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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, 2017

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: 001-37714

Sensus Healthcare, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**27-1647271** (I.R.S. Employer Identification No.)
851 Broken Sound Pkwy., NW #215, Boca Raton, Florida (Address of principal executive office)	**33487** Zip Code)

(561) 922-5808
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically 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 (§232.405 of this chapter) 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, a smaller reporting company, or an "emerging growth company". See definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" and an "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☒
		(Do not check if smaller reporting company)	Emerging growth company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

As of October 31, 2017, 13,488,714 shares of the Registrant's Common Stock, $0.01 par value, were outstanding.

SENSUS HEALTHCARE, INC.
QUARTERLY REPORT ON FORM 10-Q
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INTRODUCTORY NOTE
Caution Concerning Forward-Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among others, statements about our beliefs, plans, objectives, goals, expectations, estimates and intentions that are subject to significant risks and uncertainties and are subject to change based on various factors, many of which are beyond our control. The words “may,” “could,” “should,” “would,” “will,” “believe,” “anticipate,” “estimate,” “expect,” “intend,” “plan,” “target,” “goal,” and similar expressions are intended to identify forward-looking statements.

All forward-looking statements, by their nature, are subject to risks and uncertainties. Our actual future results may differ materially from those set forth in our forward-looking statements.

Our ability to achieve our financial objectives could be adversely affected by the factors discussed in detail in Part I, Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Part II, Item 1A. “Risk Factors” in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K., as well as:

- our ability to achieve and sustain profitability;
- market acceptance of the SRT-100 product line;
- our ability to successfully commercialize our products, including the SRT-100;
- our ability to compete effectively in selling our products and services, including responding to technological change and cost containment efforts of our customers;
- the regulatory requirements applicable to us and our competitors, including any adverse regulatory action taken against us;
- our need and ability to obtain additional financing in the future, as well as complying with the restrictions our existing revolving credit facility imposes;
- our ability to expand, manage and maintain our direct sales and marketing organizations;
- our actual financial results may vary significantly from forecasts and from period to period;
- our ability to successfully develop new products, improve or enhance existing products or acquire complementary products, technologies, services or businesses;
- our ability to obtain and maintain intellectual property of sufficient scope to adequately protect our products, including the SRT-100, and our ability to avoid infringing or otherwise violating the intellectual property rights of third parties;
- market risks regarding consolidation in the healthcare industry;
- the willingness of healthcare providers to purchase our products if coverage, reimbursement and pricing from third party payors for procedures using our products significantly declines;
- the level and availability of government and third-party payor reimbursement for clinical procedures using our products;
- our ability to effectively manage our anticipated growth, including hiring and retaining qualified personnel;
- our ability to manufacture our products to meet demand;
- our reliance on third party manufacturers and sole- or single-source suppliers;
- our ability to reduce the per unit manufacturing cost of the SRT-100;
- our ability to efficiently manage our manufacturing processes;
- the regulatory and legal risks, and certain operating risks, that our international operations subject us to;
- off label use of our products;
- the fact that product quality issues or product defects may harm our business;
- the accuracy of our financial statements and accounting estimates, including allowances for accounts receivable and inventory obsolescence;
- any product liability claims;
- limited trading in our shares and the concentration of ownership of our shares;
- cyberattacks and other data breaches and the adverse effect on our reputation;
- new legislation, administrative rules, or executive orders, including those that impact taxes and international trade regulation;
- the provisions in our certificate of incorporation, bylaws, or Delaware law that discourage takeovers or that limit certain disputes to be brought exclusively in the Delaware Court of Chancery;
- geographic concentration of our customers in the U.S. and China; and
- our ability to manage the risk of the foregoing.

However, other factors besides those listed in *Item 1A Risk Factors* or discussed in this Form 10-Q also could adversely affect our results, and you should not consider any such list of factors to be a complete set of all potential risks or uncertainties. Any forward-looking statements made by us or on our behalf speak only as of the date they are made. We do not undertake to update any forward-looking statement, except as required by applicable law.

PART I. FINANCIAL INFORMATION

Item 1. CONDENSED FINANCIAL STATEMENTS

SENSUS HEALTHCARE, INC.
CONDENSED BALANCE SHEETS

	As of September 30, 2017 (unaudited)	As of December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	$ 6,838,527	$ 5,042,477
Accounts receivable, net	5,069,882	3,098,635
Inventories	1,728,598	1,254,915
Investment in debt securities	3,014,507	6,462,369
Prepaid and other current assets	476,222	900,722

