

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

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2015

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 001-36305

**SEMLER SCIENTIFIC, INC.**  
(Exact name of Registrant as specified in its Charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**26-1367393**  
(I.R.S. Employer  
Identification Number)

**2330 N.W. Everett**  
**Portland, Oregon**  
(Address of principal executive offices)

**97210**  
(Zip Code)

Registrant's Telephone Number, Including Area Code: **(877) 774-4211**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer (Do not check if a smaller reporting company)	<input type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>

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 April 30, 2015, there were 4,976,517 shares of the issuer's common stock, \$0.001 par value per share, outstanding.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements. Such forward-looking statements include those that express plans, anticipation, intent, contingency, goals, targets or future development and/or otherwise are not statements of historical fact. These forward-looking statements are based on our current expectations and projections about future events and they are subject to risks and uncertainties known and unknown that could cause actual results and developments to differ materially from those expressed or implied in such statements.

In some cases, you can identify forward-looking statements by terminology, such as “expects,” “anticipates,” “intends,” “estimates,” “plans,” “believes,” “seeks,” “may,” “should,” “continue,” “could” or the negative of such terms or other similar expressions. Accordingly, these statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this report.

You should read this quarterly report and the documents that we reference herein and therein and have filed as exhibits to this report, completely and with the understanding that our actual future results may be materially different from what we expect. You should assume that the information appearing in this quarterly report is accurate as of the date of this report only. Because the risk factors referred to above could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any forward-looking statements. These risks and uncertainties, along with others, are described above under the heading “Risk Factors” in our annual report on Form 10-K filed with the Securities and Exchange Commission, or SEC, on February 13, 2015. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of the information presented in this quarterly report, and particularly our forward-looking statements, by these cautionary statements.

## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements.

**Semler Scientific, Inc.**  
**Condensed Statements of Operations**  
**(In thousands, except share and per share amounts)**

	<i>(Unaudited)</i>	
	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
Revenue	\$ 1,202	\$ 837
Operating expenses:		
Cost of revenue	220	155
Engineering and product development	309	229
Sales and marketing	1,228	746
General and administrative	793	497
Total operating expenses	<u>2,550</u>	<u>1,627</u>
Loss from operations	<u>(1,348)</u>	<u>(790)</u>
Other expense:		
Interest and other expense	(24)	(27)
Other expense	(24)	(27)
Net loss	<u>\$ (1,372)</u>	<u>\$ (817)</u>
Net loss per share, basic and diluted	<u>\$ (0.29)</u>	<u>\$ (0.36)</u>
Weighted average number of shares used in computing basic and diluted loss per share	<u>4,763,573</u>	<u>2,240,703</u>

See accompanying notes to unaudited condensed financial statements.

**Semler Scientific, Inc.**  
**Condensed Balance Sheets**  
**(In thousands, except share and per share amounts)**

	<i>(Unaudited)</i> March 31, 2015	December 31, 2014
<b>Assets</b>		
Current Assets:		
Cash	\$ 3,061	\$ 4,156
Restricted Cash	2,100	2,100
Trade accounts receivable, net of allowance for doubtful accounts of \$54 and \$28, respectively	356	355
Prepaid expenses and other current assets	144	135
Total current assets	<u>5,661</u>	<u>6,746</u>
Assets for lease, net	662	673
Property and equipment, net	26	9
Long-term deposits	17	17
Deferred financing costs	37	55
Total assets	<u>\$ 6,403</u>	<u>\$ 7,500</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 89	\$ 89
Accrued expenses	1,226	1,363
Deferred revenue	493	612
Loans payable	2,000	2,000
Total current liabilities	<u>3,808</u>	<u>4,064</u>
Stockholders' equity:		
Common stock, \$0.001 par value; 50,000,000 shares authorized; 4,858,517 and 4,741,017 shares issued, and 4,833,517 and 4,716,017 outstanding (net of treasury shares of 25,000 and 25,000), respectively	5	5
Additional paid-in capital	17,829	17,298
Accumulated deficit	(15,239)	(13,867)
Total stockholders' equity	<u>2,595</u>	<u>3,436</u>
Total liabilities and stockholders' equity	<u>\$ 6,403</u>	<u>\$ 7,500</u>

See accompanying notes to unaudited condensed financial statements.

