected to be substantially paid out with cash on hand by the end of 2020.

The following table details the amount of the liabilities related to the Plan included in "Accrued and other current liabilities" in the condensed consolidated balance sheet as of March 31, 2020 (amounts in thousands):

	Severance costs	Other associated costs
Balance at December 31, 2019	\$ 894	\$ -
Costs charged to expense	1,642	97
Costs paid or otherwise settled	(632)	(97)
Balance at March 31, 2020	<u>\$ 1,904</u>	<u>\$ —</u>

During the three months ended March 31, 2020, we recorded \$1.7 million of severance and other associated costs related to the Plan. The following table details the charges by reportable segment, recorded in "Restructuring" under operating expenses in the condensed consolidated statements of operations for the three months ended March 31, 2020 by segment (amounts in thousands):

	Year Ended December 31, 2019	Three Months Ended March 31, 2020	Cumulative Restructuring Charges
Breast Products	\$ 499	\$ 828	\$ 1,327
miraDry	584	911	1,495
Total	<u>\$ 1,083</u>	<u>\$ 1,739</u>	<u>\$ 2,822</u>

We have incurred cumulative restructuring charges of \$2.8 million since the commencement of the restructuring plan through March 31, 2020. It is anticipated that we will additionally incur approximately \$2.0 million of total restructuring costs during 2020, of which \$0.1 million would be attributable to the Breast Products segment and \$1.9 million would be attributable to the miraDry segment. We expect to realize cost savings of approximately \$10.0 million in 2020 and approximately \$5.0 million in 2021. All of the 2020 cost savings are expected to be realized in operating expenses, and the 2021 cost savings are expected to be realized approximately 20% in operating expenses and 80% in cost of goods sold. Savings in operating expenses are expected to result from the reduction of headcount through a shared services organization. Savings in cost of goods sold are expected to result from the elimination of manufacturing roles at miraDry. As the development of the Plan is completed, we will update the estimated costs and cost savings as needed.

Components of Operating Results

Net Sales

Our Breast Products segment net sales include sales of silicone gel breast implants, tissue expanders and BIOCORNEUM. We recognize revenue on breast implants and tissue expanders, net of sales discounts and estimated returns, as the customer has a standard six-month window to return purchased breast implants and tissue expanders. We defer the value of our service warranty revenue and recognize it once all performance obligations have been met.

Our miraDry segment net sales include sales of the miraDry System and consumable bioTips along with service warranties and deliverables under certain marketing programs. We recognize revenue on miraDry Systems and bioTips on delivery to the customer. We defer the value of our service warranty and deliverables under certain marketing programs and recognize it over the term of the service warranty contract for service warranties and once all performance obligations have been met for deliverables under certain marketing programs.

We expect that, in the future, our net sales will fluctuate on a quarterly basis due to a variety of factors, including seasonality of breast augmentation procedures, the impact of the pandemic, and purchase of miraDry procedures. We believe that aesthetic procedures are subject to seasonal fluctuation due to patients planning their procedures leading up to the summer season and in the period around the winter holiday season.

Cost of Goods Sold and Gross Margin

Cost of goods sold consists primarily of raw material, labor, overhead, and variable manufacturing costs, reserve for product assurance warranties, royalty costs, excess and obsolete inventory reserves, and warehouse and other related costs.

With respect to our supplier contracts, all our products and raw materials are manufactured under contracts with fixed unit costs which can increase over time at specified amounts.

Under our Breast Products segment, we provide an assurance and service warranty on our silicone gel breast implants. Under our miraDry segment, we provide an assurance and service warranty on our miraDry Systems, and an assurance warranty on our handpieces and bioTips. The estimated warranty costs are recorded at the time of sale. Costs related to our service warranty are recorded when expense is incurred related to meeting our performance obligations. In addition, the inventory fair market value associated with purchase accounting adjustments and royalty costs related to the SSP and miraDry acquisitions are recorded at the time of sale.

We expect our overall gross margin, which is calculated as net sales less cost of goods sold for a given period divided by net sales, to fluctuate in future periods primarily as a result of quantity of units sold, manufacturing price increases, the changing mix of products sold with different gross margins, warranty costs, overhead costs and targeted pricing programs.

Sales and Marketing Expenses

Our sales and marketing expenses primarily consist of salaries, bonuses, benefits, incentive compensation, stock-based compensation, digital marketing, and travel for our sales, marketing and customer support personnel. Our sales and marketing expenses also include expenses for trade shows, our no-charge customer shipping program for the Breast Products segment and no-charge product evaluation units for the Breast Products segment, as well as educational, promotional and marketing activities, including direct and online marketing. We expect our sales and marketing expenses to fluctuate in future periods as a result of headcount and timing of our marketing programs.

Research and Development Expenses

Our research and development, or R&D, expenses primarily consist of clinical expenses, product development costs, regulatory expenses, consulting services, outside research activities, quality control and other costs associated with the development of our products and compliance with Good Clinical Practices, or cGCP, requirements. R&D expenses also include related personnel and consultant compensation and stock-based compensation expense. We expense R&D costs as they are incurred. We expect our R&D expenses to vary as different development projects are initiated, including improvements to our existing products, expansions of our existing product lines, new product acquisitions and our clinical studies.

General and Administrative Expenses

Our general and administrative, or G&A, expenses primarily consist of salaries, bonuses, benefits, incentive compensation and stock-based compensation for our executive, financial, legal, business development and administrative functions. Other G&A expenses include contingent consideration fair market value adjustments, outside legal counsel and litigation expenses, independent auditors and other outside consultants, corporate insurance, facilities and information technologies expenses.

We expect future G&A expenses to decrease as we implement the organizational efficiency initiative, but we also expect to continue to incur G&A expenses in connection with operating as a public company.

Other Income (Expense), net

Other income (expense), net primarily consists of interest income, interest expense, changes in the fair value of common stock warrants and amortization of issuance costs associated with our Credit Agreements.

Income Taxes

Income tax expense consists of an estimate for income taxes based on the projected income tax expense for the period. We operate in several tax jurisdictions and are subject to taxes in each jurisdiction in which we conduct business. To date, we have incurred cumulative net losses and maintain a full valuation allowance on our net deferred tax assets due to the uncertainty surrounding realization of such assets.

Critical Accounting Policies and Significant Judgments and Estimates

The preparation of our unaudited condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the revenues and expenses incurred during the reported periods. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We discussed accounting policies and assumptions that involve a higher degree of judgment and complexity in Note 2 of the "Notes to Financial Statements" in our audited financial statements included in the Annual Report. There have been no material changes to our critical accounting policies and estimates from those disclosed in the Annual Report.

Recent Accounting Pronouncements

Please refer to Note 2 - Summary of Significant Accounting Policies in the notes to the unaudited condensed consolidated financial statements included in this Form 10-Q for information on recent accounting pronouncements and the expected impact on our unaudited condensed consolidated financial statements.

Results of Operations

Comparison of the Three Months Ended March 31, 2020 and 2019

The following table sets forth our results of operations for the three months ended March 31, 2020 and 2019:

	Three Months Ended March 31,	
	2020	2019
	(In thousands)	
Statement of operations data		
Net sales	\$ 16,932	\$ 17,552
Cost of goods sold	6,792	6,474
Gross profit	10,140	11,078
Operating expenses		
Sales and marketing	16,763	20,401
Research and development	2,908	3,054
General and administrative	9,304	13,474
Restructuring	1,739	—
Impairment	6,432	—
Total operating expenses	37,146	36,929
Loss from operations	(27,006)	(25,851)
Other income (expense), net		
Interest income	180	304
Interest expense	(1,623)	(952)
Other income (expense), net	(163)	15
Total other income (expense), net	(1,606)	(633)
Loss before income taxes	(28,612)	(26,484)
Income tax	—	—
Net loss	\$ (28,612)	\$ (26,484)

Net Sales

Net sales decreased \$0.6 million, or 3.5%, to \$16.9 million for the three months ended March 31, 2020 as compared to \$17.6 million for the three months ended March 31, 2019. Net sales of our Breast Products segment was \$12.5 million, an increase of \$2.7 million for the three months ended March 31, 2020, as compared to \$9.8 million for the three months ended March 31, 2019, driven primarily by an increase in the volume of sales of silicone gel breast implants and Alloxx2 and Dernaspan breast tissue expanders. Net sales of our miraDry segment was \$4.5 million, a decrease of \$3.3 million, as compared to \$7.8 million for the three months ended March 31, 2019, resulting from an overall decrease in the volume of sales of miraDry systems and consumable bioTips due to the effects of the COVID-19 pandemic.

As of March 31, 2020, our U.S. sales organization included 78 sales representatives as compared to 89 sales representatives as of March 31, 2019. The decrease is primarily attributed to an overall decrease in sales headcount implemented under the organizational efficiency initiative.

Cost of Goods Sold and Gross Margin

Cost of goods sold increased \$0.3 million, or 4.9%, to \$6.8 million for the three months ended March 31, 2020 as compared to \$6.5 million for the three months ended March 31, 2019. The increase was primarily due to an increase in sales in the Breast Products reporting unit offset by reduced cost of goods sold from reduced sales in the miraDry unit.

The gross margins for the three months ended March 31, 2020 and 2019 were 59.9% and 63.1%, respectively. The decrease was due to increased unit costs of Breast Products inventory coupled with lower sales of miraDry consumables which carry a higher margin.

Sales and Marketing Expenses

Sales and marketing expenses decreased \$3.6 million, or 17.8%, to \$16.8 million for the three months ended March 31, 2020 as compared to \$20.4 million for the three months ended March 31, 2019. The decrease was primarily due to lower employee-related costs as a result of decreased sales headcount, and a decrease in marketing events and initiatives.

Research and Development Expenses

R&D expenses decreased \$0.1 million, or 4.8%, to \$2.9 million for the three months ended March 31, 2020 as compared to \$3.1 million for the three months ended March 31, 2019. The decrease was primarily due to a decrease in employee-related costs and consulting fees.

General and Administrative Expenses

G&A expenses decreased \$4.2 million, or 30.9%, to \$9.3 million for the three months ended March 31, 2020 as compared to \$13.5 million for the three months ended March 31, 2019. The decrease is primarily related to a decrease in consulting expenses, employee payroll related expenses, legal expenses and contingent consideration fair value adjustments, offset by an increase in accounting fees.

Restructuring Expenses

Restructuring expenses for the three months ended March 31, 2020 were \$1.7 million, consisting primarily of severance expenses of employees affected by the organizational efficiency initiative.

Impairment Expenses

Intangible impairment expenses were \$6.4 million for three months ended March 31, 2020, due to impairments of intangible assets in the miraDry reporting unit.

Other Income (Expense), net

Other income (expense), net for the three months ended March 31, 2020 and 2019 was primarily associated with expenses related to interest and amortization of debt issuance costs associated with our Credit Agreements, the change in fair value of warrants and interest income on cash held in a money market account.

Income Tax Expense

For the three months ended March 31, 2020 and 2019 there was no income tax expense.

Liquidity and Capital Resources

Since our inception, we have incurred significant net operating losses and anticipate that our losses will continue in the near term. We expect our operating expenses will continue to grow as we expand our operations. We will need to generate significant net sales to achieve profitability. To date, we have funded our operations primarily with proceeds from the sales of preferred stock, borrowings under our term loans and convertible note, sales of our products since 2012, and the proceeds from the sale of our common stock in public offerings.

On July 25, 2017, we entered into the Existing Credit Agreements with Midcap. On July 1, 2019, we entered into certain credit agreements with Midcap Financial Trust pursuant to which we repaid our existing indebtedness under our Existing Credit Agreements and the outstanding commitment fee was cancelled. On March 11, 2020, we issued the Convertible Note to Deerfield Partners, L.P. See Note 11 – Debt to the condensed consolidated financial statements for a full description of our long-term debt, revolving line of credit, and convertible note.