Total Current Assets		17,127,736		16,759,118
Property and Equipment, Net		416,133		433,408
Patent Rights, Net		554,219		626,509
Investment in Debt Securities		—		1,103,773
Deposits		24,272		24,272
Total Assets	$	18,122,360	$	18,947,080
Liabilities and Stockholders' Equity				
Current Liabilities				
Accounts payable and accrued expenses	$	3,727,207	$	2,762,371
Product warranties		110,480		40,481
Revolving credit facility		1,625,970		—
Deferred revenue, current portion		658,442		853,798
Total Current Liabilities		6,122,099		3,656,650
Deferred Revenue, Net of Current Portion		13,833		16,251
Total Liabilities		6,135,932		3,672,901
Commitments and Contingencies				
Stockholders' Equity				
Preferred stock, 5,000,000 shares authorized and none issued and outstanding		—		—
Common stock, $0.01 par value – 50,000,000 authorized; 13,522,168 issued and 13,488,714 outstanding at September 30, 2017; 13,546,171 issued and outstanding at December 31, 2016		135,221		135,461
Additional paid-in capital		23,079,210		22,930,975
Treasury stock, 33,454 and 0 shares at cost, at September 30, 2017 and December 31, 2016, respectively		(133,816)		—
Accumulated deficit		(11,094,187)		(7,792,257)
Total Stockholders' Equity		11,986,428		15,274,179
Total Liabilities and Stockholders' Equity	$	18,122,360	$	18,947,080

See accompanying notes to the unaudited condensed financial statements.

SENSUS HEALTHCARE, INC.
CONDENSED STATEMENTS OF OPERATIONS

(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Revenues	$ 4,795,616	$ 3,327,830	$ 14,118,130	$ 9,933,977
Cost of Sales	1,577,715	1,076,821	4,631,263	3,429,967
Gross Profit	3,217,901	2,251,009	9,486,867	6,504,010
Operating Expenses				
Selling and marketing	1,844,199	1,115,752	6,211,124	3,244,364
General and administrative	837,972	789,718	2,798,198	2,546,262
Research and development	1,501,157	389,759	3,795,477	1,096,789
Total Operating Expenses	4,183,328	2,295,229	12,804,799	6,887,415
Loss From Operations	(965,427)	(44,220)	(3,317,932)	(383,405)
Other Income (Expense)				
Interest income	18,642	14,778	59,318	20,598
Interest expense	(18,902)	(972)	(43,316)	(16,825)
Other Income (Expense), net	(260)	13,806	16,002	3,773
Net Loss	$ (965,687)	$ (30,414)	$ (3,301,930)	$ (379,632)
Net Loss per share – basic and diluted	$ (0.07)	$ (0.00)	$ (0.25)	$ (0.03)
Weighted average number of shares used in computing net loss per share – basic and diluted	13,251,714	13,236,724	13,231,398	11,622,134

See accompanying notes to the unaudited condensed financial statements.

SENSUS HEALTHCARE, INC.
CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(unaudited)

	Common Stock		Additional Paid-In	Treasury Stock		Accumulated	
	Shares	**Amount**	**Capital**	**Shares**	**Amount**	**Deficit**	**Total**
December 31, 2016	13,546,171	$ 135,461	$ 22,930,975	—	$ —	$ (7,792,257)	$ 15,274,179
Stock based compensation	5,000	50	303,415	—	—	—	303,465
Surrender of shares for tax withholding on stock compensation	(29,003)	(290)	(155,180)	(33,454)	(133,816)	—	(289,286)
Net loss	—	—	—	—	—	(3,301,930)	(3,301,930)
September 30, 2017 (unaudited)	13,522,168	$ 135,221	23,079,210	(33,454)	$ (133,816)	$ (11,094,187)	$ 11,986,428

See accompanying notes to the unaudited condensed financial statements.

SENSUS HEALTHCARE, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(unaudited)

	For the Nine Months Ended September 30, 2017	2016
Cash Flows From Operating Activities		
Net loss	$ (3,301,930)	$ (379,632)
Adjustments to reconcile net income (loss) to net cash and cash equivalents used in operating activities:		
Bad debt expense	175,695	—
Depreciation and amortization	294,906	253,219
Provision for product warranties	174,723	97,990
Stock based compensation	303,465	625,424
Decrease (increase) in:		
Accounts receivable	(2,146,942)	(1,855,143)
Inventories	(438,290)	(332,488)
Prepaid and other current assets	424,500	(516,691)
Increase (decrease) in:		
Accounts payable and accrued expenses	964,837	(266,452)
Deferred revenue	(197,774)	64,755
Product warranties	(104,725)	(30,652)
Total Adjustments	(549,605)	(1,960,038)
Net Cash Used In Operating Activities	(3,851,535)	(2,339,670)
Cash Flows from Investing Activities		
Acquisition of property and equipment	$ (240,734)	$ (262,437)
Investment in debt securities - held to maturity	(264,365)	(6,577,522)
Investments matured	4,816,000	—
Net Cash Provided By (Used In) Investing Activities	4,310,901	(6,839,959)
Cash Flows from Financing Activities		
Initial public offering of units	—	12,650,000
Exercise of warrants	—	1,132,538
Revolving credit facility, net	1,625,970	(422,702)
Withholding taxes on stock compensation	(289,286)	—
Offering costs	—	(2,126,562)
Cash dividends on preferred stock	—	(2,511,024)
Net Cash Provided By Financing Activities	1,336,684	8,722,250
Net Increase (Decrease) in Cash and Cash Equivalents	1,796,050	(457,379)
Cash and Cash Equivalents – Beginning	5,042,477	5,065,068
Cash and Cash Equivalents – Ending	$ 6,838,527	$ 4,607,689
Supplemental Disclosure of Cash Flow Information		
Interest Paid	$ 43,316	$ 18,781
Non Cash Investing and Financing Activities		
Reclassification of prepaid offering costs to APIC	$ —	$ 130,629
Transfer of inventory to property and equipment	$ 35,393	$ 67,908