**Semler Scientific, Inc.**  
**Condensed Statements of Cash Flows**  
**(In thousands)**

	<i>(Unaudited)</i>	
	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (1,372)	\$ (817)
Reconciliation of Net Loss to Net Cash Used in Operating Activities:		
Amortization of deferred financing costs	18	23
Depreciation	59	47
Loss on disposal of assets for lease	25	16
Allowance for doubtful accounts	51	50
Stock-based compensation expense	33	-
Changes in Operating Assets and Liabilities:		
Trade accounts receivable	(52)	21
Prepaid expenses and other current assets	(9)	(176)
Accounts payable	-	(116)
Accrued expenses	(137)	58
Deferred revenue	(119)	(132)
<b>Net Cash Used in Operating Activities</b>	<b>(1,503)</b>	<b>(1,026)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to property and equipment	(19)	(4)
Purchase of assets for lease	(71)	(116)
<b>Net Cash Used in Investing Activities</b>	<b>(90)</b>	<b>(120)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Issuance of common stock	498	10,010
Offering costs	-	(1,959)
Payments of loans payable	-	(15)
Payments of equipment leases	-	(12)
<b>Net Cash Provided by Financing Activities</b>	<b>498</b>	<b>8,024</b>
<b>INCREASE (DECREASE) IN CASH</b>	<b>(1,095)</b>	<b>6,878</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>4,156</b>	<b>734</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 3,061</b>	<b>\$ 7,612</b>
Cash paid for interest	\$ 8	\$ 4
Supplemental disclosure of noncash financing activity:		
Conversion of preferred stock into common stock	\$ -	\$ 6,707

See accompanying notes to unaudited condensed financial statements.

**Semler Scientific, Inc.**  
**Notes to Financial Statements**  
**(In thousands, except share and per share amounts)**

**1. Basis of Presentation**

Semler Scientific, Inc., a Delaware corporation (“Semler” or “the Company”), prepared the unaudited interim financial statements included in this report in accordance with United States generally accepted accounting principles (“U.S. GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. As such, the information included in this quarterly report on Form 10-Q should be read in conjunction with the audited financial statements and notes thereto included in the Company’s annual report on Form 10-K filed with the SEC on February 13, 2015 (the “Annual Report”). The balance sheet as of December 31, 2014 included in this report has been derived from the audited financial statements included in the Annual Report. In the opinion of management, these financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the financial position, results of operations and cash flows for the periods presented. The results of operations for the interim periods shown in this report are not necessarily indicative of the results that may be expected for any future period, including the full year. Items in prior year financial statements have been adjusted to conform with the current year presentation.

**Initial Public Offering**

In February 2014, the Company completed its initial public offering (“IPO”) in which it issued and sold 1,430,000 shares of its common stock at a public offering price of \$7.00 per share. The Company received net proceeds of \$7,403 after deducting underwriting discounts and commissions of \$848 and other offering expenses of approximately \$1,759. The Company incurred \$648 of the offering expenses in 2013, and incurred \$1,959 of such expenses in the first quarter of 2014. The Company granted the underwriter an overallotment option to acquire an additional 214,500 shares of its common stock, which expired April 6, 2014 unexercised, and issued the underwriter warrants to acquire an aggregate of 71,500 shares of its common stock at an exercise price of \$8.75 per share, which became exercisable February 20, 2015 and expire February 20, 2019. Upon the closing of the IPO, all shares of the Company’s then-outstanding Series A convertible Preferred Stock (1,468,402), Series A-1 convertible Preferred Stock (293,750) and Series A-2 convertible Preferred Stock (250,000) automatically converted into an aggregate of 2,012,152 shares of common stock. In addition, the Company’s then outstanding warrants to acquire an aggregate of 1,067,210 shares of Series A convertible Preferred Stock and 228,656 shares of Series A-1 convertible Preferred Stock were cashlessly exercised at the IPO price for an aggregate of 479,115 shares of common stock. All other outstanding warrants of the Company became exercisable for common stock effective upon the IPO in accordance with their terms.

**2. Going Concern**

The Company has incurred recurring losses since inception and expects to continue to incur losses as a result of costs and expenses related to the Company’s marketing and other promotional activities, research and continued development of its product. As of March 31, 2015, the Company has working capital of \$1,853, cash and restricted cash of \$5,161 (which includes \$2,100 of restricted cash) and stockholders’ equity of \$2,595. The Company’s principal sources of cash have included the issuance of equity securities, and to a lesser extent, borrowings under loan agreements and revenue from leasing its product. To increase revenues, the Company’s operating expenses will continue to grow and, as a result, the Company will need to generate significant additional revenues to achieve profitability. In order to execute on its business plan, and given current available cash, the Company anticipates that it will need to raise additional capital.

The Company’s financial statements as of March 31, 2015 have been prepared under the assumption that the Company will continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to obtain additional equity or debt financing, attain further operating efficiencies and, ultimately, to generate additional revenue. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. The Company can give no assurances that additional capital that the Company is able to obtain, if any, will be sufficient to meet the Company’s needs. If the Company is unable to raise additional capital within the next twelve months to continue to fund operations at its current cash expenditure levels, the Company’s operations will need to be curtailed. The foregoing conditions raise substantial doubt about the Company’s ability to continue as a going concern.

**Semler Scientific, Inc.**  
**Notes to Financial Statements**  
**(In thousands, except share and per share amounts)**

**3. Assets for Lease**

Assets for lease consist of the following:

	<u>March 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
Assets for lease	\$ 988	\$ 956
Less: Accumulated Depreciation	(326)	(283)
Assets for lease, net	<u>\$ 662</u>	<u>\$ 673</u>

Depreciation expense amounted to \$57 and \$47 for the three months ended March 31, 2015 and March 31, 2014, respectively. Reduction to accumulated depreciation for returned items was \$14 and \$16 for the three months ended March 31, 2015 and March 31, 2014, respectively.