In February 2018, we entered into an At-The-Market Equity Offering Sales Agreement with Stifel, Nicolaus & Company, Incorporated, or Stifel, as sales agent pursuant to which we may sell, from time to time, through Stifel shares of our common stock having an aggregate gross offering price of up to \$50 million. As of March 31, 2020, the Company has sold 37,000 shares of its common stock pursuant to the sales agreement, resulting in net proceeds after commissions of approximately \$0.3 million.

On May 7, 2018, we completed an underwritten follow-on public offering in which we sold 7,407,408 shares of common stock at \$13.50 per share, as well as 1,111,111 additional shares of common stock pursuant to the full exercise of the over-allotment option granted to the underwriters. Net proceeds to the Company were approximately \$107.6 million after deducting underwriting discounts and commissions of \$6.9 million and offering expenses of approximately \$0.5 million.

Further, on June 7, 2019, we completed an underwritten follow-on public offering of 17,391,305 shares of common stock at \$5.75 per share, as well as 2,608,695 additional shares of common stock pursuant to the full exercise of the over-allotment option granted to the underwriters. Net proceeds were approximately \$107.7 million after deducting underwriting discounts and commissions of \$6.9 million and offering expenses of approximately \$0.4 million.

As of March 31, 2020, we had \$112.1 million in cash and cash equivalents. Our historical cash outflows have primarily been associated with activities relating to commercialization and increases in working capital, including the expansion of our sales force and marketing programs. In addition, we have used cash to fund the acquisitions of miraDry, BIOCORNEUM and our tissue expander portfolio.

Due to the continued uncertainty relating to the COVID-19 pandemic, our revenues may continue to be adversely impacted. If we are unable to achieve certain revenue targets, we may breach certain financial covenants set forth in our Credit Agreement with MidCap Financial Trust. If we breach these covenants, MidCap will have the right to accelerate repayment of the outstanding amounts. In addition, a breach of a financial covenant in the Credit Agreement would result in a cross default under our Note with Deerfield, which would allow Deerfield to accelerate repayment of the amounts owed, subject to certain restrictions. In the event that any of MidCap or Deerfield accelerates the repayment of our indebtedness, there can be no assurance that we will have sufficient cash on hand to satisfy such obligations and our business operations may be materially harmed.

To fund our ongoing operating and capital needs, we may need to raise additional equity or debt capital. We believe we have sufficient capital resources to continue as a going concern through the next twelve months.

Cash Flows

The following table shows a summary of our cash flows (used in) provided by operating, investing and financing activities for the periods indicated:

	Three Months Ended March 31,	
	2020	2019
Net cash (used in) provided by:		
Operating activities	\$ (27,189)	\$ (24,646)
Investing activities	(1,206)	(610)
Financing activities	52,849	312
Net change in cash, cash equivalents and restricted cash	\$ 24,454	\$ (24,944)

Cash used in operating activities

Net cash used in operating activities was \$27.2 million during the three months ended March 31, 2020 as compared to \$24.6 million during the three months ended March 31, 2019. The increase in cash used in operating activities between the three months ended March 31, 2020 and 2019 was primarily associated with a higher net loss of \$28.6 million for the three months ended March 31, 2020 as compared to \$26.5 million for the three months ended March 31, 2019, an increase in inventory, increases in prepaid expenses, other current assets, and other assets, decreases in accounts payable, accrued, and other liabilities, offset by a decrease in accounts receivable due to the timing of sales and collections.

Cash used in investing activities

Net cash used in investing activities was \$1.2 million during the three months ended March 31, 2020 as compared to \$0.6 million during the three months ended March 31, 2019. The increase in cash used in investing activities between the three months ended March 31, 2020 and 2019 was due to an increase in property and equipment purchases.

Cash provided by financing activities

Net cash provided by financing activities was \$52.8 million during the three months ended March 31, 2020 as compared to \$0.3 million during the three months ended March 31, 2019. The increase in cash provided by financing activities was primarily the result of an increase in proceeds from issuance of the convertible note, offset by an increase in the repayment of the revolving loan.

Our liquidity position and capital requirements are subject to a number of factors. For example, our cash inflow and outflow may be impacted by the following:

- the ability of our implant manufacturing facility in Franklin Wisconsin to meet capacity to meet customer requirements;
- the ability of our third-party tissue expander manufacturing facility operated by SiMatrix to meet capacity to meet customer requirements;
- net sales generated by our Breast Products and miraDry segments, and any other future products that we may develop and commercialize;
- the scope and duration of the COVID-19 pandemic and its effect on our operations;
- costs associated with expanding our sales force and marketing programs;
- cost associated with developing and commercializing our proposed products or technologies;
- expenses we incur in connection with potential litigation or governmental investigations;
- cost of obtaining and maintaining regulatory clearance or approval for our current or future products;
- cost of ongoing compliance with regulatory requirements, including compliance with Sarbanes-Oxley;
- anticipated or unanticipated capital expenditures; and
- unanticipated G&A expenses.

Our primary short-term capital needs, which are subject to change, include expenditures related to:

- support of our sales and marketing efforts related to our current and future products;
- new product acquisition and development efforts;
- facilities expansion needs; and
- investment in inventory required to meet customer demands.

Although we believe the foregoing items reflect our most likely uses of cash in the short-term, we cannot predict with certainty all of our particular short-term cash uses or the timing or amount of cash used. If cash generated from operations is insufficient to satisfy our working capital and capital expenditure requirements, we may be required to sell additional equity or debt securities or obtain credit facilities. Additional capital, if needed, may not be available on satisfactory terms, if at all. Furthermore, any additional equity financing may be dilutive to stockholders, and debt financing, if available, may include restrictive covenants. For a discussion of other factors that may impact our future liquidity and capital funding requirements, see “Risk Factors — Risks Related to Our Financial Results” in our Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

During the periods presented we did not have, nor do we currently have, any off-balance sheet arrangements as defined under SEC rules.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of March 31, 2020, we had \$112.1 million in cash and cash equivalents. We generally hold our cash in checking accounts and interest-bearing money market accounts. Our exposure to market risk related to interest rate sensitivity is affected by changes in the general level of U.S. interest rates. Due to the short-term maturities of our cash equivalents and the low risk profile of our investments, an immediate 100 basis point change in interest rates would not have a material effect on the fair market value of our cash equivalents. We have established guidelines regarding approved investments and maturities of investments, which are designed to maintain safety and liquidity.

ITEM 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic and current reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, as appropriate, to allow timely decisions regarding required disclosure.

As of March 31, 2020, we carried out an evaluation, under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on that evaluation, the CEO and CFO concluded that the Company’s disclosure controls and procedures were not effective as of March 31, 2020 as a result of the material weakness described in our Annual Report on Form 10-K and below.

The control environment was ineffective in holding individuals accountable for the operation of their internal control responsibilities. This control failure prevented the effective operation of controls over goodwill and intangible asset impairment, including the underlying financial data, calculations and assumptions supporting the forecasted financial information utilized to measure the fair value of the reporting unit, intangible assets, and the associated

impairment charges. This deficiency did not result in an adjustment but still represented a material weakness in our internal control over financial reporting as of December 31, 2019 because there is a reasonable possibility that material misstatements to our consolidated financial statements would not be prevented or detected on a timely basis.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Remediation

As disclosed in our Annual Report, we have identified and begun to implement several actions designed to remediate the material weakness. Our remediation process includes, but is not limited to communicating expectations over performance of controls, monitoring for compliance with those expectations, and holding individuals accountable for their roles related to internal control over financial reporting.

Changes in Internal Control over Financial Reporting

Except as discussed above, there have been no changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are involved in legal proceedings and regulatory proceedings arising out of our operations. We establish reserves for specific liabilities in connection with legal actions that we deem to be probable and estimable. The ability to predict the ultimate outcome of such matters involves judgments, estimates, and inherent uncertainties. The actual outcome of such matters could differ materially from management's estimates. Information regarding certain legal proceedings is provided in this Quarterly Report in Note 15 of the condensed consolidated financial statements.

Item 1A. RISK FACTORS

Except as set forth below, there have been no material changes from the risk factors disclosed in Part I, Item 1A, of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, which are incorporated herein by reference.

The COVID-19 pandemic has adversely affected, and continues to adversely affect, our business, our operations and our financial results. Future pandemics, epidemics or outbreaks of an infectious disease may similarly affect our business, our operations and our financial results.

The recent outbreak of COVID-19 originated in Wuhan, China, in December 2019 and has since spread to multiple countries, including the United States. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The COVID-19 pandemic has drastically impacted healthcare systems in the United States and globally and resulted in travel restrictions which impact medical tourism and our sales professionals' ability to travel. In addition, hospitals have limited access for non-patients, including our sales professionals, which could negatively impact our access to physicians. As an aesthetics company, a significant percentage of our products are utilized in elective surgeries or procedures, which may be deferred or avoided altogether due to the COVID-19 outbreak, materially impacting our financial results. Future pandemics or other outbreaks of infectious disease may result in a similar period of business disruption, including reduced sales as patients might cancel or defer elective procedures or otherwise avoid medical facilities, resulting in reduced patient volumes and operating revenues. Governmental agencies and hospital administrators may also instruct hospitals to postpone some elective procedures in preparation for COVID-19-related hospitalizations. The continued spread of COVID-19, or another infectious disease, could

also result in delays or disruptions in our supply chain or adversely affect our manufacturing facilities and personnel. The COVID-19 outbreak has materially impacted our operations and financial results and continues to be fluid and uncertain, making it difficult to forecast the final impact it could have on our future operations or financial results.

Our debt obligations could impair our financial condition and limit our operating flexibility.

Our indebtedness under our credit agreements with MidCap Financial Trust, or the Credit Agreements, our Convertible Note with Deerfield and our other financial obligations could:

- impair our ability to obtain financing or additional debt in the future for working capital, capital expenditures, acquisitions or general corporate purposes;
- impair our ability to access capital and credit markets on terms that are favorable to us;
- have a material adverse effect on us if we fail to comply with financial and affirmative and restrictive covenants in our Credit Agreements and an event of default occurs as a result of a failure that is not cured or waived;
- require us to dedicate a portion of our cash flow for interest payments on our indebtedness and other financial obligations, thereby reducing the availability of our cash flow to fund working capital and capital expenditures; and
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate.

Our financial covenants in the Credit Agreements require us to achieve certain levels of net revenue calculated on a rolling monthly basis. Due to the continued uncertainty relating to the COVID-19 pandemic, our revenues may continue to be adversely impacted. If we are unable to achieve certain revenue targets, we may breach certain financial covenants set forth in our Credit Agreements. If we breach these covenants, MidCap will have the right to accelerate repayment of the outstanding amounts. In addition, a breach of a financial covenant in the Credit Agreement would result in a cross default under our Convertible Note with Deerfield, which would allow Deerfield to accelerate repayment of the amounts owed, subject to certain restrictions. In the event that any of MidCap or Deerfield accelerates the repayment of our indebtedness, there can be no assurance that we will have sufficient cash on hand to satisfy such obligations and our business operations may be materially harmed.

Furthermore, there is no guarantee that we will be able to pay the principal and interest under the Credit Agreements or the Convertible Note or that future working capital, borrowings or equity financing will be available to repay or refinance any amounts outstanding under the Credit Agreements or Convertible Note. Our obligations under the Credit Agreements are secured by a perfected security interest in all of our tangible and intangible assets (including our intellectual property assets), except for certain customary excluded property and all of our and our subsidiaries capital stock, with certain limited exceptions. In addition, we may enter into debt agreements in the future that may contain similar or more burdensome terms and covenants, including financial covenants.

We may not successfully integrate newly acquired businesses into our business operations or realize the benefits of partnerships with other companies, acquisitions of complementary products or technologies or other strategic alternatives.

We have completed a series of business and product acquisitions including our acquisition of our manufacturing operations from Vesta, our acquisition of miraDry, our product acquisitions, including BIOCORNEUM and our tissue expanders portfolio. As a result of these acquisitions, we have undergone substantial changes to our business and product offerings in a short period of time. In addition, in the future, we may consider other opportunities to partner with or acquire other businesses, products or technologies that may enhance our product platform or technology, expand the breadth of our markets or customer base or advance our business strategies.