See accompanying notes to the unaudited condensed financial statements.

SENSUS HEALTHCARE, INC.
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(unaudited)

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF THE BUSINESS

Sensus Healthcare, Inc. (the “Company”) is a manufacturer of superficial radiation therapy devices and has established a distribution and marketing network to sell the devices to healthcare providers globally. The Company was organized on May 7, 2010 as a limited liability corporation. On January 1, 2016, the Company completed a corporate conversion pursuant to which Sensus Healthcare, Inc. succeeded to the business of Sensus Healthcare, LLC. The Company operates as one segment from its corporate headquarters located in Boca Raton, Florida.

INITIAL PUBLIC OFFERING

In June 2016, the Company issued 2,300,000 units in its initial public offering (“IPO”) at a price of $5.50 per unit ($5.25 attributable to the common stock and $0.25 attributable to the warrant), for net proceeds of approximately $10,393,000 after deducting underwriting discounts and commissions of $886,000 and expenses of $1,371,000. Each unit consisted of one share of common stock and a warrant to purchase one share of common stock. Immediately prior to the IPO, all shares of stock then outstanding converted into an aggregate of 10,367,883 shares of common stock following a 241.95-for-one forward stock split approved by the Company’s board of directors. On July 25, 2016, the common stock and warrants included in the units issued in the IPO commenced trading separately under the symbols “SRTS” and “SRTSW,” respectively, and trading of the units under the symbol “SRTSU” was suspended.

BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements in this Quarterly Report on Form 10-Q have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, and the rules and regulations of the U.S. Securities and Exchange Commission, or SEC. Accordingly, they do not include certain footnotes and financial presentations normally required under accounting principles generally accepted in the United States of America for complete financial statements. The interim financial information is unaudited, but reflects all normal adjustments and accruals which are, in the opinion of management, considered necessary to provide a fair presentation for the interim periods presented. The accompanying condensed financial statements should be read in conjunction with the Company’s audited financial statements and notes thereto for the year ended December 31, 2016 included in the Company’s Form 10-K, filed with the SEC. The results for the nine months ended September 30, 2017 are not necessarily indicative of results to be expected for the year ending December 31, 2017, any other interim periods, or any future year or period.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates to which it is reasonably possible that a change could occur in the near term include, revenue recognition, inventory reserves, receivable allowances, recoverability of long lived assets and estimation of the Company's product warranties. Actual results could differ from those estimates.

Revenue Recognition

The Company's sales primarily relate to sales of the Company's devices. The Company recognizes product revenue upon shipment provided that there is persuasive evidence of an arrangement, there are no uncertainties regarding customer acceptance, the sales price is fixed and determinable, and collection of the resulting receivable is reasonably assured. The Company does not provide a right of return related to product sales. Revenues for service contracts are recognized over the service contract period on a straight-line basis. Revenue for rentals of equipment is recognized over the lease term on a straight-line basis.

The Company sells products and services under multiple-element arrangements with separate units of accounting; in these situations, total consideration is allocated to the identified units of accounting based on their relative selling prices and revenue is then recognized for each unit based on its specific characteristics. A deliverable in an arrangement qualifies as a separate unit of accounting if the delivered item has value to the customer on a stand-alone basis. The principal deliverables in our multiple deliverable arrangements that qualify as separate units of accounting consist of (i) sales of medical devices and accessories and (ii) service contracts. Performance obligations, including installation and customer training, are considered inconsequential and are combined with the product as one unit of accounting. Selling prices are established using vendor-specific objective evidence (VSOE). If VSOE does not exist, the Company uses its best estimate of the selling prices for the deliverables.

The Company operates in a highly-regulated environment and is continually entering into new markets in which regulatory approval is sometimes required prior to the customer being able to use the product. In these cases, where regulatory approval is pending, revenue is deferred until such time as regulatory approval is obtained and customer acceptance becomes certain.