**4. Deferred Financing Costs**

As of March 31, 2015 and December 31, 2014, deferred financing costs have the net amounts of \$37 and \$55, respectively. The amounts amortized to interest expense were \$18 and \$23 for the three months ended March 31, 2015 and March 31, 2014, respectively. Per details in Note 6, leases were paid off early due to the opening of a new line of credit, resulting in acceleration of the expensing of the outstanding deferred financing costs.

**5. Accrued Expenses**

Accrued expenses consist of the following:

	<u>March 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
Offering Costs	\$ 317	\$ 407
Compensation	569	721
Miscellaneous Accruals	340	235
Total Accrued Expenses	<u>\$ 1,226</u>	<u>\$ 1,363</u>

The accumulated offering costs that were accrued pertain to consulting fees associated with securing equity financing for the Company prior to the IPO. Prior to becoming Chief Executive Officer (“CEO”), the Company’s current CEO performed consulting services for the Company, which included managing finance, sales, marketing, operational and strategic planning for our company, as well as assistance and strategic guidance in securing financing.

**6. Commitments and Contingencies****Facilities Leases**

For the three months ended March 31, 2015, the Company recognized \$32 in facilities lease expense. The Company had no material facilities leases for the three months ended March 31, 2014 and had no rent expense for such period. On September 23, 2014, the Company entered into a 36-month lease agreement for office space for the sales and marketing team located in Menlo Park, CA. The lease term commenced February 1, 2015 and is effective through January 31, 2018. Payments required under the terms of the lease are \$17.0 per month from February 2015 to January 2016, \$17.5 per month from February 2016 to January 2017, and \$18.0 per month from February 2017 to January 2018. The Company anticipates total future lease payments of \$186.6 for the year ended December 31, 2015; \$209.1 for the year ended December 31, 2016; \$215.4 for the year ended December 31, 2017; and \$18.0 for the year ended December 31, 2018.

**Equipment Leases and Loans Payable**

On February 9, 2011, the Company entered into an Equipment Finance Agreement with U.S. Bancorp Business Equipment Finance Group. Pursuant to the agreement, the Company obtained a \$39 secured loan for a 48-month term that had an annual

**Semler Scientific, Inc.**  
**Notes to Financial Statements**  
**(In thousands, except share and per share amounts)**

fixed interest rate of 13%. The loan was secured by the related leased equipment. Under the agreement, the Company made monthly payments consisting of \$1 of principal plus any accrued interest. The agreement provided for customary events of default. This loan was personally guaranteed by a Company director and a principal stockholder of the Company. This facility was retired in September 2014. At March 31, 2014, the Company had outstanding borrowings of \$10.

On May 27, 2011, the Company entered into an Equipment Finance Agreement with U.S. Bancorp Business Equipment Finance Group. Pursuant to the Agreement, the Company obtained a \$109 secured loan for a 60-month term that had an annual fixed interest rate of 6%. The loan was secured by the related leased equipment. Under the Agreement, the Company made monthly payments consisting of \$2 of principal plus any accrued interest. The Agreement provided for customary events of default. This loan was personally guaranteed by a Company director and a principal stockholder of the Company. This facility was retired in September 2014. At March 31, 2014, the Company had outstanding borrowings of \$50.

At various dates in 2011, the Company entered into Lease Agreements with Lease Corporation of America. Pursuant to these agreements, the Company obtained an aggregate amount of \$66 for a 60-month term that had variable annual interest rates of approximately 14%. The leases were secured by the related leased equipment. Under the agreements, the Company made monthly payments of approximately \$1 of principal plus any accrued interest. The agreements provided for customary events of default. The leases were personally guaranteed by a principal stockholder of the Company. This facility was retired in September 2014. At March 31, 2014, the Company had outstanding borrowings of \$40.

On June 17, 2011, the Company entered into a loan agreement with First Republic Bank. Pursuant to the loan agreement, the Company obtained a \$150 secured loan for a 60-month term that had a variable interest rate based on First Republic's Prime plus a spread of 1.75% p.a. and a floor of 3.25% p.a. The initial interest rate was 5% p.a. Under the loan agreement, the Company made monthly payments consisting of \$3 of principal plus any accrued interest. The loan agreement provided for customary events of default. This loan was personally guaranteed by a principal stockholder of the Company. This loan agreement was retired in September 2014. At March 31, 2014, the Company had outstanding borrowings of \$68.

On September 13, 2011, the Company entered into an additional loan agreement with First Republic Bank. Pursuant to the loan agreement, the Company obtained a \$150 loan for a 60-month term that had a variable annual interest rate based on First Republic's Prime plus a spread of 1.75% and a floor of 3.25%. The initial interest rate was 5%. Under the loan agreement, the Company made monthly payments consisting of \$3 of principal plus any accrued interest. The loan agreement provided for customary events of default. This loan was personally guaranteed by a principal stockholder of the Company. This loan agreement was retired in September 2014. At March 31, 2014, the Company had outstanding borrowings of \$75.

