

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 September 30, 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 October 30, 2015, there were 4,983,568 shares of the issuer's common stock, \$0.001 par value per share, outstanding.

TABLE OF CONTENTS

	Page
<u>Part I.</u> <u>Financial Information</u>	1
<u>Item 1.</u> <u>Financial Statements</u>	1
<u>Item 2.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	10
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures about Market Risk</u>	14
<u>Item 4.</u> <u>Controls and Procedures</u>	15
<u>Part II.</u> <u>Other Information</u>	16
<u>Item 1.</u> <u>Legal Proceedings</u>	16
<u>Item 1A.</u> <u>Risk Factors</u>	16
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	16
<u>Item 3.</u> <u>Defaults upon Senior Securities</u>	16
<u>Item 4.</u> <u>Mine Safety Disclosures</u>	16
<u>Item 5.</u> <u>Other Information</u>	16
<u>Item 6.</u> <u>Exhibits</u>	16
<u>Signatures</u>	17

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 initially filed with the Securities and Exchange Commission, or SEC, on February 13, 2015, as amended to date. 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> For the three months ended September 30		<i>(Unaudited)</i> For the nine months ended September 30	
	2015	2014	2015	2014
Revenue	\$ 1,562	\$ 897	\$ 4,067	\$ 2,580
Operating expenses:				
Cost of revenue	385	178	887	504
Engineering and product development	268	262	983	906
Sales and marketing	1,314	1,040	3,809	2,514
General and administrative	1,147	784	2,602	1,821
Total operating expenses	3,114	2,264	8,281	5,745
Loss from operations	(1,552)	(1,367)	(4,214)	(3,165)
Other expense:	(28)	(99)	(79)	(150)
Net loss	\$ (1,580)	\$ (1,466)	\$ (4,293)	\$ (3,315)
Net loss per share, basic and diluted	\$ (0.32)	\$ (0.31)	\$ (0.87)	\$ (0.85)
Weighted average number of shares used in computing basic and diluted loss per share	4,983,198	4,708,162	4,909,354	3,900,746

See accompanying notes to unaudited condensed financial statements.

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

	<u>September 30,</u> 2015 <i>(Unaudited)</i>	<u>December 31,</u> 2014
<u>Assets</u>		
Current Assets:		
Cash	\$ 1,925	\$ 4,156
Restricted Cash	-	2,100
Trade accounts receivable, net of allowance for doubtful accounts of \$73 and \$51, respectively	439	355
Prepaid expenses and other current assets	90	135
Total current assets	2,454	6,746
Assets for lease, net	856	673
Property and equipment, net	188	9
Long-term deposits	22	17
Deferred financing costs	-	55
Total assets	\$ 3,520	\$ 7,500
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 61	\$ 89
Accrued expenses	1,552	1,363
Deferred revenue	1,328	612
Loans payable	-	2,000
Total current liabilities	2,941	4,064
Long-term liabilities:		
Accrued rent	48	-
Total long-term liabilities	48	-
Stockholders' equity:		
Common stock, \$0.001 par value; 50,000,000 shares authorized; 5,008,567 and 4,734,217 shares issued, and 4,983,567 and 4,709,217 outstanding (net of treasury shares of 25,000 and 25,000), respectively	5	5
Additional paid-in capital	18,686	17,298
Accumulated deficit	(18,160)	(13,867)
Total stockholders' equity	531	3,436
Total liabilities and stockholders' equity	\$ 3,520	\$ 7,500

See accompanying notes to unaudited condensed financial statements.

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

	Nine months ended September 30	
	2015	2014
	<i>(Unaudited)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (4,293)	\$ (3,315)
Reconciliation of Net Loss to Net Cash Used in Operating Activities:		
Amortization of deferred financing costs	55	129
Depreciation	211	140
Loss on disposal of assets for lease	106	67
Allowance for doubtful accounts	119	104
Stock-based compensation expense	549	178
Changes in Operating Assets and Liabilities:		
Trade accounts receivable	(203)	(186)
Prepaid expenses and other current assets	40	(122)
Accounts payable	(28)	(39)
Accrued expenses	237	345
Deferred revenue	716	439
Net Cash Used in Operating Activities	(2,491)	(2,260)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(195)	(5)
Change in restricted cash	2,100	-
Purchase of assets for lease	(484)	(391)
Net Cash Provided by (Used in) Investing Activities	1,421	(396)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock	999	10,010
Stock options exercised	14	-
Offering costs	(174)	(1,959)
Payments of loans payable	(2,000)	(45)
Payments of equipment leases	-	(111)
Net Cash Provided by (Used in) Financing Activities	(1,161)	7,895
INCREASE (DECREASE) IN CASH	(2,231)	5,239
CASH, BEGINNING OF PERIOD	4,156	734
CASH, END OF PERIOD	\$ 1,925	\$ 5,973
Cash paid for interest	\$ 19	\$ 23
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 Condensed Financial Statements
Unaudited
(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 initially filed with the SEC on February 13, 2015 (the “Annual Report”), as amended. 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 half 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. In September 2015, the Company amended the terms of all of its outstanding warrants to acquire shares of its common stock (other than the underwriter warrants to acquire an aggregate of 71,500 shares) to provide that all such warrants expire July 31, 2023.

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 September 30, 2015, the Company had negative working capital of \$487, cash of \$1,925 and stockholders’ equity of \$531. 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 and providing testing services. 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 at opportune times.

The Company’s financial statements as of September 30, 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 or increase revenue from leasing its product and providing testing services 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 Condensed Financial Statements
Unaudited
(In thousands, except share and per share amounts)

3. Assets for Lease

Assets for lease consist of the following:

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
Assets for lease	\$ 1,259	\$ 956
Less: Accumulated Depreciation	(403)	(283)
Assets for lease, net	<u>\$ 856</u>	<u>\$ 673</u>

Depreciation expense amounted to \$72 and \$48 for the three months ended September 30, 2015 and September 30, 2014, respectively. Depreciation expense amounted to \$195 and \$140 for the nine months ended September 30, 2015 and September 30, 2014, respectively. Reduction to accumulated depreciation for returned items was \$34 and \$21 for the three months ended September 30, 2015 and September 30, 2014, respectively. Reduction to accumulated depreciation for returned items was \$75 and \$69 for the nine months ended September 30, 2015 and September 30, 2014, respectively.