Deferred revenue consists of payments from customers for long term separately priced service contracts, sales pending regulatory approval and deposits on products. Deferred revenue as of September 30, 2017 and December 31, 2016 was as follows:

	As of September 30, 2017 (unaudited)	As of December 31, 2016
Service contracts	$ 632,442	$ 613,374
Sales pending regulatory approval	—	155,517
Deposits on products	26,000	84,907
Total deferred revenue, current portion	$ 658,442	$ 853,798
Service contracts, net of current portion	13,833	16,251
Total deferred revenue	$ 672,275	$ 870,049

The Company provides warranties, generally for one year, in conjunction with the sale of its product. These warranties are short term in nature and entitle the customer to repair, replacement, or modification of the defective product subject to the terms of the respective warranty. The Company records an estimate of future warranty claims at the time the Company recognizes revenue from the sale of the product based upon management's estimate of the future claims rate.

Shipping and handling costs are expensed as incurred and are included in cost of sales.

Segment and Geographical Information

The Company's revenue is generated primarily from customers in the United States, which represented approximately 99% and 100% for the three months ended September 30, 2017 and 2016, respectively, and approximately 99% and 74% for the nine months ended September 30, 2017 and 2016, respectively. A customer in China accounted for approximately 0% and 15% for the nine months ended September 30, 2017 and 2016, respectively. A customer in the U.S. accounted for approximately 69% and 33% of revenues for the three months ended September 30, 2017 and 2016, respectively, and approximately 58% and 15% for the nine months ended September 30, 2017 and 2016, respectively, and 85% and 39% of the accounts receivable as of September 30, 2017 and December 31, 2016, respectively.

Cash and Cash Equivalents

The Company maintains its cash and cash equivalents with financial institutions which balances exceed the federally insured limits. Federally insured limits are $250,000 for deposits. As of September 30, 2017, and December 31, 2016, the Company had approximately $6,673,000 and $4,792,000, respectively in excess of federally insured limits.

For purposes of the statement of cash flows, the Company considers all highly liquid financial instruments with a maturity of three months or less when purchased to be a cash equivalent.

Investments

Short term investments consist of investments which the Company expects to convert into cash within one year and long-term investments after one year. The Company classifies its investments in debt securities at the time of purchase as held-to-maturity and reevaluates such classification on a quarterly basis. Held-to-maturity investments consist of securities that the Company has the intent and ability to retain until maturity. These securities are carried at amortized cost plus accrued interest and consist of the following:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Short Term:				
Corporate bonds	$ 6,462,369	$ 167	$ 7,243	$ 6,455,293
United States Treasury bonds	—	—	—	—
Total Short Term:	6,462,369	167	7,243	6,455,293
Long Term:				
United States Treasury bonds	502,063	—	1,174	500,890

Corporate bonds	601,710		2,618	599,091
Total Long Term:	1,103,773	—	3,792	1,099,981
Total Investments December 31, 2016	$ 7,566,142	$ 167	$ 11,035	$ 7,555,274
Short Term:				
Corporate bonds	$ 1,511,052	$ —	$ 1,043	$ 1,510,010
United States Treasury bonds	1,503,454	—	1,031	1,502,423
Total Short Term:	3,014,507	—	2,074	3,012,433
Long Term:				
United States Treasury bonds	—	—	—	—
Corporate bonds	—	—	—	—
Total Long Term:	—	—	—	—
Total Investments September 30, 2017 (unaudited)	$ 3,014,507	$ —	$ 2,074	$ 3,012,433

Accounts Receivable

The Company does business and extends credit based on an evaluation of each customer's financial condition, generally without requiring collateral. Exposure to losses on receivables is expected to vary by customer due to the financial condition of each customer. The Company monitors exposure to credit losses and maintains allowances for anticipated losses considered necessary under the circumstances. The allowance for doubtful accounts was approximately $0 and $29,000 as of September 30, 2017 and December 31, 2016, respectively. Bad debt expense for the three months ended September 30, 2017 and 2016 was approximately $0 and for the nine months ended September 30, 2017 and 2016 was approximately $176,000 and $9,000, respectively.

Inventories

Inventories consist of finished product and components and are stated at the lower of cost and net realizable value, determined using the first-in-first-out method.

Earnings Per Share

Basic net income (loss) per share is calculated by dividing the net income (loss) by the weighted-average number of common shares outstanding for the period using the treasury stock method for options and warrants. The diluted net income per share is computed by giving effect to all potential dilutive common share equivalents outstanding for the period. In periods when the Company has incurred a net loss, options and warrants to purchase common shares are considered common share equivalents but have been excluded from the calculation of diluted net loss per share as their effect is antidilutive. Shares excluded were computed under the treasury stock method as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Warrants	5,851	23,644	5,851	23,644
Shares	9,779	71,142	9,779	71,142

Advertising Costs

Advertising and promotion expenses are charged to expense as incurred. Advertising and promotion expense included in selling expense in the accompanying statements of operations amounted to approximately $185,000 and $168,000 for the three months ended September 30, 2017 and 2016, respectively, and $1,242,000 and $687,000 for the nine months ended September 30, 2017 and 2016, respectively.