On September 30, 2014, the Company entered into a revolving line of credit with First Republic Bank. Pursuant to the line of credit agreement, the Company may borrow up to \$2,000 for a 12-month term that has a variable annual interest rate based on First Republic's Prime less a spread of 2.0% p.a. The initial interest rate is 1.25% p.a. Under the line of credit agreement, the Company will make monthly payments consisting of \$2 of interest, and an annual payment consisting of \$2,002 principal plus any accrued interest. The line of credit agreement provides for customary events of default. This line of credit is secured by a \$2,100 collateral cash account in the Company's name at First Republic. As of March 31, 2015, the Company was in compliance with the material terms of this facility. At March 31, 2015, the Company had outstanding borrowings of \$2,000. The line of credit matures September 30, 2015. Accordingly, the entire amount is classified as short-term.

Interest expense under these obligations for the three months ended March 31, 2015 and 2014 was \$6 and \$4, respectively.

***Indemnification Obligations***

The Company enters into agreements with customers, partners, lenders, consultants, lessors, contractors, sales representatives and parties to certain transactions in the ordinary course of the Company's business. These agreements may require the Company to indemnify the other party against third party claims alleging that its product infringes a patent or copyright. Certain of these agreements require the Company to indemnify the other party against losses arising from: a breach of representations

**Semler Scientific, Inc.**  
**Notes to Financial Statements**  
**(In thousands, except share and per share amounts)**

or covenants, claims relating to property damage, personal injury or acts or omissions of the Company, its employees, agents or representatives. The Company has also agreed to indemnify the directors and certain of the officers and employees in accordance with the by-laws of the Company. These indemnification provisions will vary based upon the nature and terms of the agreements. In many cases, these indemnification provisions do not contain limits on the Company's liability, and the occurrence of contingent events that will trigger payment under these indemnities is difficult to predict. As a result, the Company cannot estimate its potential liability under these indemnities. The Company believes that the likelihood of conditions arising that would trigger these indemnities is remote and, historically, the Company had not made any significant payment under such indemnification provisions. Accordingly, the Company has not recorded any liabilities relating to these agreements. In certain cases, the Company has recourse against third parties with respect to the aforesaid indemnities, and the Company believes it maintains adequate levels of insurance coverage to protect the Company with respect to potential claims arising from such agreements.

## 7. Net Loss Per Common Share

Because the Company was in a loss position for each of the periods presented, diluted net loss per share is the same as basic net loss per share for each period as the inclusion of all potential common shares outstanding would have been anti-dilutive. The following outstanding shares of common stock equivalents were excluded from the computation of diluted net loss per share for the periods presented because including them would have been anti-dilutive:

	Three Months ended March 31,	
	2015	2014
Weighted average shares outstanding:		
Convertible preferred stock	-	1,266,072
Convertible preferred stock warrants	-	996,724
Common stock warrants	359,714	133,377
Options	717,548	337,500
Total	<u>1,077,262</u>	<u>2,733,673</u>

## 8. Stock-Based Compensation

The Company's stock-based compensation program is designed to attract and retain employees while also aligning employees' interests with the interests of its stockholders. Stock options have been granted to employees under the stockholder-approved 2007 Key Person Stock Option Plan ("2007 Plan") or the stockholder-approved 2014 Stock Incentive Plan ("2014 Plan"). Stockholder approval of the 2014 Plan became effective in September 2014. The 2014 Plan provides that the aggregate number of shares of common stock that may be issued pursuant to awards granted under the 2014 Plan may not exceed 450,000 shares (the "Share Reserve"). However, the Share Reserve automatically increases on January 1st of each year, for a period of not more than 10 years, beginning on January 1st of the year following the year in which the 2014 Plan became effective and ending on (and including) January 1, 2024, in an amount equal to 4% of the total number of shares of common stock outstanding on December 31st of the preceding calendar year. The Company's Board of Directors may act prior to January 1st of a given year to provide that there will be no January 1st increase in the Share Reserve for such year or that the increase in the Share Reserve for such year will be a lesser number of shares of common stock than would otherwise occur. The Share Reserve is currently 638,640 shares for the year ending December 31, 2015.

In light of stockholder approval of the 2014 Plan, the Company will no longer grant equity awards under the 2007 Plan. As of March 31, 2015, 0 shares of an aggregate total of 407,500 shares were available for future stock-based compensation grants under the 2007 Plan and 332,390 shares of an aggregate total of 638,640 shares were available for future stock-based compensation grants under the 2014 Plan.