4. Deferred Financing Costs

As of September 30, 2015 and December 31, 2014, deferred financing costs have the net amounts of \$0 and \$55, respectively. The amounts amortized to interest expense were \$18 and \$85 for the three months ended September 30, 2015 and September 30, 2014, respectively. The amounts amortized to interest expense were \$55 and \$129 for the nine months ended September 30, 2015 and September 30, 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>September 30, 2015</u>	<u>December 31, 2014</u>
Offering Costs	\$ 227	\$ 407
Compensation	726	721
Miscellaneous Accruals	599	235
Total Accrued Expenses	<u>\$ 1,552</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 September 30, 2015, the Company recognized \$81 in facilities lease expense. For the nine months ended September 30, 2015, the Company recognized \$165 in facilities lease expense. The Company had no material facilities leases for the three and nine months ended September 30, 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 \$50.8 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. On July 15, 2015, the Company entered into a 30-month sublease agreement for the Menlo Park office space, which commenced August 1, 2015 and is effective

Semler Scientific, Inc.
Notes to Condensed Financial Statements
Unaudited
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through the term of the lease, January 31, 2018. Payments required to the Company under the terms of the sublease are \$15.5 per month from August 2015 to July 2016, \$16.0 per month from August 2016 to July 2017, and \$16.5 per month from August 2017 to January 2018. The Company anticipates receipt of total future sublease payments of \$46.5 for the year ended December 31, 2015; \$188.6 for the year ended December 31, 2016; \$194.4 for the year ended December 31, 2017; and \$16.5 for the year ended December 31, 2018. The Company recorded an expense of \$50, which represented the difference between estimated cash payments on the lease and cash receipts from the sublease. The Company recorded the resulting long-term liability as accrued rent on the Company's balance sheet.

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 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.

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 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.

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.

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.

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 September 30, 2015, the Company was in compliance with the material terms of this facility. The line of credit was retired and the collateral cash account was closed in September 2015.

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

Interest expense under these obligations for the three months ended September 30, 2015 and 2014 was \$6 and \$4, respectively. Interest expense under these obligations for the nine months ended September 30, 2015 and 2014 was \$19 and \$13, 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 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 September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Weighted average shares outstanding:				
Convertible preferred stock	-	-	-	414,267
Convertible preferred stock warrants	-	-	-	326,134
Common stock warrants	359,714	359,714	359,714	285,655
Options	852,040	389,663	768,236	354,951
Total	<u>1,211,754</u>	<u>749,377</u>	<u>1,127,950</u>	<u>1,381,007</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") and 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 was 638,640 shares for the year ending December 31, 2015 as of September 30, 2015. The Board approved an increase of 1,500,000 shares, which was submitted to the stockholders for approval on October 29, 2015.

In light of stockholder approval of the 2014 Plan, the Company no longer grants equity awards under the 2007 Plan. As of September 30, 2015, 0 shares of an aggregate total of 407,500 shares were available for future stock-based compensation grants

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

under the 2007 Plan and 149,960 shares of an aggregate total of 638,640 shares were available for future stock-based compensation grants under the 2014 Plan.

Aggregate intrinsic value represents the difference between the closing market value as of September 30, 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 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)
Balance, January 1, 2015	649,500	\$ 1.49	7.44	\$ 474
Options granted	271,300	3.03		
Options exercised	(7,051)	2.10		
Options forfeited	(32,620)	2.14		
Balance, September 30, 2015	881,129	\$ 1.93	7.48	\$ 1,024
Exercisable as of September 30, 2015	508,834	\$ 1.43	6.09	\$ 837

The total compensation cost related to unvested stock option awards not yet recognized was \$656 and \$0 as of September 30, 2015 and 2014, respectively. The weighted average period over which the total unrecognized compensation cost related to these unvested stock awards will be recognized is 1.7 years. The total estimated grant date fair value of unvested options was \$765 and \$0 as of September 30, 2015 and 2014, respectively. The weighted average grant date fair value of options granted during the nine months ended September 30, 2015 is \$2.02 per share or an aggregate grant date fair value of \$549. The weighted average grant date fair value of options granted during the nine months ended September 30, 2014 is \$2.54 per share or an aggregate grant date fair value of \$178.

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. On May 1, 2015 the Company's Board of Directors granted options to acquire an aggregate of 50,000 shares under the 2014 Plan. On July 21, 2015, the Company's Compensation Committee granted options to acquire an aggregate of 111,300 shares under the 2014 Plan. The options from all three grant dates vest on a monthly schedule over 48 months such that they are vested in full on the four-year anniversary of the grant date. On July 31, 2015 the Company's Compensation Committee granted options to the Board of Directors to acquire an aggregate of 35,000 shares under the 2014 Plan. The options from this grant date vested immediately upon date of grant such that they are vested in full on the grant date.

In September 2015, the Company amended the terms of all of its outstanding warrants to acquire shares of its common stock (other than the underwriter warrants to acquire an aggregate of 71,500 shares) to provide that all such warrants expire July 31, 2023. The Company has recorded an expense of \$363 as it relates to stock based compensation during the quarter ended September 30, 2015 for this change in expiration terms.

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:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Expected term (in years)	5	5	5	5
Risk-free interest rate	1.5 - 1.7%	1.7%	1.5 - 1.7%	1.7%
Expected volatility	83.0%	83%	82.9%	83%
Expected dividend rate.	0%	0%	0%	0%

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

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

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.

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 \$485 and \$178 as it relates to stock-based compensation for the three months ended September 30, 2015 and 2014, respectively, and an expense of \$549 and \$178 as it relates to stock-based compensation for the nine months ended September 30, 2015 and 2014, respectively, which was allocated as follows based on the role and responsibility of the recipient in the Company:

	Three months ended September 30,		Nine months ended September 30	
	2015	2014	2015	2014
Cost of Revenue	\$ 1	\$ -	\$ 2	\$ -
Engineering and Product Development	9	-	15	-
Sales and Marketing	77	-	102	-
General and Administrative	398	178	430	178
Total	\$ 485	\$ 178	\$ 549	\$ 178

9. Subsequent Events

At a meeting of the Board of Directors of the Company held on July 30, 2015, the Board authorized a proposal to increase the number of shares available under the 2014 Plan by 1,500,000 shares. Such proposal was submitted to and approved by the stockholders for approval at the annual stockholder’s meeting on October 29, 2015. In connection with the approval, options to acquire 703,500 shares of our common stock were granted.