Recently issued accounting pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 will eliminate transaction- and industry-specific revenue recognition guidance under current GAAP and replace it with a principle based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for reporting periods beginning after December 15, 2017. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. In April 2016, the FASB also issued ASU 2016-10, Identifying Performance Obligations and Licensing, implementation guidance on principal versus agent, identifying performance obligations, and licensing. ASU 2016-10 is effective for reporting periods beginning after December 15, 2017. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. For the Company, the ASU is effective January 1, 2018. The Company is continuing to evaluate the standards' impact on the results of operations and financial condition. The Company has conducted initial analyses and is currently completing detailed contract reviews to determine if any adjustments are necessary to the existing accounting policies and to support the evaluation of the standards' impact to the results of operations and financial condition. For the majority of the Company's revenue arrangements, no significant impacts are expected as these transactions are not accounted for under industry-specific guidance that will be superseded by the ASU, and generally consist of obligations to transfer goods and services. The Company currently anticipates utilizing the modified retrospective method of adoption on January 1, 2018.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes (Topic 740). Under the new guidance, companies are required to classify all deferred tax assets and liabilities as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. In addition, companies will no longer allocate valuation allowances between current and noncurrent deferred tax assets because those allowances will also be classified as noncurrent. This guidance is effective for financial statements issued for annual periods beginning after December 15, 2016. The Company adopted this standard in the first quarter of 2017 and it did not have a material impact on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." The guidance in ASU 2016-02 supersedes the lease recognition requirements in ASC Topic 840, Leases (FAS 13). The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 1, 2018, including interim periods within those fiscal years, with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Early adoption of the amendments in the update is permitted. The Company is currently evaluating the effect this standard will have on its financial statements.

In April 2016, the FASB issued ASU 2016-09, Compensation — Stock Compensation (Topic 718), which requires that the income tax effect of share-based awards be recognized in the income statement when the awards vest or are settled. The guidance will also allow an employer to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. The guidance is effective for years beginning after December 15, 2016 and interim periods within those years. The Company adopted this standard in the first quarter of 2017 and it did not have a material impact on its financial statements.

NOTE 2 — PROPERTY AND EQUIPMENT

	As of September 30, 2017 (unaudited)	As of December 31, 2016	Estimated Useful Lives
Operations and rental equipment	$ 730,095	$ 630,886	3 years
Tradeshow and demo equipment	294,474	294,475	3 years
Computer equipment	139,549	95,218	3 years
	1,164,118	1,020,579	
Less accumulated depreciation	(747,985)	(587,171)	
Property and Equipment, Net	$ 416,133	$ 433,408	

Depreciation expense was approximately $79,000 and $60,000, for the three months ended September 30, 2017 and 2016, respectively, and approximately $223,000 and $181,000, for the nine months ended September 30, 2017 and 2016, respectively. Depreciation on asset disposal was approximately $44,000 for the three months ended September 30, 2017 and $62,000 for the nine months ended September 30, 2017.

NOTE 3 — PATENT RIGHTS

	As of September 30, 2017 (unaudited)	As of December 31, 2016
Gross carrying amount	$ 1,253,018	$ 1,253,018
Less accumulated amortization	(698,799)	(626,509)
Patent Rights, Net	$ 554,219	$ 626,509

Amortization expense was approximately $24,000 for the three months ended September 30, 2017 and 2016, and approximately $72,000 for the nine months ended September 30, 2017 and 2016. As of September 30, 2017, future remaining amortization expense is as follows:

For the Year Ending December 31,	
2017 (October 1 — December 31, 2017)	$ 24,097
2018	96,386
2019	96,386
2020	96,386
2021	96,386
Thereafter	144,578
Total	$ 554,219

NOTE 4 — REVOLVING CREDIT FACILITY

On March 12, 2013, the Company entered into a two-year $3 million revolving credit facility. The credit facility was amended and extended effective March 12, 2015 through May 12, 2017. The maximum borrowing was reduced to $1,500,000 and was limited by the Company's eligible borrowing base of 80% of eligible accounts receivable. On September 21, 2016, a second amendment to the credit facility extended the facility through September 21, 2017, increased the maximum borrowing to $2,000,000 and expanded the eligible accounts receivables to include certain international receivables. The Company was not in compliance in April and May 2017 with one of its financial covenants. On June 27, 2017, the covenant defaults were waived and the agreement was amended to modify the financial covenants effective June 2017. An amendment signed on September 15, 2017 extended the maturity date of the credit line through November 19, 2017.

Interest, at Prime plus 0.75% (5.00% at September 30, 2017), is payable monthly, and the outstanding principal and interest are due on the maturity date. The facility is secured by all of the Company's assets and limits the amount of additional indebtedness, restricts the sale, disposition or transfer of assets of the Company and requires the maintenance of a certain monthly adjusted quick ratio restrictive covenant, as defined in the agreement. Approximately $1,626,000 was outstanding under the revolving credit facility at September 30, 2017 and $0 at December 31, 2016. The Company pays commitment fees of 0.25% per annum on the average unused portion of the line of credit.