Integrating the business practice and operations of a new business with that of our own is a complex, costly and time-consuming process, which requires significant management attention and resources. The integration process may disrupt our existing operations and, if implemented ineffectively, would preclude realization of the full benefits expected by us. Our failure to meet the challenges involved in successfully integrating our acquisitions in order to realize the anticipated benefits may cause an interruption of, or a loss of momentum in, our operating activities and could adversely affect our results of operations. For example, we recently determined to refocus our miraDry reporting unit to driving sales of consumable bioTips to our existing installed base. There can be no assurances that we will achieve significant sales of the miraDry system under this refocused plan or, if we do, that we will be able to do so in a profitable manner. Potential difficulties, costs and delays we may encounter as part of the integration process may include:

- distracting management from day-to-day operations;
- potential incompatibility of corporate cultures;
- an inability to achieve synergies as planned;
- risks associated with the assumption of contingent or other liabilities of acquisition targets;
- adverse effects on existing business relationships with suppliers or customers;
- inheriting and uncovering previously unknown issues, problems and costs from the acquired company;
- uncertainties associated with entering new markets in which we have limited or no experience;
- increased legal and accounting costs relating to the partnership or acquisition or compliance with regulatory matters;
- delays between our expenditures to acquire new products, technologies or businesses and the generation of net sales from those acquired products, technologies or businesses;
- realization of assets and settlement of liabilities at amounts equal to estimated fair value as of the acquisition date of any acquisition or disposition;
- costs and delays in implementing common systems and procedures (including technology, compliance programs, financial systems, distribution and general business operations, among others); and
- increased difficulties in managing our business due to the addition of international locations.

Any one or all of these factors may increase operating costs or lower anticipated financial performance. Many of these factors are also outside of our control. In addition, even if new business operations are integrated successfully, we may not realize the full benefits of the acquisition, including the synergies, cost savings or sales or growth opportunities that we expect or within the anticipated time frame. Additional unanticipated costs may be incurred in the integration of the businesses. All of these factors could decrease or delay the expected accretive effect of the transaction, and negatively impact the price of our common stock. The failure to integrate the business operations of miraDry or any acquired business successfully would have a material adverse effect on our business, financial condition and results of operations. As noted above, we determined to refocus efforts on driving sales of bioTips to our existing installed base. There can be no assurance that this shift in focus will allow us to realize the expected benefits from this acquisition.

If we are unable to drive sales of our bioTips to our existing installed base of miraDry systems, our business and future prospects will be harmed.

In April 2020, we determined to focus on driving high margin, bioTip utilization to our existing installed base combined with a controlled placement of consoles. We expect that the net sales we generate from our bioTips will represent high margin sales (on a gross margin basis) and account for a substantial amount of our net sales for the next several years, with high margin consumables comprising a sizable percentage of our miraDry segment's net sales. Accordingly, our success depends on the acceptance among physicians and patients of the miraDry procedure as a preferred treatment for being sweat-bothered. Although we have received FDA clearance to market the miraDry procedure for the treatment of primary axillary hyperhidrosis, odor and permanent hair reduction in the United States and are approved or are otherwise free to market the miraDry procedure for the treatment of primary axillary hyperhidrosis in adults in over 40 international markets, the degree of market acceptance of the miraDry procedure by physicians and patients is unproven. We believe that market acceptance of the miraDry procedure will depend on many factors, including:

- the perceived advantages or disadvantages of the miraDry System compared to other products and procedures;
- the safety and efficacy of the miraDry System relative to other products and alternative procedures;
- the price of the miraDry System relative to other products and alternative procedures;
- our success in expanding our sales and marketing organization;
- the effectiveness of our marketing, advertising, and commercialization initiatives;
- the development and publication of long-term clinical data in peer-reviewed journals supporting the long term efficacy of the miraDry procedure;
- our ability to obtain regulatory clearance to market miraDry for additional treatment indications in the United States and other international markets;
- education of physicians, especially general practitioners and dermatologists, regarding alternative procedures for sweat-bothered patients through key opinion leaders and product demonstrations at conferences, physician offices and webinars; and
- the success of patient education through direct-to-consumer marketing campaigns that utilize social media outlets and testimonials.

In addition, the COVID-19 pandemic has limited our ability to educate physicians and drive market acceptance of the procedure. We cannot guarantee that the miraDry procedure will achieve broad market acceptance among physicians and patients. We expect to derive a substantial portion of sales from the sale of our consumable bioTip products, which represent higher margin products within our product portfolio. As a result, any failure of this product to achieve meaningful market acceptance will harm our business, sales, profitability and future prospects.

If changes in the economy and consumer spending reduce consumer demand for our products, our sales and profitability would suffer.

We are subject to the risks arising from adverse changes in general economic and market conditions, pandemics or political actions including new or increased trade protection policies such as tariffs, particularly in China, where certain components of our miraDry products are manufactured. Certain elective procedures, such as breast augmentation and the miraDry procedure, are typically not covered by insurance. Adverse changes in the economy or a "trade war" may cause consumers to reassess their spending choices and reduce the demand for these surgeries and other procedures and could have an adverse effect on consumer spending. This shift could have an adverse effect on our net sales and profitability. Furthermore, consumer preferences and trends may shift due to a variety of

factors, including changes in demographic and social trends, public health initiatives and product innovations, which may reduce consumer demand for our products. For example, in December 2019, there was an outbreak of a novel strain of coronavirus (COVID-19) in Wuhan, China that has since spread to other regions in China and the rest of the world. To contain the outbreak, the Chinese central government extended the Lunar New Year holiday for one week and issued guidance pursuant to which local governments in China have taken temporary measures to limit large gatherings and impose travel restrictions. As a result, our bioTip manufacturer in China was required to close for a week and has only recently reopened and is operating at reduced capacity as of the date of this Quarterly Report on Form 10-Q. In addition, as the outbreak spread through the United States and globally, we have experienced a significant reduction in demand as non-emergency medical procedures are deferred. There can be no assurances that once healthcare systems resume normal activity that these deferred procedures will be rescheduled. The outbreak has adversely affected our financial condition and results of operations and will likely continue to adversely impact our operations until healthcare systems resume normal activity. At this point, the duration and extent of such impact is uncertain.

If we are unsuccessful in executing our cost plan, our business and results of operations may be adversely affected.

In November 2019, we announced an organizational efficiency initiative (the “Plan”) designed to reduce spending and simplify operations to better align our cost structure to our long-term margin targets. Under the Plan, we will implement numerous initiatives to reduce spending, including closing the Santa Clara offices of miraDry, Inc. (“miraDry”), and consolidating a number of business support services via a shared services organization at our Santa Barbara headquarters. Under the Plan, we also intend to reduce our workforce in a series of targeted reductions, which we expect to be completed by the end of 2020. We cannot provide assurance that our Plan will be successful, that anticipated cost savings will be realized, that our operations, business and financial results will improve and/or that these efforts will not disrupt our operations (beyond what is intended).

In April 2020, we implemented additional workforce reductions as cost savings measures. Our ability to achieve the anticipated cost savings and other benefits within the expected time frames is subject to many estimates and assumptions, which are subject to significant economic, competitive and other uncertainties, some of which are beyond our control. Further, we may experience delays in the timing of these efforts and/or higher than expected or unanticipated costs in implementing them. Moreover, changes in the size, alignment or organization of our workforce could adversely affect employee morale and retention, relations with customers and business partners, our ability to develop and deliver products and services as anticipated and/or impair our ability to realize our current or future business and financial objectives. If we do not succeed in these efforts, if these efforts are more costly or time-consuming than expected, if our estimates and assumptions are not correct, if we experience delays or if other unforeseen events occur, our business and results of operations may be adversely affected.

Any disruption at our facilities could adversely affect our business and operating results.

Our principal offices are located in Santa Barbara, California. Substantially all of our operations are conducted at this location, including customer service, development and management and administrative functions. Substantially all of our inventory of Breast Products is held at a second location in Santa Barbara, California, and, with the Vesta Acquisition, we manufacture our breast implants at a third location in Wisconsin. Despite our efforts to safeguard our facilities, including acquiring insurance, adopting health and safety protocols and utilizing off-site storage of computer data, vandalism, terrorism, public health crisis (such as the recent COVID-19 outbreak) or a natural or other disaster, such as an earthquake, tornado, fire or flood, could damage or destroy our inventory of finished goods, cause substantial delays in our operations, result in the loss of key information and cause us to incur additional expenses. Our insurance may not cover our losses in any particular case. In addition, regardless of the level of insurance coverage, damage to our facilities may have a material adverse effect on our business, financial condition and operating results.

We accepted a loan under the CARES Act pursuant to the Paycheck Protection Program, or the PPP, which loan may not be forgiven or may subject us to challenges and investigations regarding qualification for the loan. In addition, we may be subject to audit in connection with the loan and should we request that the loan be forgiven, the United States Small Business Administration, or SBA, will conduct a full audit in connection with the loan. If there is any adverse finding from the audit or if we are subject to any other investigation or challenge in connection with the loan, we could be required to return the full amount of the PPP loan plus interest, which could reduce our liquidity, and could be subject to significant fines, damages and penalties and its business could otherwise be adversely affected, whether or not there is an adverse finding. Such events could have a material adverse effect on our business, financial condition and results of operations.

In April 2020, we were granted a loan of \$6.7 million under the PPP of the CARES Act, or the PPP Loan, all or a portion of which may be forgiven dependent on our use of proceeds. The PPP Loan matures on April 27, 2022 and bears interest at a rate of 1.0% per annum. All or a portion of the PPP Loan may be forgiven by the SBA upon application by us beginning 60 days, but not later than 120 days, after loan approval and upon documentation of expenditures in accordance with the SBA's requirements. Under the CARES Act, loan forgiveness is available for the sum of documented payroll costs, covered rent payments, covered mortgage interest and covered utilities during the eight week period beginning on the date of loan approval. Not more than 25% of the forgiven amount may be for non-payroll costs. The amount of the PPP Loan eligible to be forgiven will be reduced if our full-time headcount declines, or if salaries and wages for employees with salaries of \$100,000 or less annually are reduced by more than 25%. We will be required to repay any portion of the outstanding principal that is not forgiven, along with accrued interest, in accordance with the amortization schedule described above, and we cannot provide any assurance that we will be eligible for loan forgiveness, that we will ultimately apply for forgiveness, or that any amount of the PPP Loan will ultimately be forgiven by the SBA. Furthermore, on April 28, 2020, the Secretary of the U.S. Department of the Treasury stated that the SBA will perform a full review of any PPP loan over \$2.0 million before forgiving the loan.