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**Notes to Financial Statements**  
(In thousands, except share and per share amounts)

Aggregate intrinsic value represents the difference between the closing market value as of March 31, 2015 of the underlying common stock and the exercise price of outstanding, in-the-money options. A summary of the Company's stock option activity and related information for 2015 and 2014 is as follows:

	Options Outstanding			
	Number of Stock Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value (in thousands)
<b>Balance, January 1, 2015</b>	<b>649,500</b>	<b>\$ 1.49</b>	<b>7.44</b>	<b>\$ 474</b>
Options granted	75,000	1.96		
Options canceled	(18,750)	2.10		
<b>Balance, March 31, 2015</b>	<b>705,750</b>	<b>\$ 1.52</b>	<b>7.40</b>	<b>\$ 1,421</b>
<b>Exercisable as of March 31, 2015</b>	<b>432,729</b>	<b>\$ 1.18</b>	<b>5.98</b>	<b>\$ 1,029</b>

The total compensation cost related to unvested stock option awards not yet recognized was \$377 and \$0 as of March 31, 2015 and 2014, respectively. The weighted average period over which the total unrecognized compensation cost related to these unvested stock awards is 1.55 years. The total estimated grant date fair value of unvested options was \$377 and \$0 as of March 31, 2015 and 2014, respectively. The total estimated grant date fair value of options vested during the quarters ended March 31, 2015 and 2014 was \$33 and \$0, respectively. The weighted average grant date fair value of options granted during the quarter ended March 31, 2015 is \$1.38 per share or an aggregate grant date fair value of \$104. There were no options granted during the quarter ended March 31, 2014.

On January 1, 2015 the Company's Board of Directors granted an option to acquire an aggregate of 75,000 shares under the 2014 Plan. The options vest on a monthly schedule over 48 months such that they are vested in full on the four-year anniversary of the grant date. As of March 31, 2015 there were 325,000 grants, no exercises and 18,750 cancellations of stock options under the 2014 Plan.

**Determining the Fair Value of Stock Options**

The Company uses the Black-Scholes pricing model to determine the fair value of stock options. The fair value of each option grant is estimated on the date of the grant. The fair value of the options granted is estimated on the date of grant using the Black-Scholes pricing model and the following assumptions for the periods presented:

	Quarter ended March 31,	
	2015	2014
Expected term (in years)	5	—
Risk-free interest rate	1.61%	—
Expected volatility	82.5%	—
Expected dividend rate	0%	—

The assumptions are based on the following for each of the years presented:

*Valuation Method* - The Company estimates the fair value of its stock options using the Black-Scholes option pricing model.

*Expected Term* - The Company estimates the expected term consistent with the simplified method identified by the SEC. The Company elected to use the simplified method because of its limited history of stock option exercise activity and its stock options meet the criteria of the "plain-vanilla" options as defined by the SEC. The simplified method calculates the expected term as the average of the vesting and contractual terms of the award.

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**(In thousands, except share and per share amounts)**

*Volatility* - Because the Company has limited trading history by which to determine the volatility of its own common stock price, the expected volatility being used is derived from the historical stock volatilities of a representative industry peer group of comparable publicly listed companies over a period approximately equal to the expected term of the options.

*Risk-free Interest Rate* - The risk-free interest rate is based on median U.S. Treasury zero coupon issues with remaining terms similar to the expected term on the options.

*Expected Dividend* - The Company has never declared or paid any cash dividends and does not plan to pay cash dividends in the foreseeable future, and therefore, used an expected dividend yield of zero in the valuation model.

*Forfeiture* - The Company estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting forfeitures and records stock-based compensation expense only for those awards that are expected to vest. All stock-based payment awards are amortized on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods. If the Company's actual forfeiture rate is materially different from its estimate, the stock-based compensation expense could be significantly different from what the Company has recorded in the current period.

The Company has recorded an expense of \$33 and \$0 as it relates to stock-based compensation for the quarters ended March 31, 2015 and 2014, respectively, which was allocated as follows based on the role and responsibility of the recipient in the Company:

	<u>Three months ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Cost of Revenue	\$ 1	\$ -
Engineering and Product Development	2	-
Sales and Marketing	15	-
General and Administrative	15	-
Total	<u>\$ 33</u>	<u>\$ -</u>

## 9. Subsequent Events

On April 1, 2015, the Company issued and sold an aggregate of 143,000 shares of its common stock to an accredited investor, pursuant to a stock purchase agreement for an aggregate purchase price of \$500,500, which was paid in cash.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

*The following discussion and analysis should be read together with our condensed unaudited financial statements and the related notes appearing elsewhere in this quarterly report on Form 10-Q and with the audited consolidated financial statements and notes for the fiscal year ended December 31, 2014, and the information under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K filed with the SEC on February 13, 2015, or the Annual Report. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results and the timing of events could differ materially from those discussed in our forward-looking statements as a result of many factors, including those set forth under "Risk Factors" in our Annual Report.*

### **Overview**

We are an emerging medical risk-assessment company. Our mission is to develop, manufacture and market patented products that assist healthcare providers in monitoring patients and evaluating chronic diseases. Our first patented and U.S. Food and Drug Administration, or FDA cleared product, is FloChec®. FloChec® is used in the office setting to allow providers to measure arterial blood flow in the extremities and is a useful tool for internists and primary care physicians for whom it was previously impractical to conduct blood flow measurements. We received FDA 510(k) clearance for FloChec® in February 2010, began Beta testing in the third quarter of 2010, and began commercially leasing FloChec® in January 2011. In March 2015, we received FDA 510(k) clearance for our next generation testing system, which we expect to commercially launch later this year, and in April 2015, we announced the launch of our multi-test platform, WellChec™, to perform risk assessments for the healthcare insurance industry. In the three months ended March 31, 2015 we had total revenue of \$1,202,000 and a net loss of \$1,372,000 compared to total revenue of \$837,000 and a net loss of \$817,000 in the same period in 2014.