NOTE 5 — PRODUCT WARRANTIES

Changes in product warranty liability were as follows for the nine months ended September 30, 2017 (unaudited).:

Balance, beginning of period	$ 40,481
Warranties accrued during the period	174,723
Payments on warranty claims	(104,724)
Balance, end of period	$ 110,480

NOTE 6 — COMMITMENT AND CONTINGENCIES

OPERATING LEASE AGREEMENTS

In July 2016, the Company renewed its lease with an unrelated third party for its headquarters office. The renewal was effective September 1, 2016 and expanded the office space being occupied. The lease expires in September 2022 and lease payments increase by 3% annually. Future minimum lease payments as of September 30, 2017 are as follows:

Year	
2017 (October 1 — December 31, 2017)	$ 47,000
2018	190,000
2019	196,000
2020	202,000
2021	208,000
Thereafter	160,000

Total	$	1,003,000

Rental expense for the three months ended September 30, 2017 and 2016 was approximately $46,000 and $25,000, respectively, and for the nine months ended September 30, 2017 and 2016 was approximately $131,000 and $74,000, respectively.

Manufacturing Agreement

In July 2010, the Company entered into a three-year contract manufacturing agreement with an unrelated third party for the production and manufacture of the Company's main product in accordance with the Company's product specifications. The agreement renews for successive years unless either party notifies the other party in writing, at least 60 days prior to the anniversary date of this agreement that it will not renew the agreement. The Company or the manufacturer has the option to terminate the agreement with 90 days written notice. Any change in the relationship with the manufacturer could have an adverse effect on the Company's business.

Purchases from this manufacturer totaled approximately $1,582,000 and $713,000 for the three months ended September 30, 2017 and 2016, respectively, and approximately $3,074,000 and $2,298,000 for the nine months ended September 30, 2017 and 2016, respectively. As of September 30, 2017, and December 31, 2016 approximately $658,000 and $566,000, respectively, was due to this manufacturer, which is presented in accounts payable and accrued expenses in the accompanying balance sheets.

Legal contingencies

The Company is party to certain legal proceedings in the ordinary course of business. The Company assesses, in conjunction with its legal counsel, the need to record a liability for litigation and related contingencies. The Company does not believe that any legal proceedings are likely to have a material effect on the business, financial condition, or results of operations.

Note 7 — Stockholders' Equity

The Company has authorized 50,000,000 shares of common stock, of which 13,522,168 were issued and 13,488,714 outstanding at September 30, 2017; 13,546,171 shares were issued and outstanding as of December 31, 2016, respectively.

Stock Issuances

On January 1, 2016, Sensus Healthcare, LLC converted into a Delaware corporation pursuant to a statutory conversion and changed its name to Sensus Healthcare, Inc. As a result of the corporate conversion, the holders of the different classes of units of Sensus Healthcare, LLC became holders of common stock of Sensus Healthcare, Inc. Holders of warrants and options, respectively, to purchase membership interests of Sensus Healthcare, LLC became holders of warrants and options to purchase common stock of Sensus Healthcare, Inc., respectively. Each membership interest converted to one share of common stock.

During 2011, the Company offered to a limited number of investors (the "investor members") preferred membership interests (the "interests") consisting of (i) cumulative, non-compounded, 8% per annum preferential return, payable annually, if and when such distributions are made by the Company's board of directors and (ii) participation in the Company's net profits, net losses and distributions of the Company's assets pursuant to the operating agreement. The offering raised approximately $6.4 million in gross proceeds ($6.0 million net of offering costs), utilizing a private placement memorandum. As of December 31, 2015, accumulated unpaid preferential distributions were approximately $2,674,000 ($0.87 per share). Preferential distributions no longer accrued after December 31, 2015. In June 2016, after the completion of the IPO, the accumulated unpaid distribution as of December 31, 2015 was payable in cash or shares, at the option of each stockholder with a preferential distribution. On July 15, 2016, the Company accrued dividends in the amount of approximately $2,553,000, representing the amount for which former holders of membership units with a preferred return elected to receive dividends in cash. In addition, 23,138 shares valued at approximately $122,000 of common stock were issued to those that elected to receive the dividends in shares.

Warrants

In April 2013, the closing date of the second common offering, the Company's placement agent received investor rights to 5 year warrants to purchase 86,376 common shares of the Company at an exercise price of $4.55 per unit, which was equal to 110% of the offering price.

In June 2016, from the IPO, the investors received three-year warrants to purchase 2,300,000 shares of common stock at an exercise price of $6.75 per share; the warrants are exercisable through June 2, 2019. Following the first anniversary of the date of issuance, if certain conditions are met, the Company may redeem any and all of the outstanding warrants at a price equal to $0.01 per warrant.