The PPP Loan application required us to certify, among other things, that the current economic uncertainty made the PPP Loan request necessary to support our ongoing operations. While we made this certification in good faith after analyzing, among other things, our financial situation and access to alternative forms of capital, and believe that we satisfied all eligibility criteria for the PPP Loan and that our receipt of the PPP Loan is consistent with the broad objectives of the PPP of the CARES Act, the certification described above does not contain any objective criteria and is subject to interpretation. In addition, the SBA has stated that it is unlikely that a public company with substantial market value and access to capital markets will be able to make the required certification in good faith. The lack of clarity regarding loan eligibility under the Paycheck Protection Program has resulted in significant media coverage and controversy with respect to public companies applying for and receiving loans. If, despite our good faith belief that we satisfied all eligibility requirements for the PPP Loan, we are found to have been ineligible to receive the PPP Loan or in violation of any of the laws or governmental regulations that apply to us in connection with the PPP Loan, including the False Claims Act, we may be subject to penalties, including significant civil, criminal and administrative penalties and could be required to repay the PPP Loan. In the event that we seek forgiveness of all or a portion of the PPP Loan, we will also be required to make certain certifications which will be subject to audit and review by governmental entities and could subject us to significant penalties and liabilities if found to be inaccurate, including under the False Claims Act. In addition, our receipt of the PPP Loan may result in adverse publicity and damage to our reputation, and a review or audit by the SBA or other government entity or claims under the False Claims Act could consume significant financial and management resources. Any of these events could harm our business, results of operations and financial condition.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

On May 11, 2020, the Company entered in to the Second Amendment to Amended and Restated Credit and Security Agreement (Term Loan) (the "Term Agreement"), by and among the Company, certain of the Company's subsidiaries, the lenders party thereto and MidCap Financial Trust as agent (the "Term Amendment"). The Term Amendment provides for, among other things, the prepayment by the Company of approximately \$25.0 million of outstanding principal plus accrued interest, with the parties agreeing to waive the prepayment fee with respect to this amount. In connection with the prepayment, the Term Amendment requires the Company to prepay \$1.25 million of the exit fee under the Term Agreement. The Term Amendment increases the tranche 3 commitment amount from \$10.0 million to \$15.0 million, extends the tranche 3 termination date from December 31, 2020 to June 30, 2021, and amends certain conditions upon which the tranche 3 commitment can be withdrawn, including evidence that the Company's Net Revenue for the past six months was greater than or equal to \$30.0 million. In addition, the Term Amendment amends certain financial requirements including reducing the Company's minimum unrestricted cash amount from \$20.0 million to \$5.0 million and amends certain minimum net revenue requirements. Further, the monthly minimum net revenue requirements were revised to be calculated on a trailing three month basis. On May 11, 2020, the Company prepaid \$25.0 million of principal, \$1.25 million of the exit fee, and \$0.1 million of accrued interest.

In addition, on May 11, 2020, the Company entered in to the Second Amendment to Amended and Restated Credit and Security Agreement (Revolving Loan), by and among the Company, certain of the Company's subsidiaries, the lenders party thereto and MidCap Financial Trust as agent (the "Revolving Amendment"). The Revolving Amendment includes conforming changes to reflect the changes in the Term Amendment. In addition, the Revolving Amendment reduces the borrowing base by the portion of the eligible inventory previously included in the calculation.

ITEM 6. EXHIBITS

The following exhibits are filed or furnished as part of this report:

Number	Description
4.1	Form of Convertible Note (incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 12, 2020).
10.1	Facility Agreement, dated as of March 11, 2020, by and among Sientra, Inc., certain of Sientra, Inc.'s subsidiaries party thereto as guarantors and Deerfield Partners, L.P. (incorporated by reference to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2020).
10.2	Guaranty, dated as of March 11, 2020, by and among MiraDry Holdings, Inc., MiraDry, Inc. and MiraDry International, Inc. (incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 12, 2020).
10.3	Registration Rights Agreement, dated as of March 11, 2020, by and between Sientra, Inc. and Deerfield Partners, L.P. (incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 12, 2020).
10.4*	Amendment to Facility Agreement, dated April 24, 2020, by and among Sientra, Inc., each of the other loan parties thereto and Deerfield Partners, L.P.
10.5*	Letter Agreement, dated April 20, 2020, by and among Sientra, Inc., certain of its subsidiaries, MidCap Financial Trust and MidCap Funding IV Trust.
10.6*†	Second Amendment to Amended and Restated Credit and Security Agreement (Term Loan), dated May 11, 2020, by and among Sientra, Inc., certain of its subsidiaries, the lenders party thereto and MidCap Financial Trust.
10.7*†	Second Amendment to Amended and Restated Credit and Security Agreement (Revolving Loan), dated May 11, 2020, by and among Sientra, Inc., certain of its subsidiaries, the lenders party thereto and MidCap Financial Trust.
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

† Portions of this exhibit have been redacted in compliance with Regulation S-K Item 601(b)(10).

SIGNATURES

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

SIENTRA, INC.

May 11, 2020

By: /s/ Jeffrey Nugent
Jeffrey Nugent
Chairman and Chief Executive Officer

May 11, 2020

By: /s/ Paul Little
Paul Little
Chief Financial Officer and Treasurer

AMENDMENT TO FACILITY AGREEMENT

This AMENDMENT TO FACILITY AGREEMENT (this "Agreement"), dated as of April 24, 2020, is entered into among SIENRA, INC., a Delaware corporation (the "Borrower"), each of the other Loan Parties party hereto, and DEERFIELD PARTNERS, L.P., as a Lender (as defined below) and as agent (in such capacity, the "Agent").

RECITALS

WHEREAS, the Borrower, the Loan Parties, the lenders from time to time (the "Lenders") and the Agent are parties to that certain Facility Agreement, dated as of March 11, 2020 (including the exhibits and other attachments thereto, as amended prior to the date hereof, the "Facility Agreement"); and

WHEREAS, the Borrower has requested, and subject to the terms and conditions set forth herein the Agent and the Required Lenders have agreed, to amend the Facility Agreement, as more specifically set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Defined Terms. All capitalized terms used herein without definition shall have the meanings ascribed thereto in the Facility Agreement, as ended hereby.

SECTION 2. Amendments to Facility Agreement. Effective as of the Effective Date (as defined below) and subject to and in accordance with the terms and conditions set forth herein, the Facility Agreement is hereby amended as follows:

(a) by adding the following definition to Section 1.1 thereof, in the appropriate alphabetical order:

"CARES Debt" means unsecured Indebtedness incurred by one or more of the Loan Parties pursuant to and in accordance with the Paycheck Protection Program administered by the U.S. Small Business Administration in accordance with Sections 1102 and 1106 of the Coronavirus Aid, Relief and Economic Security Act (P.L. 116-136) and the rules promulgated thereunder, in each case, as in effect on April 24, 2020 (the "CARES Act")."

(b) by replacing clause (b) of the definition of "Permitted Debt" in Section 1.1 thereof with the following:

"(p)(1) CARES Debt in an amount not to exceed \$6,651,600 in the aggregate at any time outstanding; provided the CARES Debt shall comply in all respects with the applicable requirements of the CARES Act, including, Without limitation, that (i) the CARES Debt shall constitute a "covered loan" under, and as defined in, Section 1102 of the CARES Act, (ii) the proceeds of the CARES Debt shall be used only for the purposes permitted under

Section 1102 of the CARES Act and (iii) the Borrower shall use best efforts to comply with Section 1106 of the CARES Act to obtain forgiveness of the CARES Debt to the extent provided thereunder, and (2) other unsecured Debt not to exceed \$550,000 in the aggregate at any time outstanding;”

SECTION 3. Effectiveness. This Agreement shall become effective on the first date when the following conditions shall have been satisfied or waived (such date, the “Effective Date”):

- (a) the Agent's receipt of counterparts to this Agreement, duly executed by the Borrower, the Loan Parties and the Required Lenders and acknowledged by the Agent;
- (b) payment of all fees, costs and expenses of the Lenders and the Agent; including, but not limited to, the fees and expenses of Sullivan & Cromwell LLP incurred up to the date hereof;
- (c) the Agent's receipt, in form and substance reasonably acceptable to the, Agent, of a duly executed consent of the agents and requisite lenders under each of the Senior Credit Agreements to the execution of this Agreement; and
- (d) the representations and warranties confirmed herein shall be true and correct and no Default or Event of Default shall have occurred and be continuing immediately prior to or after giving effect to this Agreement.

SECTION 4. Representations and Warranties. To induce the Required Lenders to enter into this Agreement, each Loan Party represents and warrants to the Lenders and the Agent on and as of the Effective Date that, in each case:

- (a) the representations and warranties of each Loan Party set forth in Article 3 of the Facility Agreement and in each other Facility Document are true and correct in all material respects on and as of the Effective Date after giving effect to this Agreement with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date; provided that any representation and warranty that is qualified as to “materiality,” “Material Adverse Effect” or similar language shall be true and correct (after giving effect to any qualification therein) in all respects as of such respective dates;
- (b) no Default or Event of Default exists and is continuing immediately prior to or after giving effect to this Agreement;
- (c) it has the right, power and authority and has taken all necessary corporate and other action to authorize the execution, delivery and performance of this Agreement in accordance with its terms; and
- (d) this Agreement has been duly executed and delivered by the duly authorized officer of each Loan Party, and each such document constitutes the legal, valid and binding obligation of each such Loan Party, enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal debtor relief laws

from time to time in effect which affect the enforcement of creditors, rights in general and the availability of equitable remedies.

SECTION 5. Disclosure, No MNPI. On or prior to May 11, 2020, the Borrower shall file with the SEC its Quarterly Report on Form 10-Q for the period ended March 31, 2020 (the 10-Q) which 10-Q will describe the terms of the transactions contemplated by this Agreement (including, without limitation, the CARES Debt) and all material non-public information otherwise disclosed to the Lenders and Agent prior to the date the 10-Q is filed and include this Agreement as an exhibit to such Form 10-Q without any redactions. The Borrower expressly acknowledges, represents and agrees that from and after the filing of the 10-Q, (a) all material, non-public information (if any) provided or made available to the Lenders or the Agent and their respective Affiliates (and their respective agents and representatives) (the “Deerfield Parties”) by the Borrower or any of its Affiliates (and their respective agents or representatives) in connection with the transactions contemplated by this Agreement (including, without limitation, the CARES Debt) or otherwise prior to the date hereof shall have been publicly disclosed and (b) no Deerfield Party shall have any duty to the Borrower of trust or confidence with respect to, or a duty to the Borrower not to trade in any securities on the basis of, any information regarding the Borrower (unless expressly agreed to by such Deerfield Party in a subsequent written definitive and binding and binding agreement executed by the Borrower and such Deerfield Party or customary oral (confirmed by e-mail) “wall cross” agreement).

SECTION 6. Reference to and Effect on the Facility Agreement and Other Facility Documents.

(a) Each reference in the Facility Agreement to “this Facility Agreement,” “this Agreement,” “hereunder,” “hereof,” “herein” or words of like import referring to the Facility Agreement, and each reference in the other Facility Documents to “the Facility Agreement,” “thereunder,” “thereof,” “therein” or words of like import, referring to the Facility Agreement, shall mean and be a reference to the Facility Agreement, as amended or modified hereby.

(b) Except as specifically amended or modified herein, the Facility Agreement and all other Facility Documents are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) Except as expressly provided herein, the execution, delivery and effectiveness of this Agreement shall not operate as a waiver of any right, power or remedy of the Agent or the Lenders under the Facility Agreement or any other Facility Documents, nor constitute a waiver of any provision of the Facility Agreement or any other Facility Documents.

(d) This Agreement shall be a Facility Document.

SECTION 7. Execution in Counterparts. This Agreement may be executed in counterparts (any different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic imaging means (e.g. “pdf” or “tiff”) shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 8. Governing Law. This Agreement and any claims, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement and the transactions contemplated hereby shall be governed by, and construed in accordance with, the law of the State of New York.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

BORROWER:

SIENTRA, INC.

By: /s/ Paul Little
Name: Paul Little
Title: CFO

OTHER LOAN PARTIES:

MIRADAY HOLDINGS, INC.

By: /s/ Paul Little
Name: Paul Little
Title: CFO

MIRADRY, INC.

By: /s/ Paul Little
Name: Paul Little
Title: CFO

MIRADRY INTERNATIONAL, INC.

By: /s/ Paul Little
Name: Paul Little
Title: CFO

[Signature Page to Amendment]



c/o MidCap Financial Services, LLC, as Servicer 7255
Woodmont Avenue, Suite 200
Bethesda, MD 20814
www.midcapfinancial.com

April 20, 2020

VIA EMAIL

Paul Little
Chief Financial Officer Sientra, Inc.
420 South Fairview
Santa Barbara, CA 93117

RE: Proposed SBA Loan ¹

Dear Paul:

We refer to that certain Credit and Security Agreement dated as of July 25, 2017 (as amended, modified, supplemented and restated from time to time, the "Credit Agreement") by and among MidCap Financial Trust, as administrative agent for the Lenders thereunder (in such capacity and together with its successors and assigns, "Agent" or "us"), and Sientra, Inc., as borrower and the other Borrowers from time to time party thereto (collectively, "Borrower" or "you"), the other Credit Parties from time to time party thereto and the Lenders from time to time party thereto. Capitalized terms used but not defined herein shall have the meaning set forth in the Credit Agreement.