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 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, as amended, 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 growth company that provides diagnostic and testing services to healthcare insurers and physician groups. Our mission is to develop, manufacture and market innovative proprietary products and services that assist healthcare providers in evaluating and treating chronic diseases. Our first patented and U.S. Food and Drug Administration, or FDA cleared product, introduced commercially in 2011, measured arterial blood flow in the extremities to aid in the diagnosis of peripheral arterial disease. In March 2015 we received FDA 510(k) clearance for the next generation version of this product named QuantaFlo™, which was commercially launched in August 2015. In April 2015, we announced the launch of our multi-test service offering, WellChec™, to more comprehensively evaluate patients for chronic disease. In the three months ended September 30, 2015 we had total revenue of \$1,562,000 and a net loss of \$1,580,000 compared to total revenue of \$897,000 and a net loss of \$1,466,000 in the same period in 2014. In the nine months ended September 30, 2015 we had total revenue of \$4,067,000 and a net loss of \$4,293,000 compared to total revenue of \$2,580,000 and a net loss of \$3,315,000 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. We recently launched our WellChec™ testing services platform and are beginning to receive contracted orders for this service. Although we anticipate that current orders, if successfully fulfilled, will significantly impact revenue in the fourth quarter of 2015 and the first quarter of 2016. If successfully fulfilled, WellChec™ will represent a greater portion of our overall revenues. However, we cannot predict with any certainty whether or not these order trends for WellChec™ will continue, nor the anticipated impact on other items of our results of operations.

Results of Operations

Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

Revenue

We had revenue of \$1,562,000 for the three months ended September 30, 2015, an increase of \$665,000, or 74%, compared to \$897,000 in the same period in 2014. Our revenue is primarily generated from per-use fees or leasing of our vascular testing systems. Our third quarter revenue also includes fees for testing services with our WellChec™ platform. For licenses, we recognize 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 44%, and the average amount of revenue recognized per unit increased 5% as compared to 2014. We believe that growth in the number of monthly invoices is predominately due to our sales and marketing efforts, which added 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 \$160,000 of revenue from per-use fees, testing services and other sales during the three months ended September 30, 2015. We currently anticipate revenue growth in the fourth quarter of 2015 due to order volume for our WellChec™ testing services.

Operating expenses

We had total operating expenses of \$3,114,000 for the three months ended September 30, 2015, an increase of \$850,000, or 38%, compared to \$2,264,000 in the same period in 2014. The primary reasons for the increase were increased general and administrative expense, sales and marketing expense, cost of revenue, and engineering and product development expense. The changes in the various components of our operating expenses are described below.

Cost of revenue

We had cost of revenue of \$385,000 for the three months ended September 30, 2015, an increase of \$207,000, or 117%, from \$178,000 for the same period in the previous year. The primary reasons for the increase were \$79,000 associated with employees who oversee manufacturing and fulfillment operations. A portion of the increase is also due to the fact that aggregate depreciation of our vascular testing systems for lease increased \$24,000, or 51%, which corresponds to the 44% increase in the number of installed units in the field generating monthly depreciation charges, partially offset by a decrease in average depreciation per unit per month of 1%. Other cost of revenue items, such as building lease, freight and other miscellaneous items were \$70,000 higher and cost of units that were retired was \$34,000 higher in the third quarter of 2015 compared to the same period in 2014.

Engineering and product development expense

We had engineering and product development expense of \$268,000 for the three months ended September 30, 2015, an increase of \$6,000, or 3%, compared to \$262,000 in the same period in 2014. The increase was primarily due to increased salary expense of \$187,000 and increased stock compensation expense of \$7,000, which were partially offset by lower consulting costs for new product development of \$166,000, decreased clinical study expense of \$18,000, and decreased other expenses of \$4,000.

Sales and marketing expense

We had sales and marketing expense of \$1,314,000 for the three months ended September 30, 2015, an increase of \$274,000, or 26%, compared to \$1,040,000 in the same period in 2014. The increase was primarily due to higher salary expense of \$94,000 associated with having an expanded sales team as compared to the prior period, higher facility expense of \$81,000, higher stock compensation expense of \$77,000 as a result of the issuance of additional stock options and a change in terms to warrant expiration dates, higher travel expense of \$61,000, higher other expenses of \$39,000, and higher trade show expense of \$5,000, which increases were partially offset by lower sales commissions of \$83,000, as compared to the same period in 2014.

General and administrative expense

We had general and administrative expense of \$1,147,000 for the three months ended September 30 2015, an increase of \$363,000, or 46%, compared to \$784,000 in the same period in 2014. The increase was primarily due to higher stock compensation expense of \$221,000 as a result of the issuance of additional stock options and a change in terms to warrant expiration dates, higher patent and legal expenses of \$92,000, higher medical device excise tax, state and local tax, higher insurance premiums of \$31,000, higher expense for uncollectable accounts of \$30,000, higher salaries and fees for employees, directors, and consultants of \$21,000, higher costs associated with other expenses of \$13,000, and audit and tax preparation expense of \$10,000, which increases were partially offset by lower costs associated with being a publicly traded company of \$41,000, and lower travel and other expenses of \$14,000.

Other expense

We had other expense of \$28,000 for the three months ended September 30, 2015, a decrease of \$71,000, or 71%, compared to \$99,000 in the same period in 2014. The decrease was primarily due to lower interest expense of \$75,000, which decreased due to retirement of loan and equipment lease obligations as associated deferred financing fees, partially offset by higher other expense of \$4,000.

Net loss

For the foregoing reasons, we had a net loss of \$1,580,000, or \$0.32 per share, for the three months ended September 30, 2015, an increase of \$114,000, or 8%, compared to a net loss of \$1,466,000, or \$0.31 per share, for the same period in 2014.

Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Revenue

We had revenue of \$4,067,000 for the nine months ended September 30, 2015, an increase of \$1,487,000, or 58%, compared to \$2,580,000 in the same period in 2014. Our revenue is primarily generated from per-use fees or leasing of our vascular testing systems. We also began generating fees for testing services with our WellChec™ platform in the second quarter of 2015. For licenses, we recognize 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 44%, and the average amount of revenue recognized per unit grew 1% 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 \$313,000 of revenue from per-use fees, testing services, and other sales during the nine months ended September 30, 2015. We currently anticipate revenue growth in the fourth quarter of 2015 due to order volume for our WellChec™ testing services.

Operating expenses

We had total operating expenses of \$8,281,000 for the nine months ended September 30, 2015, an increase of \$2,536,000, or 44%, compared to \$5,745,000 in the same period in 2014. The primary reasons for the increase were increased sales and marketing expense, general and administrative expense, cost of revenue, and engineering and product development expense, partially offset by a decrease in other expenses. The changes in the various components of our operating expenses are described below.

Cost of revenue

We had cost of revenue of \$887,000 for the nine months ended September 30, 2015, an increase of \$383,000, or 76%, from \$504,000 for the same period in 2014. The primary reason for the increase was additional costs of \$178,000, associated with employees who oversee manufacturing and fulfillment operations. A portion of the increase is also due to the fact that aggregate depreciation of our vascular testing systems for lease increased \$55,000, or 40%, in the first nine months of 2015 compared to the same period in 2014 corresponding to the 44% increase in the number of installed units in the field generating monthly depreciation charges, partially offset by a decrease in average depreciation per unit per month of 4%. Other cost of revenue items, such as building lease, freight and other miscellaneous items were \$113,000 higher and cost of units that were retired were \$37,000 higher in the nine months ended September 30, 2015 compared to the same period in 2014.