### **Emerging Growth Company Elections**

The JOBS Act provides that an emerging growth company, such as our company, can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of these accounting standards until they would otherwise apply to private companies. We have elected to avail ourselves of this exemption. As a result, our financial statements may not be comparable to other public companies that comply with public company effective dates. In the future, we may elect to opt out of the extended period for adopting new accounting standards. If we do so, we would need to disclose such decision and it would be irrevocable.

### **Factors Affecting Future Results**

We have not identified any factors that have a recurring effect that are necessary to understand period to period comparisons as appropriate, nor any one-time events that have an effect on the financials.

### **Results of Operations**

#### ***Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014***

##### ***Revenue***

We had revenue of \$1,202,000 for the three months ended March 31, 2015, an increase of \$365,000, or 44%, compared to \$837,000 in the same period in 2014. Our revenue is primarily generated from leasing of our FloChec® systems, although we recently launched our WellChec™ platform, and this also accounted for some of our revenues in the first quarter. We recognize rental revenue monthly for each unit installed with a customer. The average amount recognized each month per unit of product in the field is affected by the mix of units rented by direct customers or distributors, by price changes and by discounts. The primary reason for the increase in revenue was that the total number of installed units in the field generating monthly revenue grew 33%, partially offset by the average amount of revenue recognized per unit which decreased slightly as compared to 2014. We believe that growth in the number of monthly invoices is predominately due to our sales and marketing efforts, which add new

customers to an established customer base. Change in the average amount of revenue recognized per unit was due to changes in the mix of customers renting units. We recognized \$96,000 of revenue from providing testing services through our WellChec™ platform during the three months ended March 31, 2015.

***Operating expenses***

We had total operating expenses of \$2,550,000 for the three months ended March 31, 2015, an increase of \$923,000, or 57%, compared to \$1,627,000 in the same period in 2014. The primary reasons for the increase were increased general and administrative expense, sales and marketing expense, engineering and product development expense, and cost of revenue. The changes in the various components of our operating expenses are described below.

***Cost of revenue***

We had cost of revenue of \$220,000 for the three months ended March 31, 2015, an increase of \$65,000, or 42%, from \$155,000 for the same period in 2014. The primary reason for the increase was \$37,000 of additional cost associated with employees who oversee manufacturing operations. A portion of the increase is also due to the fact that aggregate depreciation of our FloChec® systems for lease increased \$10,000, or 21%, in the first quarter of 2015 compared to the same period in 2014 as there was a 34% increase in the number of monthly depreciation charges corresponding to the 37% increase in the number of installed units in the field generating monthly revenue, partially offset by a decrease in average depreciation per unit per month of 9%. Other cost of revenue items, such as freight and other miscellaneous items, which are not associated with FloChec® system production, were \$9,000 higher and cost of units that were retired were \$9,000 higher in the first quarter of 2015 compared to the same period in 2014.

***Engineering and product development expense***

We had engineering and product development expense of \$309,000 for the three months ended March 31, 2015, an increase of \$80,000, or 35%, compared to \$229,000 in the same period in 2014. The increase was primarily due to increased salary expense of \$162,000, and increased clinical study expense of \$50,000, which were partially offset by lower consulting costs for new product development of \$132,000.

***Sales and marketing expense***

We had sales and marketing expense of \$1,228,000 for the three months ended March 31, 2015, an increase of \$482,000, or 65%, compared to \$746,000 in the same period in 2014. The increase was primarily due to higher salary expense of \$443,000 associated with having an expanded sales team as compared to the prior period, higher other expenses of \$50,000, higher travel expense of \$34,000, higher facility expense of \$31,000, higher stock compensation expense of \$15,000, and higher trade show expense of \$9,000, partially offset by lower sales commissions of \$100,000, as compared to the same period in 2014.

***General and administrative expense***

We had general and administrative expense of \$793,000 for the three months ended March 31 2015, an increase of \$296,000, or 60%, compared to \$497,000 in the same period in 2014. The increase was primarily due to higher salaries and fees for employees, directors, and consultants of \$168,000, higher medical device excise tax, state and local tax, audit and tax preparation expense of \$63,000, higher insurance premiums of \$44,000, added costs associated with being a publicly traded company of \$27,000, higher stock compensation expense of \$15,000 and higher other expenses of \$3,000, which increases were partially offset by lower patent and legal expenses of \$24,000.