You have informed us that you intend to incur certain loan obligations in reliance on the Small Business Administration's Payroll Protection Program under the Coronavirus Aid, Relief, and Economic Security Act [P.L. 116-136] (the "Payroll Protection Program") in an aggregate principal amount of up to \$6,651,600 (the "SBA Loan"). The incurrence of the SBA Loan requires Agent's and Required Lender's consent under the Credit Agreement, and accordingly, you have requested our consent to incur of the SBA Loan. Agent and Required Lenders hereby consent to the incurrence of the SBA Loan and agree that such SBA Loan shall constitute "Permitted Indebtedness" or "Permitted Debt" (as applicable) under the terms of the Credit Agreement, subject to the following terms and conditions:

- (a) Borrower shall have submitted all required forms, applications and certificates required for, and shall have been conditionally approved to receive, the SBA Loan under the Paycheck Protection Program; and
- (b) Borrower shall (i) at all times comply with all terms applicable to the SBA Loan, including without limitation, any requirements with respect to the use of proceeds of the SBA Loan,
(ii) make only regularly scheduled payments of interest accruing on, and to the extent required under, the SBA Loan at a rate not exceeding 1.0% per annum in respect thereof, and (iii) take all actions necessary and promptly file all required reporting to ensure that no less than 90% of the SBA Loan will be forgiven in accordance with the loan forgiveness provisions of the Paycheck Protection Program, and provide evidence reasonably satisfactory to Agent substantiating such forgiveness by the date that is 120 days after the date on which the SBA Loan was incurred.

The Credit Parties agree that any failure to comply with the foregoing conditions shall constitute an immediate and automatic Event of Default.

In addition to and the foregoing, Credit Parties, Agent and Required Lenders hereby agree as follows:

1. The consent set forth in this letter agreement is effective solely for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to: (a) except as expressly provided herein, be a consent to any amendment, waiver or modification of any term or condition of the Credit Agreement or of any other Financing Document, which shall remain and continue in full force and effect; (b) prejudice any right that Agent or the Lenders have or may have in the future under or in connection with the Credit Agreement or any other Financing Document; (c) waive any Default and/or Event of Default that may exist and is continuing as of the date hereof or occur hereafter; or (d) establish a custom or course of dealing among Borrower, on the one hand, and Agent or any Lender, on the other hand.
2. The Credit Parties, Agent and Required Lenders hereby acknowledge and agree that this letter agreement constitutes a Financing Document and shall not be superseded by the Credit Agreement or any other Financing Document entered into as of the date hereof and that this letter agreement cannot be modified or terminated except with the written consent of each of the undersigned.
3. The provisions of the Credit Agreement regarding choice of law, jurisdiction, venue and jury trial waiver are expressly incorporated herein and shall govern this letter agreement. No Person other than the parties hereto, shall have any rights hereunder or be entitled to rely on this Agreement and all thirdparty beneficiary rights are hereby expressly disclaimed.
4. This letter agreement may be executed in any number of counterparts and by any combination of the parties hereto in separate counterparts, each of which counterparties shall be an original and all of which taken together shall constitute one and the same letter agreement. Electronic signatures shall have the same effect as original signatures. This letter agreement shall become effective as of the date first above written when counterparts of this letter agreement shall have been executed by the Credit Parties and Agent on behalf of itself and the Required Lenders.

Please counter-sign this letter agreement below to indicate your consent and agreement to the terms and conditions set forth herein.

Sincerely,

MIDCAP FINANCIAL TRUST,
as Agent on behalf of itself and the Required Lenders

By: Apollo Capital Management, L.P., its investment manager

By: Apollo Capital Management GP, LLC, its general partner

By: /s/ Maurice
Amsellem
Name: Maurice
Amsellem
Title: Authorized
Signatory

MIDCAP FUNDING IV TRUST, as Revolving Loan Agent on behalf of itself and the Required Lenders

By: Apollo Capital Management, L.P., its investment manager

By: Apollo Capital ManagementGP, LLC, its general partner

By: /s/ Maurice
Amsellem
Name: Maurice
Amsellem
Title: Authorized
Signatory

Each Credit Party hereby acknowledges, understands and agrees to the terms and conditions set forth above, and have caused this letter agreement to be duly executed by their respective authorized officers as of the day and year first above written.

SIENTRA, INC.

By: /s/ Paul Little
Name: Paul Little
Title: CFO, SVP and Treasurer

MIRADRY HOLDINGS, INC.

By: /s/ Paul Little
Name: Paul Little
Title: CFO, SVP and Treasurer

MIRADRY, INC.

By: /s/ Paul Little
Name: Paul Little
Title: CFO, SVP and Treasurer

MIRADRY INTERNATIONAL, INC.

By: /s/ Paul Little
Name: Paul Little
Title: CFO, SVP and Treasurer

¹ Note: We need to verify no specific consents or notices are triggered by this amendment vis-à-vis third parties.

*Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 406 of the Securities Act of 1933, as amended. Such redacted portions have been with "[***]" in this Exhibit. An unredacted copy of this document has been filed separately with the Securities and Exchange Commission.*

Execution Version

SECOND AMENDMENT TO AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT (TERM LOAN)

This SECOND AMENDMENT TO AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT (TERM LOAN) (this "**Agreement**") is made as May 11, 2020, by and among **SIENTRA, INC.**, a Delaware corporation, **MIRADRY HOLDINGS, INC.**, a Delaware corporation (formerly known as Miramar Labs, Inc.), **MIRADRY, INC.**, a Delaware corporation (formerly known as Miramar Technologies, Inc.), **MIRADRY INTERNATIONAL, INC.**, a Delaware corporation, **MIDCAP FINANCIAL TRUST**, as Agent (in such capacity, together with its successors and assigns, "**Agent**"), and the other financial institutions or other entities from time to time parties to the Credit Agreement referenced below, each as a Lender.

RECITALS

A. Agent, Lenders and Borrowers have entered into that certain Amended and Restated Credit and Security Agreement (Term Loan), dated as of July 1, 2019 (as amended by that certain Limited Consent and First Amendment to Amended and Restated Credit and Security Agreement (Term Loan), dated as of November 7, 2019 and as further amended, modified, supplemented prior to the date hereof, the "**Existing Credit Agreement**"), and as the same is supplemented hereby and as it may be further amended, modified, supplemented and restated from time to time, the "**Credit Agreement**"), pursuant to which the Lenders have agreed to extend certain financial accommodations to Borrowers in the amounts and manner set forth in the Credit Agreement.

B. Borrowers have requested that Agent and Lenders amend certain terms of the Existing Credit Agreement to, among other things, (i) revise certain existing financial covenants, (ii) permit the partial prepayment of certain Loans, and (iii) increase the aggregate Term Loan Tranche 3 Commitment Amount to \$15,000,000 and revise certain conditions with respect to the Term Loan Tranche 3, and, on and subject to the terms and conditions set forth herein, Agent and the Lenders have agreed to so amend the Existing Credit Agreement as more fully set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, the terms and conditions set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Agent, Lenders and Borrowers hereby agree as follows:

1. **Recitals.** This Agreement shall constitute a Financing Document and the Recitals and each reference to the Credit Agreement, unless otherwise expressly noted, will be deemed to reference the Credit Agreement as amended hereby. The Recitals set forth above shall be construed as part of this Agreement as if set forth fully in the body of this Agreement and capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement (including those capitalized terms used in the Recitals hereto).

2. **Term Loan Prepayment.**

(a) Borrowers, Agent and Lenders have agreed that, as a condition to the effectiveness of this Agreement and subject to the terms and conditions set forth herein, Borrowers shall make a voluntary prepayment of the Term Loans in an aggregate principal amount equal to \$25,000,000

plus \$68,766.50 in accrued and unpaid interest thereon in accordance with the requirements of Section 2.1(a)(iii)(C) of the Credit Agreement (the “**Amendment Prepayment**”); *provided* that (i) Agent and each Lender hereby agrees to waive the Prepayment Fee that would otherwise be required to be paid by Borrowers pursuant to Section 2.2(i) of the Credit Agreement in connection with the Amendment Prepayment, (ii) notwithstanding Section 2.1(a)(iv) of the Credit Agreement, Agent and Lenders agree that the Amendment Prepayment shall be applied pro rata to the Term Loan Tranche 1 and Term Loan Tranche 2 and allocated to the Lenders in accordance with their Pro Rata Shares, (iii) Agent and each Lender hereby agrees to waive the requirement in Section 2.1(a)(iii)(C) that Borrowers deliver a completed Payment Notification at least ten (10) Business Days prior to the Amendment Prepayment, and (iv) Borrowers shall pay the portion of the Exit Fee due pursuant to Section 2.2(h) of the Credit Agreement in connection the Amendment Prepayment in an amount equal to \$1,250,000 (the “**Amendment Prepayment Exit Fee**”) as a condition to the effectiveness of this Agreement in accordance with Section 6 hereof.

(b) The consents and agreements set forth in this Section 2 are effective solely for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (i) be a consent to any amendment, waiver or modification of any other term or condition of the Credit Agreement or of any other Financing Document; (ii) prejudice any right that Agent or Lenders have or may have in the future under or in connection with the Credit Agreement or any other Financing Document; (iii) constitute a consent to or waiver of any past, present or future Default or Event of Default or other violation of any provisions of the Credit Agreement or any other Financing Documents; (iv) create any obligation to forbear from taking any enforcement action, or to make any further extensions of credit, or (v) establish a custom or course of dealing among any of the Credit Parties, on the one hand, or Agent or any Lender, on the other hand.

3. **Amendments to Existing Credit Agreement.** Subject to the terms and conditions of this Agreement, including, without limitation, the conditions to effectiveness set forth in Section 6 hereof, the Existing Credit Agreement is hereby amended as follows:

(a) The definition of “**Defined Period**” appearing in Article 1 of the Existing Credit Agreement is hereby amended by deleting such definition in its entirety and replacing it with the following:

““**Defined Period**” means for any given calendar month or date of determination, the three (3) month period ending on the last day of such calendar month or if such date of determination is not the last day of a calendar month, the three (3) month period immediately preceding any such date of determination.”

(b) The definition of “**Permitted Debt**” appearing in Article 1 of the Existing Credit Agreement is hereby amended by deleting subsection (l) thereof in its entirety and replacing it with the following:

“(l) [Reserved];”

(c) The definition of “**Permitted Distributions**” appearing in Article 1 of the Existing Credit Agreement is hereby amended by (i) adding “and” at the end of clause (g) thereof; (ii) deleting “; and” at the end of clause (h) thereof and replacing it with “.”; and (iii) and deleting clause (i) thereof.

(d) The definition of “**Required Minimum Cash Amount**” appearing in Article 1 of the Existing Credit Agreement is hereby amended by deleting such definition in its entirety and replacing it with the following:

““Required Minimum Cash Amount” means Borrower Unrestricted Cash in an amount equal to or greater than \$5,000,000.”

(e) The definition of “Term Loan Tranche 3 Commitment Termination Date” appearing in Article 1 of the Existing Credit Agreement is hereby amended and replaced in its entirety with the following:

“Term Loan Tranche 3 Commitment Termination Date” means June 30, 2021.