Engineering and product development expense

We had engineering and product development expense of \$983,000 for the nine months ended September 30, 2015, an increase of \$77,000, or 8%, compared to \$906,000 in the same period in 2014. The increase was primarily due to higher salary expense of \$559,000, increased clinical study expense of \$52,000, increased stock compensation expense of \$15,000, which were partially offset by lower consulting costs for new product development of \$546,000 and lower other expense of \$3,000.

Sales and marketing expense

We had sales and marketing expense of \$3,809,000 for the nine months ended September 30, 2015, an increase of \$1,295,000, or 52%, compared to \$2,514,000 in the same period in 2014. The increase was primarily due to higher salary expense of \$836,000 associated with having an expanded sales team as compared to the prior period, higher travel expense of \$165,000, higher facility expense of \$165,000, higher other expenses of \$104,000, higher stock compensation expense of \$102,000 as a result of the issuance of additional stock options and a change in terms to warrant expiration dates, and higher trade show expense of \$62,000, which were partially offset by lower commission expenses of \$139,000 as compared to the same period in 2014.

General and administrative expense

We had general and administrative expense of \$2,602,000 for the nine months ended September 30 2015, an increase of \$781,000, or 43%, compared to \$1,821,000 in the same period in 2014. The increase was primarily due to higher salaries and fees for employees, directors, and consultants of \$269,000, higher stock compensation expense of \$252,000 as a result of the issuance of additional stock options and a change in terms to warrant expiration dates, higher medical device excise tax, state and local tax, audit and tax preparation expense of \$131,000, higher insurance premiums of \$103,000, higher patent and legal expenses of \$76,000, higher other expenses of \$21,000, and higher expense for uncollectable accounts of \$16,000, which were partially offset by lower costs associated with being a publicly traded company of \$65,000, and lower travel expense of \$22,000.

Other expense

We had other expense of \$79,000 for the three months ended September 30, 2015, a decrease of \$71,000, or 47%, compared to \$150,000 in the same period in 2014. The decrease was primarily due to lower interest expense of \$78,000 as a result of which

decreased due to retirement of loan and equipment lease obligations as associated deferred financing fees, partially offset by higher other expense of \$7,000.

Net loss

For the foregoing reasons, we had a net loss of \$4,293,000, or \$0.87 per share, for the nine months ended September 30, 2015, an increase of \$978,000, or 30%, compared to a net loss of \$3,315,000, or \$0.85 per share, for the same period in 2014.

Liquidity and Capital Resources

We had cash and restricted cash of \$1,925,000 at September 30, 2015 compared to \$6,256,000 (which included \$2,100,000 of restricted cash) at December 31, 2014, and total current liabilities of \$2,941,000 at September 30, 2015 compared to \$4,064,000 at December 31, 2014. As of September 30, 2015 we had negative working capital of approximately \$487,000. We had restricted cash of \$0 at September 30, 2015 compared to \$2,100,000 at December 31, 2014, which had been 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. During the quarter ended June 30, 2015, 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 vascular testing product and our testing service. 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, revenue, 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. 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 over time 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 at opportune times. 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. To improve operating cash flow, in July 2015, we implemented measures to reduce expenses and renegotiated longer payment terms in our existing contracts. However, there is no guarantee that our efforts will be successful or sustainable, or that we will have sufficient cash available when payments are due under the new terms. Accordingly, it is our intent to raise additional capital at opportune times. If we are unable to raise sufficient additional funds when necessary, we may need to curtail making additional expenditures and could be required to further 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 \$2,491,000 of net cash in operating activities for the nine months ended September 30, 2015. Non-cash adjustments to reconcile net loss to net cash used in operating activities plus changes in operating assets and liabilities provided \$1,802,000 of cash in the nine months ended September 30, 2015. These non-cash adjustments primarily reflect stock-based compensation expense of \$549,000 as a result of the issuance of additional stock options and a change in terms to warrant expiration dates, depreciation of \$211,000, allowance for doubtful accounts of \$119,000, loss on disposal of assets for lease of \$106,000, and amortization of deferred financing costs of \$55,000. Cash provided in operating activities was primarily from deferred revenue of \$716,000, accrued expenses of \$237,000, and prepaid expenses of \$40,000, partially offset by net cash used in trade accounts receivable of \$203,000 and trade accounts payable of \$28,000.

For the same period in 2014, we used \$2,260,000 of net cash in operating activities. Non-cash adjustments to reconcile net loss to net cash used in operating activities plus changes in operating assets and liabilities provided \$1,055,000 of cash in the nine

months ended September 30, 2014. These non-cash adjustments primarily reflect stock-based compensation expense of \$178,000, depreciation of \$140,000, amortization of deferred financing costs of \$129,000, allowance for doubtful accounts of \$104,000, and loss on disposal of assets for lease of \$67,000. Cash provided in operating activities was primarily from deferred revenue of \$439,000 and accrued expenses of \$345,000, partially offset by net cash used due to trade accounts receivable of \$186,000, prepaid expenses and other current assets of \$122,000, and trade accounts payable of \$39,000.

Investing activities

We generated \$1,421,000 of net cash in investing activities for the nine months ended September 30, 2015, primarily from a change in restricted cash of \$2,100,000, partially offset by purchases of assets for lease of \$484,000 as well as fixed asset purchases of \$195,000 to support our WellChec™ platform. We used \$396,000 of net cash in investing activities for the same period in 2014, primarily for purchases of assets for lease of \$391,000 as well as fixed asset purchases of \$5,000.

Financing activities

We used \$1,161,000 in net cash in financing activities during the nine months ended September 30, 2015 due to retirement of our \$2,000,000 revolving credit line with First Republic Bank and costs of equity financing of \$174,000, partially offset by proceeds from sales of equity of \$1,014,000 (\$999,000 from equity sales to investors and \$14,000 from stock option exercises). We generated \$7,895,000 of net cash from financing activities during the nine months ended September 30, 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 pursuant to which we could 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 was 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 by unpaid interest. The line of credit agreement provided for customary events of default and was secured by a collateral cash account at First Republic. As of September 30, 2015, we had repaid the revolving line of credit in full and it is no longer outstanding.

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 September 30, 2015 and December 31, 2014, we had no off-balance sheet arrangements.

Commitments and Contingencies

As of each of September 30, 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 third 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.