### ***Other expense***

We had other expense of \$24,000 for the three months ended March 31, 2015, a decrease of \$3,000, or 11%, compared to \$27,000 in the same period in 2014. The decrease was due to lower interest expense of \$2,000, which, as described in Note 6 to the financial statements included elsewhere in this report, resulted from early retirement of leases and the associated retirement of deferred financing costs.

### ***Net loss***

For the foregoing reasons, we had a net loss of \$1,372,000 for the three months ended March 31, 2015, an increase of \$555,000, or 68%, compared to a net loss of \$817,000 for the same period in 2014.

### **Liquidity and Capital Resources**

We had cash and restricted cash of \$5,161,000 at March 31, 2015 compared to \$6,256,000 at December 31, 2014, and total current liabilities of \$3,808,000 at March 31, 2015 compared to \$4,064,000 at December 31, 2014. As of March 31, 2015 we had working capital of approximately \$1,853,000. Restricted cash of \$2,100,000 at March 31, 2015 and December 31, 2014 is deposited in a cash collateral account to secure our revolving credit line, see “—Description of Indebtedness” below. On February 26, 2014, we closed the initial public offering of our common stock, pursuant to which we sold an aggregate 1,430,000 shares of our common stock at a price to the public of \$7.00 per share, and received gross proceeds of approximately \$10,010,000 before deducting underwriting discounts and commissions and other offering expenses. During the quarter ended March 31, 2015, we sold an aggregate 117,500 shares of our common stock to Mr. William H.C. Chang, an accredited investor and significant stockholder, pursuant to separate stock purchase agreements for an aggregate cash purchase price of \$498,600. Subsequent to the close of the quarter, we issued and sold an aggregate of 143,000 shares of our common stock to an accredited investor, pursuant to a stock purchase agreement for an aggregate cash purchase price of \$500,500.

We have incurred recurring losses since inception and expect to continue to incur losses as a result of costs and expenses related to our marketing and other promotional activities, research and continued development of our FloChec® product. Our principal sources of cash have included the issuance of equity, primarily our February 2014 initial public offering of common stock, as well as other private placements of our shares, and to a lesser extent, borrowings under loan agreements. We expect that as our revenues grow, our operating expenses will continue to grow and, as a result, we will need to generate significant additional net revenues to achieve profitability. Based on our currently available cash, we do not have adequate cash on hand to cover our anticipated expenses for the next 12 months. For this reason, our independent registered public accountants’ report for the year ended December 31, 2014 included an explanatory paragraph that expresses substantial doubt about our ability to continue as a “going concern.” This doubt continues to exist.

Although we do not have any current capital commitments, we expect that we will increase our expenditures to continue our efforts to grow our business and commercialize products and services. Accordingly, we currently expect to make additional expenditures in both sales and marketing, and invest in our corporate infrastructure. We also expect to invest in our research and development efforts. We do not have any definitive plans as to the exact amounts or particular uses at this time, and the exact amounts and timing of any expenditure may vary significantly from our current intentions. However, in order to execute on our business plan, and given our current available cash, we anticipate that we will need to raise additional capital. There is no assurance that additional financing will be available when needed or that management will be able to obtain financing on acceptable terms or whether or not we will generate sufficient revenues to become profitable and have positive operating cash flow. If we are unable to raise sufficient additional funds when necessary, we may need to curtail making additional expenditures and could be required to scale back our business plans, or make other changes until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful.

### ***Operating activities***

We used \$1,503,000 of net cash in operating activities for the three months ended March 31, 2015. Non-cash adjustments to reconcile net loss to net cash used in operating activities plus changes in operating assets and liabilities used \$131,000 of cash in the three months ended March 31, 2015. These non-cash adjustments primarily reflect cash provided by depreciation of \$59,000, allowance for doubtful accounts of \$51,000, stock-based

compensation expense of \$33,000, loss on disposal of assets for lease of \$25,000 and amortization of deferred financing costs of \$18,000 offset by cash used in operating activities primarily from accrued expenses of \$137,000, deferred revenue of \$119,000, trade accounts receivable of \$52,000, and prepaid expenses and other current assets of \$9,000.

For the same period in 2014, we used \$1,026,000 of cash in operating activities. Non-cash adjustments to reconcile net loss to net cash provided by operating activities plus changes in operating assets and liabilities used \$209,000 of cash in the three months ended March 31, 2014. These non-cash adjustments primarily reflect cash provided by allowance for doubtful accounts of \$50,000, depreciation of \$47,000, amortization of deferred financing costs of \$23,000, and loss on disposal of assets for lease of \$16,000. Cash provided by operating activities in the three months ended March 31, 2014 were primarily from accrued expenses of \$58,000 and trade accounts receivable of \$21,000, offset by cash used in operating activities primarily due to prepaid expenses and other current assets of \$176,000, deferred revenue of \$132,000, and trade accounts payable of \$116,000.