(f) Section 2.2(d) of the Existing Credit Agreement is hereby amended and replaced in its entirety with the following:

“(d) Term Loan Tranche 3 Commitment Fee. Contemporaneous with the funding of the Term Loan Tranche 3, Borrowers shall pay to Agent, for the benefit of all Lenders committed to make the Term Loan Tranche 3 under the Credit Agreement, a commitment fee in an amount equal to the Term Loan Tranche 3 Commitment multiplied by one half of one percent (0.50%). All fees payable pursuant to this Section 2.2(d) shall be due and payable on the Term Loan Tranche 3 Funding Date and, once paid, shall be non-refundable.”

following:

(g) Section 4.1(g) of the Existing Credit Agreement is hereby amended by deleting such section in its entirety and replacing it with the

“(g) within thirty (30) days after the start of each fiscal year, board approved projections for the forthcoming two fiscal years, on a quarterly basis for the current year and on an annual basis for the subsequent year, which, for the avoidance of doubt, shall include Net Revenue projections for such years;”

following:

(h) Section 4.7 of the Existing Credit Agreement is hereby amended by deleting such section in its entirety and replacing it with the

“Borrowers shall use the proceeds of the Term Loan Tranche 1 and Term Loan Tranche 2 solely for (a) the payment of transaction fees incurred in connection with the Operative Documents and (b) for working and operating capital needs and general corporate purposes of Borrowers and their Subsidiaries. Borrowers shall use the proceeds of the Term Loan Tranche 3 for working and operating capital needs and general corporate purposes of Borrowers and their Subsidiaries. Borrowers shall use the proceeds of the Term Loan Tranche 4 for the consummation of Acquisitions approved by Agent and Lenders. No portion of the proceeds of the Loans will be used for family, personal, agricultural or household use.”

following:

(i) Section 6.1 of the Existing Credit Agreement is hereby amended by deleting such section in its entirety and replacing it with the

“Section 6.1 Minimum Net Revenue

. Borrower shall not permit its consolidated Net Revenue for any Defined Period, as tested monthly at the end of each month, to be less than (a) for the Defined Period ending on April 30, 2020 and each Defined Period ending thereafter prior to the Defined Period ending on January 31, 2021, the minimum amount set forth on Schedule 6.1 for such Defined Period, (b) for the Defined Period ending on January 31, 2021 and each Defined Period ending thereafter prior to the Defined Period ending January 31, 2022, an amount equal to [***] percent ([**%]) of the projected Net Revenue for such Defined Period, calculated based on the annual projections delivered to Agent pursuant to Section 4.1(g); provided that in no event shall such Net Revenue

projections provide for less than \$[***] in annual Net Revenue in any calendar year, and (c) for the Defined Period ending on January 31, 2022 and each Defined Period ending thereafter, an amount equal to the greater of (i) [***] percent ([***]%) of the projected Net Revenue for such Defined Period, calculated based on the annual projections delivered to Agent pursuant to Section 4.1(g), and (ii) [***] percent ([***]%) of the minimum Net Revenue threshold applicable pursuant to this Section 6.1 for the corresponding Defined Period in the immediately preceding calendar year. Commencing with the 2021 calendar year, Agent shall notify Borrower by February 15th of such calendar year of the applicable minimum Net Revenue thresholds for each Defined Period occurring in such calendar year, which minimum Net Revenue threshold shall be calculated in accordance with the provisions of this Section 6.1. A breach of a financial covenant contained in this Section 6.1 shall be deemed to have occurred as of any date of determination by Agent or as of the last day of any specified Defined Period, regardless of when the financial statements reflecting such breach are delivered to Agent.”

following:

(j) Section 7.2(f) of the Existing Credit Agreement is hereby amended by deleting such section in its entirety and replacing it with the

“(f) in the case of a borrowing of the Term Loan Tranche 3, the most recent Compliance Certificate delivered (or required to be delivered) to Agent and Lenders pursuant to Section 4.1(i) prior to the date on which the proposed Term Loan Tranche 3 is to be advanced, together with such other documentation and information as Agent or Required Lenders may reasonably request, shall evidence to Agent’s and Required Lenders’ reasonable satisfaction that Borrowers’ consolidated Net Revenue for the six (6) month period ending on the last day of the month for which such Compliance Certificate is delivered (or required to be delivered) is greater than or equal to \$30,000,000;”

(k) Annex A to the Existing Credit Agreement is hereby deleted in its entirety and replaced with Annex A attached hereto as Exhibit A. For the avoidance of doubt, all amounts in respect of the Term Loan Tranche 1 Commitments and Term Loan Tranche 2 Commitments were fully funded by the Lenders in accordance with the terms of the Existing Credit Agreement prior to the date hereof.

(l) Schedule 6.1 to the Existing Credit Agreement is hereby deleted in its entirety and replaced with Schedule 6.1 attached hereto as Exhibit B.

4. **Representations and Warranties: Reaffirmation of Security Interest.** To induce Agent and Lenders to enter into this Agreement, each Credit Party does hereby represent warrant, represent and covenant to Agent and Lenders that (i) each representation and warranty set forth in the Financing Documents to which such Credit Party is a party is hereby restated and reaffirmed as true, correct and complete in all material respects (without duplication of any materiality qualifier in the text of such representation or warranty) on and as of the date hereof except to the extent that any such representation or warranty relates to a specific date in which case such representation or warranty shall be true and correct as of such earlier date, (ii) no Default or Event of Default has occurred and is continuing as of the date hereof, (iii) Agent has and shall continue to have valid, enforceable and perfected first-priority liens, subject to Permitted Liens, on and security interests in the Collateral and all other collateral heretofore granted by Credit Parties to Agent, for the benefit of Agent and each Lender, pursuant to the Financing Documents or otherwise granted to or held by Agent, for the benefit of Agent and each Lender and (iv) each Credit Party has the power and is duly authorized to enter into, deliver and perform this Agreement and this Agreement is the legal, valid and binding obligation of such Credit Party enforceable against such Credit Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or

affecting creditor's rights generally or by general equitable principles. Nothing herein is intended to impair or limit the validity, priority or extent of Agent's security interests in and Liens on the Collateral.

5. **Costs and Fees.** Credit Parties agree to promptly pay, or reimburse upon demand for, all reasonable and documented costs and expenses of Agent (including, without limitation, the reasonable and documented fees, costs and expenses of counsel to Agent) in connection with the preparation, negotiation, execution and delivery of this Agreement and any other Financing Documents or other agreements prepared, negotiated, executed or delivered in connection with this Agreement or transactions contemplated hereby, in accordance with Section 12.14 of the Credit Agreement.

6. **Conditions to Effectiveness.** This Agreement shall become effective as of the date on which each of the following conditions has been satisfied, as determined by Agent in its sole discretion:

(a) Agent shall have received (including by way of facsimile or other electronic transmission) a duly authorized, executed and delivered counterparty of the signature page to this Agreement from each Borrower, the Agent and the Required Lenders;

(b) Agent shall have received a fully executed copy of the Second Amendment to the Affiliated Credit Agreement, in form and substance reasonably satisfactory to Agent;

(c) Agent shall have received (i) the Amendment Prepayment and (ii) the Amendment Prepayment Exit Fee, in each case, from Borrower on the date hereof in accordance with Section 2(a) hereof;

(d) all representations and warranties of Borrowers contained herein shall be true and correct in all material respects (without duplication of any materiality qualifier in the text of such representation or warranty) as of the date hereof except to the extent that any such representation or warranty relates to a specific date in which case such representation or warranty shall be true and correct as of such earlier date (and such parties' delivery of their respective signatures hereto shall be deemed to be its certification thereof);

(e) prior to and after giving effect to the agreements set forth herein, no Default or Event of Default shall exist under any of the Financing Documents; and

(f) Borrowers shall have delivered such other documents, information, certificates, records, permits, and filings as the Agent may reasonably request in connection with this Agreement.

7. **Release.** In consideration of the agreements of Agent and Required Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Borrower, voluntarily, knowingly, unconditionally and irrevocably, with specific and express intent, for and on behalf of itself and all of its respective parents, subsidiaries, affiliates, members, managers, predecessors, successors, and assigns, and each of its respective current and former directors, officers, shareholders, agents, and employees, and each of its respective predecessors, successors, heirs, and assigns (individually and collectively, the "Releasing Parties") does hereby fully and completely release, acquit and forever discharge each of Agent, Lenders, and each their respective parents, subsidiaries, affiliates, members, managers, shareholders, directors, officers and employees, and each of their respective predecessors, successors, heirs, and assigns (individually and collectively, the "Released Parties"), of and from any and all actions, causes of action, suits, debts, disputes, damages, claims, obligations, liabilities, costs, expenses and demands of any kind whatsoever, at law or in equity, whether matured or unmatured, liquidated or unliquidated, vested or contingent, choate or inchoate, known or unknown that the Releasing Parties (or any of them) has against the Released Parties or any of them (whether directly or indirectly), based in whole or in part on facts, whether or not now known, existing on

or before the date hereof or arising out of this Agreement, that relate to, arise out of or otherwise are in connection with: (i) any or all of the Financing Documents or transactions contemplated thereby or any actions or omissions in connection therewith or (ii) any aspect of the dealings or relationships between or among such Borrower, on the one hand, and any or all of the Released Parties, on the other hand, relating to any or all of the documents, transactions, actions or omissions referenced in clause (i) hereof. Each Borrower acknowledges that the foregoing release is a material inducement to Agent's and Required Lender's decision to enter into this Agreement and agree to the modifications contemplated hereunder, and has been relied upon by Agent and Required Lenders in connection therewith.

8. **No Waiver or Novation.** The execution, delivery and effectiveness of this Agreement shall not, except as expressly provided in this Agreement, operate as a waiver of any right, power or remedy of Agent, nor constitute a waiver of any provision of the Credit Agreement, the Financing Documents or any other documents, instruments and agreements executed or delivered in connection with any of the foregoing. Nothing herein is intended or shall be construed as a waiver of any existing Defaults or Events of Default under the Credit Agreement or the other Financing Documents or any of Agent's rights and remedies in respect of such Defaults or Events of Default. Agent and Lenders confirm that Agent has not made any determination as of the date hereof that any breach of the Existing Credit Agreement exists as of the date hereof. This Agreement (together with any other document executed in connection herewith) is not intended to be, nor shall it be construed as, a novation of the Credit Agreement.

9. **Affirmation.** Except as specifically amended pursuant to the terms hereof, each Borrower hereby acknowledges and agrees that the Credit Agreement and all other Financing Documents (and all covenants, terms, conditions and agreements therein) shall remain in full force and effect, and are hereby ratified and confirmed in all respects by such Borrower. Each Borrower covenants and agrees to comply with all of the terms, covenants and conditions of the Credit Agreement and the Financing Documents, notwithstanding any prior course of conduct, waivers, releases or other actions or inactions on Agent's or any Lender's part which might otherwise constitute or be construed as a waiver of or amendment to such terms, covenants and conditions.

10. **Miscellaneous.**

(a) **Reference to the Effect on the Credit Agreement.** Upon the effectiveness of this Agreement, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein," or words of similar import shall mean and be a reference to the Credit Agreement, as amended by this Agreement. Except as specifically amended above, the Credit Agreement, and all other Financing Documents (and all covenants, terms, conditions and agreements therein), shall remain in full force and effect, and are hereby ratified and confirmed in all respects by each Borrower.

(b) **GOVERNING LAW.** THIS AGREEMENT AND ALL DISPUTES AND OTHER MATTERS RELATING HERETO OR THERETO OR ARISING THEREFROM (WHETHER SOUNDING IN CONTRACT LAW, TORT LAW OR OTHERWISE), SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF MARYLAND, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

(c) **JURY TRIAL.** EACH BORROWER, AGENT AND THE REQUIRED LENDERS HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE FINANCING DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. EACH BORROWER, AGENT AND EACH REQUIRED LENDER ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A

BUSINESS RELATIONSHIP, THAT EACH HAS RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THE OTHER FINANCING DOCUMENTS, AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. EACH BORROWER, AGENT AND EACH REQUIRED LENDER WARRANTS AND REPRESENTS THAT IT HAS HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS

(d) Incorporation of Credit Agreement Provisions. The provisions contained in Section 11.6 (Indemnification), Section 12.7 (Waiver of Consequential and Other Damages), Section 12.8 (Governing Law; Submission to Jurisdiction) and Section 12.9 (Waiver of Jury Trial) of the Credit Agreement are incorporated herein by reference to the same extent as if reproduced herein in their entirety.

(e) Headings. Section headings in this Agreement are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

(f) Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile or by electronic mail delivery of an electronic version (e.g., .pdf or .tif file) of an executed signature page shall be effective as delivery of an original executed counterpart hereof and shall bind the parties hereto.

(g) Entire Agreement. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof.