Exh. No.	Exhibit Name
10.1	Form of 2014 Stock Incentive Plan Stock Option Grant Notice and Option Agreement
10.2	Form of 2007 Key Person Stock Option Plan Option Grant Notice and Option Agreement
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.

November 3, 2015

SEMLER SCIENTIFIC, INC.

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

By: /s/ James M. Walker
James M. Walker
Chief Financial Officer

**SEMLER SCIENTIFIC, INC.
NOTICE OF GRANT OF STOCK OPTION**

The Participant has been granted an option (the “*Option*”) to purchase certain Shares of Semler Scientific, Inc. (the “*Company*”) pursuant to the Semler Scientific, Inc. 2014 Stock Incentive Plan (the “*Plan*”), as follows:

- Participant:**
- Date of Grant:**
- Number of Option Shares:**
- Exercise Price:** \$
- Initial Vesting Date:** The date one (1) month after the Date of Grant
- Option Expiration Date:** The date ten (10) years after the Date of Grant
- Tax Status of Option:** Nonstatutory Stock Option
- Vested Shares:** Except as provided in the Award Agreement, the number of Vested Shares (disregarding any resulting fractional share) as of any date is determined by multiplying the Number of Option Shares by the “*Vested Ratio*” determined as of such date as follows:

	Vested Ratio
For each full month of the Participant’s continuous Service beginning on the Initial Vesting Date and ending when the Vested Ratio equals 1/1	1/48

Capitalized terms not defined herein shall have the meaning as set forth in the Plan.

Upon any other termination of Participant’s Service, any portion of the Option that is not vested and exercisable as of such date of termination shall automatically expire in accordance with Section 7 of the Award Agreement.

The Exercise Price represents an amount the Company believes to be no less than the fair market value of a Share as of the Date of Grant, determined in good faith in compliance with the requirements of Section 409A of the Code. However, there is no guarantee that the Internal Revenue Service will agree with the Company’s determination. A subsequent IRS determination that the Exercise Price is less than such fair market value could result in adverse tax consequences to the Participant. By signing below, the Participant agrees that the Company, its Directors, Officers and shareholders shall not be held liable for any tax, penalty, interest or cost incurred by the Participant as a result of such determination by the IRS. The Participant is urged to consult with his or her own tax advisor regarding the tax consequences of the Option, including the application of Section 409A.

By their signatures below, the Company and the Participant agree that the Option is governed by this Grant Notice and by the provisions of the Plan and the Award Agreement, both of which are attached to and made a part of this document. The Participant acknowledges receipt of copies of the Plan and the Award Agreement, represents that the Participant has read and is familiar with their provisions, and hereby accepts the Option subject to all of their terms and conditions.

SEMLER SCIENTIFIC, INC.

PARTICIPANT

By: _____
Signature

Printed Name

Signature

Printed Name

Its: _____

Address: 2330 NW Everett Street
Portland, OR 97210

Date

Address

ATTACHMENTS: Semler Scientific, Inc. 2014 Stock Incentive Plan, as amended to the Date of Grant; Award Agreement and Exercise Notice

SEMLER SCIENTIFIC, INC.
STOCK OPTION AWARD AGREEMENT

Semler Scientific, Inc. has granted to the Participant named in the *Notice of Grant of Stock Option* (the “**Grant Notice**”) to which this Award Agreement is attached an Option to purchase certain Shares of Stock upon the terms and conditions set forth in the Grant Notice and this Award Agreement. The Option has been granted pursuant to and shall in all respects be subject to the terms and conditions of the Semler Scientific, Inc. 2014 Stock Incentive Plan (the “**Plan**”), as amended to the Date of Grant, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of, and represents that the Participant has read and is familiar with the terms and conditions of, the Grant Notice, this Award Agreement and the Plan, (b) accepts the Option subject to all of the terms and conditions of the Grant Notice, this Award Agreement and the Plan, and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Board upon any questions arising under the Grant Notice, this Award Agreement or the Plan.

1. DEFINITIONS AND CONSTRUCTION.

1.1. **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

1.2. **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Award Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

2. TAX CONSEQUENCES.

This Option is intended to be a Nonstatutory Stock Option and shall not be treated as an Incentive Stock Option within the meaning of Section 422(b) of the Code.

3. ADMINISTRATION.

All questions of interpretation concerning the Grant Notice, this Award Agreement, the Plan or any other form of agreement or other document employed by the Company in the administration of the Plan or the Option shall be determined by the Board. All such determinations by the Board shall be final, binding and conclusive upon all persons having an interest in the Option, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Board in the exercise of its discretion pursuant to the Plan or the Option or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest in the Option. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, or election.

4. EXERCISE OF THE OPTION.

4.1 Right to Exercise. Except as otherwise provided herein, the Option shall be exercisable on and after the Initial Vesting Date and prior to the termination of the Option (as provided in Section 6) in an amount not to exceed the number of Vested Shares less the number of shares previously acquired upon exercise of the Option. In no event shall the Option be exercisable for more shares than the Number of Option Shares, as adjusted pursuant to Section 9.

4.2 Method of Exercise. Exercise of the Option shall be by means of electronic or written notice (the “**Exercise Notice**”) in a form authorized by the Company. An electronic Exercise Notice must be digitally signed or authenticated by the Participant in such manner as required by the notice and transmitted to the Company or an authorized representative of the Company (including a third-party administrator designated by the Company). In the event that the Participant is not authorized or is unable to provide an electronic Exercise Notice, the Option shall be exercised by a written Exercise Notice addressed to the Company, which shall be signed by the Participant and delivered in person, by certified or registered mail, return receipt requested, by confirmed facsimile transmission, or by such other means as the Company may permit, to the Company, or an authorized representative of the Company (including a third-party administrator designated by the Company). Each Exercise Notice, whether electronic or written, must state the Participant’s election to exercise the Option, the number of shares of Stock for which the Option is being exercised and such other representations and agreements as to the Participant’s investment intent with respect to such shares of Stock as may be required pursuant to the provisions of this Award Agreement. Further, each Exercise Notice must be received by the Company prior to the termination of the Option as set forth in Section 6 and must be accompanied by full payment of the aggregate Exercise Price for the number of shares of Stock being purchased. The Option shall be deemed to be exercised upon receipt by the Company of such electronic or written Exercise Notice and the aggregate Exercise Price.