In addition, the underwriter's representatives received four-year warrants to purchase up to 138,000 units, consisting of one share of common stock and one warrant to purchase one share of common stock. The warrants for the units are exercisable between June 2, 2017 and June 2, 2021 at an exercise price of $6.75 per unit.

The following table summarizes the Company's warrant activity:

	Common Unit Warrants		
	Number of Warrants	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term (In Years)**
Outstanding – December 31, 2016	2,524,376	$ 6.67	2.50
Granted	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Outstanding – September 30, 2017	2,524,376	$ 6.67	1.76
Exercisable – September 30, 2017	2,524,376	$ 6.67	1.76

The intrinsic value of the common stock warrants was approximately $29,000 as of September 30, 2017, and $114,000 as of December 31, 2016.

2016 and 2017 equity incentive Plans

The Company has limited the aggregate number of shares of common stock to be awarded under the 2016 Equity Incentive Plan to 397,473 shares and no more than 397,473 shares of common stock in the aggregate may be granted in connection with incentive stock options. The Company has limited the aggregate number of shares of common stock to be awarded under the 2017 Equity Incentive Plan to 500,000 shares and no more than 500,000 shares of common stock in the aggregate may be granted in connection with incentive stock options. In addition, unless the Compensation Committee specifically determines otherwise, the maximum number of shares available under the 2016 and 2017 Plans and the awards granted under those plans will be subject to appropriate adjustment in the case of any stock dividends, stock splits, recapitalizations, reorganizations, mergers, consolidations, exchanges or other changes in capitalization affecting our common stock.

On June 2, 2016, 307,666 shares of restricted stock were issued to employees and were recorded at the fair value of $5.25 as per the initial offering price. In addition, on January 20, 2017, 10,000 shares of restricted stock were issued to one employee and were recorded at the fair value of $4.99 per share. The shares vest 25% per year over a four-year vesting period and are being recognized as expense on a straight-line basis over the vesting period of the awards. Stock compensation expense of approximately $102,000 and $101,000 was recognized for the three months ended September 30, 2017 and 2016, respectively, and approximately $303,000 and $135,000 was recognized for the nine months ended September 30, 2017 and 2016, respectively. Unrecognized stock compensation expense was approximately $1,101,000 as of September 30, 2017, which will be recognized over the remaining vesting period. As of September 30, 2017, 84,807 shares were available to be granted under the 2016 Plan and 500,000 shares were available to be granted under the 2017 Plan.

The Company recognizes forfeitures as they occur rather than estimating a forfeiture rate. The reduction of stock compensation expense related to the 5,000 shares forfeited for the three and nine months ended in September 30, 2017 was approximately $0 and $7,000.

A summary of the restricted stock activity for the nine months ended September 30, 2017 is presented as follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested balance at December 31, 2016	412,914	$ 5.04
Granted	10,000	4.99
Vested	(180,914)	4.24
Forfeited	(5,000)	5.25
Unvested balance at September 30, 2017	237,000	$ 5.64

Treasury Stock

The Company accounts for purchases of treasury stock under the cost method with the cost of such share purchases reflected in treasury stock in the accompanying condensed balance sheet. As of September 30, 2017, the Company had 33,454 treasury shares.

Note 8 — Income Taxes

Book income before taxes was negative for the three and nine months ended September 30, 2017. Tax expense for the three and nine months ended September 30, 2017 was $0.

There are no uncertain tax positions that would require recognition in the financial statements. If the Company incurs an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The Company's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as other factors.

The Company accounts for income taxes in accordance with ASC 740, Income Taxes, which prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim period, disclosure and transition.

As of September 30, 2017, the Company has US federal and certain state tax returns subject to examination, beginning with those filed for the year 2013.

Note 9 — Subsequent Events

The Company evaluates subsequent events and transactions that occur after the balance sheet date up to the date that the financial statements were issued for potential recognition or disclosure. Other than as described below, the Company did not identify any subsequent events that would have required adjustment or disclosure in the financial statements.

On October 31, 2017, the Company amended its revolving credit facility to extend the maturity to October 31, 2019. The availability under the amended facility will equal the lesser of the $5 million commitment amount or the borrowing base plus the $2.5 million non-formula sublimit. The borrowing base consists of 80% of eligible accounts receivable, as defined in the agreement. Interest at Prime plus 0.75% (Prime plus 1.50% on non-formula borrowings) is payable monthly, and the outstanding principal and interest are due on the maturity date. The facility is secured by all of the Company's assets and limits the amount of additional indebtedness, restricts the sale, disposition or transfer of assets of the Company and requires the maintenance of a certain monthly adjusted quick ratio restrictive covenant, as defined in the agreement. The Company will pay commitment fees of 0.25% per annum on the average unused portion of the line of credit.