(h) Severability. In case any provision of or obligation under this Agreement shall be invalid, illegal or unenforceable in any applicable jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(i) Successors/Assigns. This Agreement shall bind, and the rights hereunder shall inure to, the respective successors and assigns of the parties hereto, subject to the provisions of the Credit Agreement and the other Financing Documents.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

IN WITNESS WHEREOF, intending to be legally bound, and intending that this document constitute an agreement executed under seal, the undersigned have executed this Agreement under seal as of the day and year first hereinabove set forth.

AGENT:

MIDCAP FINANCIAL TRUST,

By: Apollo Capital Management, L.P.,
its investment manager

By: Apollo Capital Management GP, LLC,
its general partner

By: /s/ Maurice Amsellem (SEAL)
Name: Maurice Amsellem
Title: Authorized Signatory

LENDER:

MIDCAP FINANCIAL TRUST,

By: Apollo Capital Management, L.P.,
its investment manager

By: Apollo Capital Management GP, LLC,
its general partner

By: /s/ Maurice Amsellem (SEAL)
Name: Maurice Amsellem
Title: Authorized Signatory

LENDER:

MIDCAP FUNDING III TRUST,

By: Apollo Capital Management, L.P.,
its investment manager

By: Apollo Capital Management GP, LLC,
its general partner

By: /s/ Maurice Amsellem (SEAL)
Name: Maurice Amsellem
Title: Authorized Signatory

LENDER:

ELM 2016-1 TRUST

By: Midcap Financial Services Capital Management, LLC, as Servicer

By: John O'Dea (SEAL)

Name: John O'Dea

Title: Authorized Signatory

LENDER:

ELM 2018-2 TRUST

By: Midcap Financial Services Capital Management, LLC, as Servicer

By: John O'Dea (SEAL)

Name: John O'Dea

Title: Authorized Signatory

LENDER:

FLEXPOINT MCLS SPV LLC

By: /s/ Daniel Edelman (SEAL)
Name: Daniel Edelman
Title: Vice President

LENDER:

FLEXPOINT MCLS HOLDINGS, LLC

By: /s/ Daniel Edelman (SEAL)

Name: Daniel Edelman

Title: Vice President

LENDER:

SILICON VALLEY BANK

By: /s/ Anthony Flores(SEAL)

Name: Anthony Flores

Title: Managing Director

BORROWER:

SIENTRA, INC.

By: /s/ Paul Little (SEAL)
Name: Paul Little
Title: CFO

MIRADRY HOLDINGS, INC.

By: /s/ Paul Little (SEAL)
Name: Paul Little
Title: CFO

MIRADRY, INC.

By: /s/ Paul Little (SEAL)
Name: Paul Little
Title: CFO

MIRADRY INTERNATIONAL, INC.

By: /s/ Paul Little (SEAL)
Name: Paul Little
Title: CFO

Exhibit A

Annex A to Credit Agreement (Commitment Annex)

Lender	Term Loan Tranche 1 Commitment Amount	Term Loan Tranche 1 Commitment Percentage	Term Loan Tranche 2 Commitment Amount	Term Loan Tranche 2 Commitment Percentage	Term Loan Tranche 3 Commitment Amount	Term Loan Tranche 3 Commitment Percentage	Term Loan Tranche 4 Commitment Amount	Term Loan Tranche 5 Commitment Percentage
MidCap Financial Trust	---	0.00%	---	0%	\$8,843,750.00	58.96%	\$8,843,750.00	58.96%
MidCap Funding III Trust	\$5,012,500.00	14.32%	\$2,947,916.67	58.96%	---	0%	---	0%
LM 2016-1 Trust	\$4,800,000.00	13.71%	---	0%	---	0%	---	0%
LM 2018-2 Trust	\$9,000,000.00	25.71%	---	0%	---	0%	---	0%
Flexpoint (CLS SPV) LLC	\$2,187,500.00	6.25%	---	0%	---	0%	---	0%
Flexpoint MCLS Holdings, LLC	---	0%	\$52,083.33	1.04%	\$156,250.00	1.04%	\$156,250.00	1.04%
Icon Valley Bank	\$14,000,000.00	40.00%	\$2,000,000.00	40%	\$6,000,000.00	40%	\$6,000,000.00	40%
TOTALS	\$35,000,000.00	100.00%	\$5,000,000.00	100%	\$15,000,000.00	100%	\$15,000,000.00	100%

Exhibit B
Schedule 6.1 – Minimum Net Revenue

Defined Period Ending	Minimum Net Revenue Amount
April 30, 2020	[**]
May 31, 2020	[**]
June 30, 2020	[**]
July 31, 2020	[**]
August 31, 2020	[**]
September 30, 2020	[**]
October 31, 2020	[**]
November 30, 2020	[**]
December 31, 2020	[**]
January 31, 2021 and thereafter	In accordance with Section 6.1.

*Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 406 of the Securities Act of 1933, as amended. Such redacted portions have been with "[***]" in this Exhibit. An unredacted copy of this document has been filed separately with the Securities and Exchange Commission.*

Execution Version

SECOND AMENDMENT TO AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT (REVOLVING LOAN)

This SECOND AMENDMENT TO AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT (REVOLVING LOAN) (this “**Agreement**”) is made as May 11, 2020, by and among **SIENTRA, INC.**, a Delaware corporation, **MIRADRY HOLDINGS, INC.**, a Delaware corporation (formerly known as Miramar Labs, Inc.), **MIRADRY, INC.**, a Delaware corporation (formerly known as Miramar Technologies, Inc.), **MIRADRY INTERNATIONAL, INC.**, a Delaware corporation, **MIDCAP FUNDING IV TRUST**, as Agent (in such capacity, together with its successors and assigns, “**Agent**”), and the other financial institutions or other entities from time to time parties to the Credit Agreement referenced below, each as a Lender.

RECITALS

A. Agent, Lenders and Borrowers have entered into that certain Amended and Restated Credit and Security Agreement (Revolving Loan), dated as of July 1, 2019 (as amended by that certain Limited Consent and First Amendment to Amended and Restated Credit and Security Agreement (Revolving Loan), dated as of November 7, 2019 and as further amended, modified, supplemented prior to the date hereof, the “**Existing Credit Agreement**”, and as the same is supplemented hereby and as it may be further amended, modified, supplemented and restated from time to time, the “**Credit Agreement**”), pursuant to which the Lenders have agreed to extend certain financial accommodations to Borrowers in the amounts and manner set forth in the Credit Agreement.

B. Borrowers have requested that Agent and the Required Lenders amend certain terms of the Existing Credit Agreement to, among other things (i) revise certain existing financial covenants, and (ii) revise certain Borrowing Base eligibility criteria and, on and subject to the terms and conditions set forth herein, Agent and Lenders have agreed to so amend the Existing Credit Agreement as more fully set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, the terms and conditions set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Agent, Lenders and Borrowers hereby agree as follows:

1. **Recitals.** This Agreement shall constitute a Financing Document and the Recitals and each reference to the Credit Agreement, unless otherwise expressly noted, will be deemed to reference the Credit Agreement as amended hereby. The Recitals set forth above shall be construed as part of this Agreement as if set forth fully in the body of this Agreement and capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement (including those capitalized terms used in the Recitals hereto).

2. **Amendments to Existing Credit Agreement.** Subject to the terms and conditions of this Agreement, including, without limitation, the conditions to effectiveness set forth in Section 5 hereof, the Existing Credit Agreement is hereby amended as follows:

(a) The definition of “**Borrowing Base**” appearing in Article 1 of the Existing Credit Agreement is hereby amended by deleting such definition in its entirety and replacing it with the following:

““**Borrowing Base**” means:

(a) the product of (i) eighty-five percent (85%) *multiplied by* (ii) the aggregate net amount at such time of the Eligible Accounts; *minus*

(b) the amount of any reserves and/or adjustments provided for in this Agreement.”

(b) The definition of “**Defined Period**” appearing in Article 1 of the Existing Credit Agreement is hereby amended by deleting such definition in its entirety and replacing it with the following:

““**Defined Period**” means for any given calendar month or date of determination, the three (3) month period ending on the last day of such calendar month or if such date of determination is not the last day of a calendar month, the three (3) month period immediately preceding any such date of determination.”

(c) The definition of “**Eligible Account**” appearing in Article 1 of the Existing Credit Agreement is hereby amended by deleting subsection (a) thereof in its entirety and replacing it with the following:

“(a) the Account remains unpaid more than ninety (90) days past the claim or invoice date (but in no event more than one hundred twenty (120) days after the applicable goods or services have been rendered or delivered);”

(d) The last paragraph of the definition of “**Permitted Acquisition**” appearing in Article 1 of the Existing Credit Agreement is hereby amended by deleting “or Eligible Inventory” where it appears in the second line thereof.

(e) The definition of “**Permitted Debt**” appearing in Article 1 of the Existing Credit Agreement is hereby amended by deleting subsection (l) thereof in its entirety and replacing it with the following:

“(l) [Reserved];”

(f) The definition of “**Permitted Distributions**” appearing in Article 1 of the Existing Credit Agreement is hereby amended by (i) adding “and” at the end of clause (g) thereof; (ii) deleting “; and” at the end of clause (h) thereof and replacing it with “.”; and (iii) and deleting clause (i) thereof.

(g) The definition of “**Required Minimum Cash Amount**” appearing in Article 1 of the Existing Credit Agreement is hereby amended by deleting such definition in its entirety and replacing it with the following:

““**Required Minimum Cash Amount**” means Borrower Unrestricted Cash in an amount equal to or greater than \$5,000,000.”

(h) Article 1 of the Existing Credit Agreement is hereby amended by deleting the defined terms “**Eligible Inventory**,” “**Orderly Liquidation Value**” and “**Work-In-Process**” where they appear therein.

(i) Section 3.7 of the Existing Credit Agreement is hereby amended by deleting “Eligible Inventory,” where it appears in the fourth line thereof.

following: (j) Section 4.1(g) of the Existing Credit Agreement is hereby amended by deleting such section in its entirety and replacing it with the

“(g) within thirty (30) days after the start of each fiscal year, board approved projections for the forthcoming two fiscal years, on a quarterly basis for the current year and on an annual basis for the subsequent year, which, for the avoidance of doubt, shall include Net Revenue projections for such years;”

thereof. (k) Section 5.17 of the Existing Credit Agreement is hereby amended by deleting “or Eligible Inventory” where it appears in the last line

following: (l) Section 6.1 of the Existing Credit Agreement is hereby amended by deleting such section in its entirety and replacing it with the

“Section 6.1 Minimum Net Revenue

. Borrower shall not permit its consolidated Net Revenue for any Defined Period, as tested monthly at the end of each month, to be less than (a) for the Defined Period ending on April 30, 2020 and each Defined Period ending thereafter prior to the Defined Period ending on January 31, 2021, the minimum amount set forth on Schedule 6.1 for such Defined Period, (b) for the Defined Period ending on January 31, 2021 and each Defined Period ending thereafter prior to the Defined Period ending January 31, 2022, an amount equal to [***] percent ([***]%) of the projected Net Revenue for such Defined Period, calculated based on the annual projections delivered to Agent pursuant to Section 4.1(g); provided that in no event shall such Net Revenue projections provide for less than \$[***] in annual Net Revenue in any calendar year, and (c) for the Defined Period ending on January 31, 2022 and each Defined Period ending thereafter, an amount equal to the greater of (i) [***] percent ([***]%) of the projected Net Revenue for such Defined Period, calculated based on the annual projections delivered to Agent pursuant to Section 4.1(g), and (ii) [***] percent ([***]%) of the minimum Net Revenue threshold applicable pursuant to this Section 6.1 for the corresponding Defined Period in the immediately preceding calendar year. Commencing with the 2021 calendar year, Agent shall notify Borrower by February 15th of such calendar year of the applicable minimum Net Revenue thresholds for each Defined Period occurring in such calendar year, which minimum Net Revenue threshold shall be calculated in accordance with the provisions of this Section 6.1. A breach of a financial covenant contained in this Section 6.1 shall be deemed to have occurred as of any date of determination by Agent or as of the last day of any specified Defined Period, regardless of when the financial statements reflecting such breach are delivered to Agent.”