4.3 Payment of Exercise Price.

a. Forms of Consideration Authorized. Forms of Consideration Authorized. Except as otherwise provided below, payment of the exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made (i) in cash, by check or in cash equivalent, (ii) by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Participant having a Fair Market Value not less than the exercise price, (iii) by delivery of a properly executed notice of exercise together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System) (a “**Cashless Exercise**”), or (iv) by such other consideration as may be approved by the Board from time to time to the extent permitted by applicable law, or (v) by any combination thereof. The Board may at any time or from time to time grant Options which do not permit all of the foregoing forms of consideration to be used in payment of the exercise price or which otherwise restrict one or more forms of consideration.

4.4 *Tax Withholding.*

(a) ***In General.*** At the time the Award Agreement is executed, or at any time thereafter as requested by the Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company, if any, which arise in connection with the grant, vesting or exercise of the Option or the issuance of shares of Stock in settlement thereof. The Company shall have no obligation to deliver shares of Common Stock until the tax obligations of the Company have been satisfied by the Participant.

(b) ***Withholding in Securities.*** The Company may, in its discretion, permit or require the Participant to satisfy all or any portion of the tax obligations by deducting from the shares of Stock otherwise deliverable to the Participant in settlement of the Option a number of shares of Stock having a fair market value, as determined by the Company as of the date on which the tax obligations arise, not in excess of the amount of such tax obligations determined by the applicable withholding rates. In the event that the Company determines that the tax obligations will not be satisfied by the method described above, Participant authorizes the designated plan administrator or any successor plan administrator, to sell a number of shares of Stock that are purchased under the Option, which the Company determines is sufficient to generate an amount that meets the tax obligations plus additional shares of Stock, as necessary. To account for rounding and market fluctuation, and to pay such tax withholding amounts to the Company. The shares of Stock may be sold as part of a block trade with other Participants of the Plan in which all Participants receive an average price. Any adverse consequences to the Participant resulting from the procedure permitted under this Subsection 4.4, including, without limitation, tax consequences, shall be the sole responsibility of the Participant.

(c) ***Consultation.*** The Participant hereby acknowledges that he or she understands that the Participant may suffer adverse tax consequences as a result of the Participant's exercise of the Option or disposition of the Stock. The Participant hereby represents that the Participant has consulted with any tax consultants the Participant deems advisable in connection with the exercise of the Option or disposition of the Stock and that the Participant is not relying on the Company for any tax advice.

4.5 *Beneficial Ownership of Stock; Certificate Registration.* The Participant hereby authorizes the Company, in its sole discretion, to deposit for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice any or all shares of Stock acquired by the Participant pursuant to the exercise of the Option. Except as provided by the preceding sentence, a certificate for the Stock as to which the Option is exercised shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

4.6 *Restrictions on Grant of the Option and Issuance of Stock.* The grant of the Option and the issuance of Stock upon exercise of the Option shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. The Option may not be exercised if the issuance of Stock upon exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed.

The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares of Stock subject to the Option shall relieve the Company of any liability in respect of the failure to issue or sell such shares of Stock as to which such requisite authority shall not have been obtained. As a condition to the exercise of the Option, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

4.7 Fractional Shares. The Company shall not be required to issue fractional shares upon the exercise of the Option.

5. NONTRANSFERABILITY OF THE OPTION.

During the lifetime of the Participant, the Option shall be exercisable only by the Participant or the Participant's guardian or legal representative. The Option shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Following the death of the Participant, the Option, to the extent provided in Section 7, may be exercised by the Participant's legal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution.

6. TERMINATION OF THE OPTION.

The Option shall terminate and may no longer be exercised after the first to occur of (a) the close of business on the Option Expiration Date, (b) the close of business on the last date for exercising the Option following termination of the Participant's Service as described in Section 7, or (c) a Change in Control to the extent provided in Section 8.

7. EFFECT OF TERMINATION OF SERVICE.

7.1 Option Exercisability. The Option shall terminate immediately upon the Participant's termination of Service to the extent that it is then unvested and shall be exercisable after the Participant's termination of Service to the extent it is then vested only during the applicable time period as determined below and thereafter shall terminate.

a. Disability. If the Participant's Service terminates because of the Disability of the Participant, the Option, to the extent unexercised and exercisable for Vested Shares on the date on which the Participant's Service terminated, may be exercised by the Participant (or the Participant's guardian or legal representative) at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

b. Death. If the Participant's Service terminates because of the death of the Participant, the Option, to the extent unexercised and exercisable for Vested Shares on the date on which the Participant's Service terminated, may be exercised by the Participant's legal representative or other person who acquired the right to exercise the Option by reason of the

Participant's death at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date. The Participant's Service shall be deemed to have terminated on account of death if the Participant dies within three (3) months after the Participant's termination of Service.

c. Termination for Cause. Notwithstanding any other provision of this Award Agreement, if the Participant's Service is terminated for Cause, the Option shall terminate and cease to be exercisable immediately upon such termination of Service.

d. Other Termination of Service. If the Participant's Service terminates for any reason, except Disability, death or Cause, the Option, to the extent unexercised and exercisable for Vested Shares by the Participant on the date on which the Participant's Service terminated, may be exercised by the Participant at any time prior to the expiration of three (3) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

7.2 Extension if Exercise Prevented by Law. Notwithstanding the foregoing other than termination of Service for Cause, if the exercise of the Option within the applicable time periods set forth in Subsection 7.1 is prevented by the provisions of Subsection 4.6, the Option shall remain exercisable until the later of (a) thirty (30) days after the date such exercise first would no longer be prevented by such provisions or (b) the end of the applicable time period under Subsection 7.1, but in any event no later than the Option Expiration Date.

8. EFFECT OF CHANGE IN CONTROL.

In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "**Acquiror**"), may, without the consent of the Participant, assume or continue in full force and effect the Company's rights and obligations under all or any portion of the Option or substitute for all or any portion of the Option a substantially equivalent option for the Acquiror's stock. For purposes of this Section 8, the Option or any portion thereof shall be deemed assumed if, following the Change in Control, the Option confers the right to receive, subject to the terms and conditions of the Plan and this Award Agreement, for each share of Stock subject to such portion of the Option immediately prior to the Change in Control, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled; provided, however, that if such consideration is not solely common stock of the Acquiror, the Board may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise of the Option for each Share to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Stock pursuant to the Change in Control. If any portion of such consideration may be received by holders of Stock pursuant to the Change in Control on a contingent or delayed basis, the Board may, in its discretion, determine such Fair Market Value per share as of the time of the Change in Control on the basis of the Board's good faith estimate of the present value of the probable future payment of such consideration. The Option shall terminate and cease to be outstanding effective as of the time of consummation of the Change in Control to the extent that the Option is neither assumed or continued by the Acquiror in connection with the Change in Control nor exercised as of the date of the Change in

Control. Notwithstanding the foregoing, Stock acquired upon exercise of the Option prior to the Change in Control and any consideration received pursuant to the Change in Control with respect to such Stock shall continue to be subject to all applicable provisions of this Award Agreement except as otherwise provided herein.