***Investing activities***

We used \$90,000 of net cash in investing activities for the three months ended March 31, 2015, primarily for purchases of assets for lease. We used \$120,000 of net cash in investing activities for the same period in 2014, primarily for purchases of assets for lease.

***Financing activities***

We generated \$498,000 in net cash from financing activities during the three months ended March 31, 2015 due to the sale of shares of our common stock. We generated \$8,024,000 of net cash from financing activities during the three months ended March 31, 2014, primarily from proceeds from the sale of shares of our common stock in our February 2014 initial public offering, which proceeds were partially offset by offering costs and payment of the current portion of our long-term liabilities.

**Description of Indebtedness**

On September 30, 2014 we entered into a revolving credit line with First Republic Bank. We may borrow up to \$2,000,000 for a 12-month term at a variable annual interest rate based on First Republic's Prime less a spread of 2.0% p.a. The initial interest rate is 1.25% p.a. We agreed to make monthly payments consisting of \$2,000 of interest, and an annual payment consisting of \$2,000,000 principal plus any accrued unpaid interest. The line of credit agreement provides for customary events of default and is secured by a collateral cash account at First Republic. As of March 31, 2015, we had borrowed \$2,000,000 under the revolving line of credit.

See Note 6 to our financial statements appearing elsewhere in this report for description of our outstanding indebtedness.

**Off-Balance Sheet Arrangements**

As of each of March 31, 2015 and December 31, 2014, we had no off-balance sheet arrangements.

**Commitments and Contingencies**

As of each of March 31, 2015 and December 31, 2014, other than employment/consulting agreements with key executive officers and our facilities lease obligation, we had no material commitments other than the liabilities reflected in our financial statements.

**JOBS Act**

In April 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected to avail ourselves of this extended transition period, and, as a result, we will not adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

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

Not applicable.

**Item 4. Controls and Procedures.**

**Disclosure Controls and Procedures**

In evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective, at the reasonable assurance level, as of the end of the period covered by this report to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 (1) is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure.

**Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during our first fiscal quarter of 2015.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings.

Not applicable.

### Item 1A. Risk Factors.

Not applicable.

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

Use of Proceeds

Our initial public offering of common stock was effected through a Registration Statement on Form S-1 (File No. 333-192362) which was declared effective by the Securities and Exchange Commission on February 20, 2014. On February 26, 2014, a total of 1,430,000 shares of common stock were sold on our behalf at an initial public offering price of \$7.00 per share, for aggregate gross offering proceeds of \$10.0 million, managed by Aegis Capital Corp. We paid to the underwriter underwriting discounts totaling approximately \$0.8 million in connection with the offering. In addition, we incurred additional costs of approximately \$1.8 million in connection with the offering, which when added to the underwriting discounts paid by us, amounts to total costs of approximately \$2.6 million. Thus, the net offering proceeds to us, after deducting underwriting discounts and offering expenses, were approximately \$7.4 million. No offering expenses were paid directly or indirectly to any of our directors or officers (or their associates) or persons owning 10% or more of any class of our equity securities or to any other affiliates. The net proceeds from the offering have been invested in money market funds. There has been no material change in the expected use of the net proceeds from our initial public offering as described in our registration statement on Form S-1.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

Not applicable.

### Item 6. Exhibits.

<u>Exh. No.</u>	<u>Exhibit Name</u>
31.1	Rule 13a-14(a) Certification of Principal Executive Officer of Registrant
31.2	Rule 13a-14(a) Certification of Principal Financial Officer of Registrant
32	Section 1350 Certification
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

**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.

May 4, 2015

**SEMLER SCIENTIFIC, INC.**

By: /s/ Douglas Murphy-Chutorian, M.D.  
Douglas Murphy-Chutorian, M.D.  
Chief Executive Officer

## CERTIFICATIONS

I, Douglas Murphy-Chutorian, M.D., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Semler Scientific, Inc., a Delaware corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 4, 2015

/s/ Douglas Murphy-Chutorian, M.D.  
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Douglas Murphy-Chutorian, M.D.  
Chief Executive Officer

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I, James M. Walker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Semler Scientific, Inc., a Delaware corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 4, 2015

/s/ James M. Walker  
James M. Walker, Chief Financial Officer  
(Principal Financial Officer)

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## SECTION 1350 CERTIFICATION

Each of the undersigned, Douglas Murphy-Chutorian, M.D., Chief Executive Officer of Semler Scientific, Inc., a Delaware corporation (the "Company"), and James M. Walker, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge (1) the quarterly report on Form 10-Q of the Company for the three months ended March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Douglas Murphy-Chutorian, M.D.

\_\_\_\_\_  
Name: Douglas Murphy-Chutorian, M.D.

Title: Chief Executive Officer

Dated: May 4, 2015

/s/ James M. Walker

\_\_\_\_\_  
Name: James M. Walker

Title: Chief Financial Officer

Dated: May 4, 2015

*This certification accompanies and is being "furnished" with this Report, shall not be deemed "filed" by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that Section and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Report, irrespective of any general incorporation language contained in such filing. A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.*

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