(m) Exhibit C to the Existing Credit Agreement is hereby deleted in its entirety and replaced with Exhibit C attached hereto.

(n) Schedule 6.1 to the Existing Credit Agreement is hereby deleted in its entirety and replaced with Schedule 6.1 attached hereto as

Exhibit A.

3. **Representations and Warranties; Reaffirmation of Security Interest.** To induce Agent and Lenders to enter into this Agreement, each Credit Party does hereby represent warrant, represent and covenant to Agent and Lenders that (i) each representation and warranty set forth in the Financing Documents to which such Credit Party is a party is hereby restated and reaffirmed as true, correct and complete in all material respects (without duplication of any materiality qualifier in the text of such representation or warranty) on and as of the date hereof except to the extent that any such representation or warranty relates to a specific date in which case such representation or warranty shall be true and correct as of such earlier date, (ii) no Default or Event of Default has occurred and is continuing as of the date hereof, (iii) Agent has and shall continue to have valid, enforceable and perfected first-priority liens, subject to Permitted Liens, on and security interests in the Collateral and all other collateral

heretofore granted by Credit Parties to Agent, for the benefit of Agent and each Lender, pursuant to the Financing Documents or otherwise granted to or held by Agent, for the benefit of Agent and each Lender and (iv) each Credit Party has the power and is duly authorized to enter into, deliver and perform this Agreement and this Agreement is the legal, valid and binding obligation of such Credit Party enforceable against such Credit Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditor's rights generally or by general equitable principles. Nothing herein is intended to impair or limit the validity, priority or extent of Agent's security interests in and Liens on the Collateral.

4. **Costs and Fees.** Credit Parties agree to promptly pay, or reimburse upon demand for, all reasonable and documented costs and expenses of Agent (including, without limitation, the reasonable and documented fees, costs and expenses of counsel to Agent) in connection with the preparation, negotiation, execution and delivery of this Agreement and any other Financing Documents or other agreements prepared, negotiated, executed or delivered in connection with this Agreement or transactions contemplated hereby, in accordance with Section 12.14 of the Credit Agreement.

5. **Conditions to Effectiveness.** This Agreement shall become effective as of the date on which each of the following conditions has been satisfied, as determined by Agent in its sole discretion:

(a) Agent shall have received (including by way of facsimile or other electronic transmission) a duly authorized, executed and delivered counterparty of the signature page to this Agreement from each Borrower, the Agent and the Lenders;

(b) Agent shall have received a fully executed copy of the Second Amendment to the Affiliated Credit Agreement (the "**Term Loan Second Amendment**"), in form and substance reasonably satisfactory to Agent;

(c) Affiliated Agent shall have received (i) the "Amendment Prepayment" and (ii) the "Amendment Prepayment Exit Fee" (as each such term is defined in the Term Loan Second Amendment), in each case, from Borrowers in accordance with the Term Loan Second Amendment;

(d) all representations and warranties of Borrowers contained herein shall be true and correct in all material respects (without duplication of any materiality qualifier in the text of such representation or warranty) as of the date hereof except to the extent that any such representation or warranty relates to a specific date in which case such representation or warranty shall be true and correct as of such earlier date (and such parties' delivery of their respective signatures hereto shall be deemed to be its certification thereof);

(e) prior to and after giving effect to the agreements set forth herein, no Default or Event of Default shall exist under any of the Financing Documents; and

(f) Borrowers shall have delivered such other documents, information, certificates, records, permits, and filings as the Agent may reasonably request in connection with this Agreement.

6. **Release.** In consideration of the agreements of Agent and Required Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Borrower, voluntarily, knowingly, unconditionally and irrevocably, with specific and express intent, for and on behalf of itself and all of its respective parents, subsidiaries, affiliates, members, managers, predecessors, successors, and assigns, and each of its respective current and former directors, officers, shareholders, agents, and employees, and each of its respective predecessors, successors, heirs, and assigns (individually and collectively, the "Releasing Parties") does hereby fully and completely release, acquit and forever discharge each of Agent, Lenders, and each their respective parents,

subsidiaries, affiliates, members, managers, shareholders, directors, officers and employees, and each of their respective predecessors, successors, heirs, and assigns (individually and collectively, the "Released Parties"), of and from any and all actions, causes of action, suits, debts, disputes, damages, claims, obligations, liabilities, costs, expenses and demands of any kind whatsoever, at law or in equity, whether matured or unmatured, liquidated or unliquidated, vested or contingent, choate or inchoate, known or unknown that the Releasing Parties (or any of them) has against the Released Parties or any of them (whether directly or indirectly), based in whole or in part on facts, whether or not now known, existing on or before the date hereof or arising out of this Agreement, that relate to, arise out of or otherwise are in connection with: (i) any or all of the Financing Documents or transactions contemplated thereby or any actions or omissions in connection therewith or (ii) any aspect of the dealings or relationships between or among such Borrower, on the one hand, and any or all of the Released Parties, on the other hand, relating to any or all of the documents, transactions, actions or omissions referenced in clause (i) hereof. Each Borrower acknowledges that the foregoing release is a material inducement to Agent's and Required Lender's decision to enter into this Agreement and agree to the modifications contemplated hereunder, and has been relied upon by Agent and Required Lenders in connection therewith.

7. **No Waiver or Novation.** The execution, delivery and effectiveness of this Agreement shall not, except as expressly provided in this Agreement, operate as a waiver of any right, power or remedy of Agent, nor constitute a waiver of any provision of the Credit Agreement, the Financing Documents or any other documents, instruments and agreements executed or delivered in connection with any of the foregoing. Nothing herein is intended or shall be construed as a waiver of any existing Defaults or Events of Default under the Credit Agreement or the other Financing Documents or any of Agent's rights and remedies in respect of such Defaults or Events of Default. Agent and Lenders confirm that Agent has not made any determination as of the date hereof that any breach of the Existing Credit Agreement exists as of the date hereof. This Agreement (together with any other document executed in connection herewith) is not intended to be, nor shall it be construed as, a novation of the Credit Agreement.

8. **Affirmation.** Except as specifically amended pursuant to the terms hereof, each Borrower hereby acknowledges and agrees that the Credit Agreement and all other Financing Documents (and all covenants, terms, conditions and agreements therein) shall remain in full force and effect, and are hereby ratified and confirmed in all respects by such Borrower. Each Borrower covenants and agrees to comply with all of the terms, covenants and conditions of the Credit Agreement and the Financing Documents, notwithstanding any prior course of conduct, waivers, releases or other actions or inactions on Agent's or any Lender's part which might otherwise constitute or be construed as a waiver of or amendment to such terms, covenants and conditions.

9. **Miscellaneous.**

(a) **Reference to the Effect on the Credit Agreement.** Upon the effectiveness of this Agreement, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein," or words of similar import shall mean and be a reference to the Credit Agreement, as amended by this Agreement. Except as specifically amended above, the Credit Agreement, and all other Financing Documents (and all covenants, terms, conditions and agreements therein), shall remain in full force and effect, and are hereby ratified and confirmed in all respects by each Borrower.

(b) **GOVERNING LAW.** THIS AGREEMENT AND ALL DISPUTES AND OTHER MATTERS RELATING HERETO OR THERETO OR ARISING THEREFROM (WHETHER SOUNDING IN CONTRACT LAW, TORT LAW OR OTHERWISE), SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF MARYLAND, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

(c) JURY TRIAL. EACH BORROWER, AGENT AND THE REQUIRED LENDERS HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE FINANCING DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. EACH BORROWER, AGENT AND EACH REQUIRED LENDER ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THE OTHER FINANCING DOCUMENTS, AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. EACH BORROWER, AGENT AND EACH REQUIRED LENDER WARRANTS AND REPRESENTS THAT IT HAS HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS

(d) Incorporation of Credit Agreement Provisions. The provisions contained in Section 11.6 (Indemnification), Section 12.7 (Waiver of Consequential and Other Damages), Section 12.8 (Governing Law; Submission to Jurisdiction) and Section 12.9 (Waiver of Jury Trial) of the Credit Agreement are incorporated herein by reference to the same extent as if reproduced herein in their entirety.

(e) Headings. Section headings in this Agreement are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

(f) Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile or by electronic mail delivery of an electronic version (e.g., .pdf or .tif file) of an executed signature page shall be effective as delivery of an original executed counterpart hereof and shall bind the parties hereto.

(g) Entire Agreement. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof.

(h) Severability. In case any provision of or obligation under this Agreement shall be invalid, illegal or unenforceable in any applicable jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(i) Successors/Assigns. This Agreement shall bind, and the rights hereunder shall inure to, the respective successors and assigns of the parties hereto, subject to the provisions of the Credit Agreement and the other Financing Documents.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

IN WITNESS WHEREOF, intending to be legally bound, and intending that this document constitute an agreement executed under seal, the undersigned have executed this Agreement under seal as of the day and year first hereinabove set forth.

AGENT:

MIDCAP FUNDING IV TRUST,

By: Apollo Capital Management, L.P.,
its investment manager

By: Apollo Capital Management GP, LLC,
its general partner

By: /s/ Maurice Amsellem (SEAL)
Name: Maurice Amsellem
Title: Authorized Signatory

LENDER:

MIDCAP FUNDING IV TRUST,

By: Apollo Capital Management, L.P.,
its investment manager

By: Apollo Capital Management GP, LLC,
its general partner

By: /s/ Maurice Amsellem (SEAL)
Name: Maurice Amsellem
Title: Authorized Signatory

LENDER:

SILICON VALLEY BANK

By: /s/ Anthony Flores(SEAL)

Name: Anthony Flores

Title: Managing Director

BORROWER:

SIENTRA, INC.

By: /s/ Paul Little (SEAL)
Name: Paul Little
Title: CFO

MIRADRY HOLDINGS, INC.

By: /s/ Paul Little (SEAL)
Name: Paul Little
Title: CFO

MIRADRY, INC.

By: /s/ Paul Little (SEAL)
Name: Paul Little
Title: CFO

MIRADRY INTERNATIONAL, INC.

By: /s/ Paul Little (SEAL)
Name: Paul Little
Title: CFO

Exhibit A

Schedule 6.1 – Minimum Net Revenue

Defined Period Ending	Minimum Net Revenue Amount
April 30, 2020	[**]
May 31, 2020	[**]
June 30, 2020	[**]
July 31, 2020	[**]
August 31, 2020	[**]
September 30, 2020	[**]
October 31, 2020	[**]
November 30, 2020	[**]
December 31, 2020	[**]
January 31, 2021 and thereafter	In accordance with Section 6.1.

Exhibit C

Exhibit C to Credit Agreement (Borrowing Base Certificate)

[See attached]

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey Nugent, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sientra, 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 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2020

/s/ Jeffrey Nugent

Jeffrey Nugent

Chairman and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul Little, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sientra, 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 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2020

/s/ Paul Little

Paul Little

Chief Financial Officer

CERTIFICATION OF CHIEF 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 the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Jeffrey Nugent, Chief Executive Officer of Sientra, Inc. (the "Company"), hereby certifies that to the best of his knowledge:

- (1) The Company's Quarterly Report on Form 10Q for the period ended March 31, 2020, to which this Certification is attached as Exhibit 32.1 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 11, 2020

/s/ Jeffrey Nugent

Jeffrey Nugent

Chairman and Chief Executive Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Sientra, 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 the Form 10-Q), irrespective of any general incorporation language contained in such filing.

CERTIFICATION OF CHIEF 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 the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Paul Little, Chief Financial Officer of Sientra, Inc. (the "Company"), hereby certifies that to the best of his knowledge:

- (1) The Company's Quarterly Report on Form 10Q for the period ended March 31, 2020, to which this Certification is attached as Exhibit 32.2 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 11, 2020

/s/ Paul Little

Paul Little

Chief Financial Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Sientra, 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 the Form 10-Q), irrespective of any general incorporation language contained in such filing.