9. RIGHTS AS A STOCKHOLDER, DIRECTOR, EMPLOYEE OR CONSULTANT.

The Participant shall have no rights as a stockholder with respect to any Stock covered by the Option until the date of the issuance of the Stock for which the Option has been exercised (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the shares of Stock are issued, except as provided in the Plan. If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Participant, the Participant's employment is "at will" and is for no specified term. Nothing in this Award Agreement shall confer upon the Participant any right to continue in the Service of a Participating Company or interfere in any way with any right of the Participating Company Group to terminate the Participant's Service as a Director, an Employee or Consultant, as the case may be, at any time.

10. MISCELLANEOUS PROVISIONS.

10.1 *Termination or Amendment.* The Board may terminate or amend the Plan or the Option at any time; provided, however, that except as provided in Section 8 in connection with a Change in Control, no such termination or amendment may adversely affect the Option or any unexercised portion hereof without the consent of the Participant unless such termination or amendment is necessary to comply with any applicable law or government regulation, including, but not limited to Section 409A of the Code. No amendment or addition to this Award Agreement shall be effective unless in writing.

10.2 *Compliance with Section 409A.* The Company intends that income realized by the Participant pursuant to the Plan and this Award Agreement will not be subject to taxation under Section 409A of the Code. The provisions of the Plan and this Award Agreement shall be interpreted and construed in favor of satisfying any applicable requirements of Section 409A of the Code. The Company, in its reasonable discretion, may amend (including retroactively) the Plan and this Agreement in order to conform to the applicable requirements of Section 409A of the Code, including amendments to facilitate the Participant's ability to avoid taxation under Section 409A of the Code. However, the preceding provisions shall not be construed as a guarantee by the Company of any particular tax result for income realized by the Participant pursuant to the Plan or this Award Agreement. In any event, and except for the responsibilities of the Company set forth in Subsection 4.4., no Participating Company shall be responsible for the payment of any applicable taxes on income realized by the Participant pursuant to the Plan or this Award Agreement.

10.3 *Further Instruments.* The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Award Agreement.

10.4 Binding Effect. Subject to the restrictions on transfer set forth herein, this Award Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

10.5 Delivery of Documents and Notices. Any document relating to participation in the Plan, or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Award Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery electronic delivery at the e-mail address, if any, provided for the Participant by the Participating Company, or, upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service with postage and fees prepaid, addressed to the other party at the address of such party set forth in the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

a. Description of Electronic Delivery. The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Award Agreement, and any reports of the Company provided generally to the Company's shareholders, may be delivered to the Participant electronically. In addition, if permitted by the Company, the Participant may deliver electronically the Grant Notice and Exercise Notice called for by Section 4.2 to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

b. Consent to Electronic Delivery. The Participant acknowledges that the Participant has read Subsection 10.5(a) of this Award Agreement and consents to the electronic delivery of the Plan documents and, if permitted by the Company, the delivery of the Grant Notice and Exercise Notice, as described in Subsection 10.5(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Subsection 10.5(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Subsection 10.5(a).

10.6 Integrated Agreement. The Grant Notice, this Award Agreement and the Plan, together with any employment, service or other agreement with the Participant and a Participating Company referring to the Option, shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings,

restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter. To the extent contemplated herein or therein, the provisions of the Grant Notice, the Award Agreement and the Plan shall survive any exercise of the Option and shall remain in full force and effect.

10.7 *Applicable Law.* This Award Agreement shall be governed by the laws of the State of Delaware as such laws are applied to agreements between Delaware residents entered into and to be performed entirely within the State of Delaware.

10.8 *Counterparts.* The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Participant: _____

Nonstatutory Stock Option

Date: _____

STOCK OPTION EXERCISE NOTICE

Semler Scientific, Inc.

Attention: _____

Ladies and Gentlemen:

1. **Option.** I was granted an option (the "**Option**") to purchase shares of the common stock (the "**Stock**") of Semler Scientific, Inc. (the "**Company**") pursuant to the Company's Stock Incentive Plan (the "**Plan**"), my Notice of Grant of Stock Option (the "**Grant Notice**") and my Award Agreement as follows:

Date of Grant: [INSERT DATE]
Number of Option Shares: _____
Exercise Price per Share: \$ _____

2. **Exercise of Option.** I hereby elect to exercise the Option to purchase the following number of shares of Stock, all of which are Vested Shares, in accordance with the Grant Notice and the Award Agreement:

Total Shares Purchased: _____
Total Exercise Price (Total Shares \$ per Share) \$ _____

3. **Payments.** I enclose payment in full of the total exercise price for the Stock in the following form(s), as authorized by my Award Agreement:

Cashless Exercise
 Cash / Check: \$ _____
 Tender of Company Stock: Contact Plan Administrator

4. **Tax Withholding.** I authorize payroll withholding, net-share withholding and otherwise will make adequate provision for the federal, state, local and foreign tax withholding obligations of the Company, if any, in connection with the Option.

5. **Participant Information.**

My address is: _____
My Social Security Number is: _____

6. **Tax Consultation.** I hereby acknowledge that I understand that I may suffer adverse tax consequences as a result of my purchase or disposition of the Stock. I hereby represent that I am not relying on the Company for any tax advice.

7. **Binding Effect.** I understand that I am purchasing the Shares pursuant to the terms of the Plan, the Grant Notice and my Award Agreement, copies of which I have received and carefully read and understand. This Agreement shall inure to the benefit of and be binding upon my heirs, executors, administrators, successors and assigns.

Very truly yours,

(Signature)

Receipt of the above is hereby acknowledged.
Semler Scientific, Inc.

By: _____
Title: _____
Dated: _____

STOCK OPTION GRANT AGREEMENT

THIS AGREEMENT is made as of _____ between SEMLER SCIENTIFIC, INC., an Oregon corporation (the "Company") and _____ (the "Participant").

WHEREAS, the Company has adopted and maintains the Semler Scientific, Inc. 2007 Key Person Stock Option Plan (the "Plan") to promote the interests of the Company and its stockholders by providing the Company's key employees and other key persons with an appropriate incentive to encourage them to continue in the employ of or affiliation with the Company and to improve the growth and profitability of the Company;

WHEREAS, the Plan provides for the Grant to key persons of stock options to purchase shares of common stock of the Company;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree:

1. Grant of Options. Pursuant to, and subject to, the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Participant the following NON-QUALIFIED STOCK OPTION (the "Option"):
 - a. An option to purchase _____ shares of the Company's common stock.
2. Grant Date. The grant date of this Option is _____.
3. Incorporation of the Plan. Except as otherwise provided herein, all terms, conditions and restrictions of the Plan are incorporated herein and made part hereof as if stated herein. Notwithstanding anything to the contrary in the Plan, if there is any conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of this Agreement, as interpreted by the OOC, shall govern. Unless otherwise indicated herein, all capitalized terms used herein shall have the meanings given to such terms in the Plan.
4. Exercise Price. The exercise price of each share underlying the Options is \$_____, for a total exercise price, if the Participant exercises this Option for each share, of \$_____.
5. Vesting Date. The Options shall become exercisable as follows: 25% of the shares of common stock underlying each Option shall vest on _____, 25% of the shares of common stock underlying each Option shall vest on _____, 25% of the shares of common stock underlying each Option shall vest on _____, 25% of the shares of common stock underlying each Option shall vest on _____; provided that the Participant remains continuously employed by the Company through each such applicable Vesting Date.

Notwithstanding the foregoing:

- a. In the event that:
-

i. The Company terminates the Participant's Employment without Cause;

ii. The Participant terminates his or her affiliation with the Company; or

iii. The Participant's Employment is terminated on account of the Participant's death or Disability, then

1. any portion of the Options which has not vested and become exercisable on or before the date of termination shall immediately expire and be forfeited; and
2. the remaining portion of the Options that has become exercisable may be exercised by the Participant on or before the applicable expiration date set forth in Section 6 below;

b. In the event that the Company consummates a Change in Control, then with the prior election of the OOC in accordance with the Plan, the remaining portion of the Options which has not become exercisable shall vest and become exercisable immediately prior to, and contingent upon, the consummation of the Change in Control;

c. Subject to Section 5(b) above, in the event that, within the two (2) year period following the consummation of a Change in Control or within six (6) months prior to a Change in Control if such termination is in contemplation of the Change in Control, the Company terminates the Participant's Employment without Cause or the Participant terminates his or her Employment for Good Reason, then the remaining portion of the Options shall vest and become exercisable immediately; and

d. If the Participant's employment terminates for any other reason, any portion of the Options which has not become exercisable on or before the date of termination shall immediately expire and be forfeited.

6. Expiration Date. Subject to provisions of the Plan and this Agreement, the Options (or any portions thereof) which have not become exercisable will expire on the date the Participant's Employment is terminated. Any Options (or any portions thereof) which have become exercisable will expire on the earliest of:

a. the tenth anniversary of the Grant Date,

b. the commencement of business on the date the Participant's Employment is terminated for Cause,

c. ninety days after the Participant's Employment is terminated by the Participant, or

d. the second anniversary of the date the Participant's Employment is terminated

i. on account of the Participant's death or disability, or

ii. by the Company without Cause.

7. Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto upon any breach or default of any party under this Agreement, shall impair any such right, power or remedy of such party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar

breach or default thereafter occurring nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party or any provisions or conditions of this Agreement, shall be in writing and shall be effective only to the extent specifically set forth in such writing.

8. Limitation on Transfer. During the lifetime of the Participant, the Options shall be exercisable only by the Participant. The options shall not be assignable or transferable otherwise than by will or by the laws of descent and distribution. Notwithstanding the foregoing, the Participant may request authorization from the OOC or the Board of Directors to assign the Participant's rights with respect to the Options granted herein to a trust or custodianship, the beneficiaries of which may include only the Participant, the Participant's spouse or the Participant's lineal descendants (by blood or adoption), and, if the OOC or the Board of Directors grants such authorization, the Participant may assign the Participant's rights accordingly. In the event of any such assignment, such trust or custodianship, or in the event of the Participant's death, his beneficiaries or estate, shall be subject to all the restrictions, obligations, and responsibilities as apply to the Participant under the Plan and this Agreement and shall be entitled to all the rights of the Participant under the Plan. All shares of Common Stock obtained pursuant to the Option granted herein shall not be transferred except as permitted by the Plan and, if applicable, the Stockholder's Agreement. In the event of any purported transfer of any portion of the Options in violation of the provisions of the Plan and this Agreement, such purported transfer shall, to the extent permitted by applicable law, be void and of no effect.
 9. Integration. This agreement, the Plan and the Stockholder's Agreement contain the entire understanding of the parties with respect to its subject matter. There are no restrictions, agreements, promises, representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth herein, in the Plan, the Employment Agreement and the Stockholder's Agreement. This Agreement, the Plan and the Stockholder's Agreement supersede all prior agreements and understandings between the parties with respect to its subject matter.
 10. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.
 11. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Oregon, without regard to the provisions governing conflict of laws.
 12. Definitions. These capitalized terms have the meanings set forth in this section:
 - a. "Agreement" means this Stock Option Grant Agreement.
-

- b. "Cause" when referring to the Company terminating the Employment of the Participant, means termination because the Participant has committed an act of dishonesty or moral turpitude or has, after notice, willfully refused to perform his or her ordinary duties to the Company.
- c. "Change in Control" means a transaction or connected series of transactions in which the right to elect a majority of the directors of the Company and the effective power to control the Company passes, for consideration, to persons not related to Herbert J. Semler and Shirley L. Semler.
- d. "Company" means Semler Scientific, Inc., an Oregon corporation.
- e. "Employment" means the Participant's employment by the Company or affiliation with the company as an officer, director, or consultant. The word "Employed" means being in a state of Employment with the Company.
- f. "OOC" means the office of the chief executive officer of the Company
- g. "Participant" means the person granted stock options by this Agreement
- h. "Plan" means the 2007 Key Person Stock Option Plan adopted by the Company.
- i. "Stockholder's Agreement" means any agreement restricting transfer of the shares of the Company, or providing for the management of the Company, that may be executed by the shareholders in conformance to Oregon law.

13. Participating Acknowledgment. The Participant hereby acknowledges receipt of a copy of the Plan. The Participant hereby acknowledges that all decisions, determinations and interpretations of the OOC and the Board of Directors in respect of the Plan, this Agreement and the Options shall be final and conclusive.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its duly authorized officer and said Participant has hereunto signed this Agreement on the Participant's own behalf, thereby representing that the Participant has carefully read and understands this Agreement and the Plan as of the day and year first written above.

COMPANY:

PARTICIPANT:

Semler Scientific, Inc.:

By: _____

By: _____

 2330 N.W. Everett Street
 Portland, OR 97210

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: November 3, 2015

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

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: November 3, 2015

/s/ James M. Walker

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

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 September 30, 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: November 3, 2015

/s/ James M. Walker

Name: James M. Walker

Title: Chief Financial Officer

Dated: November 3, 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.