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

You should read the following discussion and analysis in conjunction with the information set forth within the financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q, and with our Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2016 ("Annual Report"). The statements in this discussion regarding our expectations of our future performance, liquidity and capital resources, our plans, estimates, beliefs and expectations that involve risks and uncertainties, and other non-historical statements in this discussion, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," "target," "goal," and similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described under "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. Our actual results may differ materially from those contained in or implied by any forward-looking statements. Please see the Introductory Note and Item 1A. Risk Factors of our Annual Report, as updated in our subsequent quarterly reports filed on Form 10-Q, and in our other filings made from time to time with the SEC after the date of this report.

Overview

Sensus Healthcare, LLC, a Delaware limited liability company (the "Company"), was formed on May 7, 2010, to design, manufacture and market proprietary medical devices specializing in the treatment of non-melanoma skin cancers and other skin conditions, such as keloids, with superficial radiation therapy. In June 2010, Sensus Healthcare, LLC, a Florida limited liability company ("Sensus (FL)") acquired all the assets associated with our primary product, the SRT-100, from Topex, Inc. for $1.3 million. Following this acquisition, we relaunched the SRT-100 under the Sensus Healthcare brand. In December 2011, we merged with Sensus (FL), with the Delaware limited liability company surviving the merger for the purpose of changing our domicile from Florida to Delaware. On January 1, 2016, Sensus Healthcare, LLC converted into a Delaware corporation pursuant to a statutory conversion and we changed our name to Sensus Healthcare, Inc. As a result of the corporate conversion, all holders of units of Sensus Healthcare, LLC became holders of common stock of Sensus Healthcare, Inc. Holders of warrants and options to purchase units of Sensus Healthcare, LLC became holders of warrants and options to purchase common stock of Sensus Healthcare, Inc., respectively.

The SRT-100 is a photon x-ray low energy superficial radiotherapy system that provides patients an alternative to surgery for treating non-melanoma skin cancers, including basal cell and squamous cell skin cancers and other skin conditions such as keloids. The SRT-100 may also be used to treat primary lesions that would otherwise be difficult to treat or require extensive surgery involving sensitive areas of the head and neck regions, such as the fold in the nose, eyelids, lips, corner of the mouth, and the lining of the ear, which could lead to a less than desirable cosmetic outcome. Superficial radiation therapy treatment procedures do not require the use of anesthetics and eliminates the need for skin grafting. The SRT-100 provides healthcare providers and patients with a safe, virtually painless, and substantially non-scarring treatment option for non-melanoma skin cancer and other skin conditions, such as keloids. It allows dermatologists to retain non-melanoma skin cancer patients, rather than referring them to specialists, while offering radiation oncologists an alternative to costly linear accelerator–based treatments with a process that is less invasive, more time-efficient, and improves practice economics. Our revenue is primarily derived from sales of our SRT-100 product line.

Components of our results of operations

We manage our business globally within one reportable segment, which is consistent with how our management reviews our business, prioritizes investment and resource allocation decisions and assesses operating performance.

Results of Operations

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Revenues	$ 4,795,616	$ 3,327,830	$ 14,118,130	$ 9,933,977
Cost of Sales	1,577,715	1,076,821	4,631,263	3,429,967
Gross Profit	3,217,901	2,251,009	9,486,867	6,504,010
Operating Expenses				
Selling and marketing	1,844,199	1,115,752	6,211,124	3,244,364
General and administrative	837,972	789,718	2,798,198	2,546,262
Research and development	1,501,157	389,759	3,795,477	1,096,789
Total Operating Expenses	4,183,328	2,295,229	12,804,799	6,887,415
Loss From Operations	(965,427)	(44,220)	(3,317,932)	(383,405)
Other Income (Expense)				
Interest income	18,642	14,778	59,318	20,598
Interest expense	(18,902)	(972)	(43,316)	(16,825)
Other Income (Expense), net	(260)	13,806	16,002	3,773
Net Loss	$ (965,687)	$ (30,414)	$ (3,301,930)	$ (379,632)

Three months ended September 30, 2017 compared to the three months ended September 30, 2016

Revenue. Revenue was $4,795,616 for the three months ended September 30, 2017 compared to $3,327,830 for the three months ended September 30, 2016, an increase of $1,467,785, or 44.1%. The growth in revenue was primarily attributable to an increase in sales of the higher priced SRT-100 Vision product in the current quarter, as well as an increase in the number of units sold.

Cost of sales. Cost of sales was $1,577,715 for the three months ended September 30, 2017 compared to $1,076,821 for the three months ended September 30, 2016, an increase of $500,894, or 46.5%. The increase in cost of sales was due to the increase in sales.

Gross profit. Gross profit was $3,217,901 for the three months ended September 30, 2017 compared to $2,251,009 for the three months ended September 30, 2016, an increase of $966,892, or 43.0%. Our overall gross profit percentage was 67.1% in the three months ended September 30, 2017 compared to 67.6% in the corresponding period in 2016.

Selling and marketing. Selling and marketing expense was $1,844,199 for the three months ended September 30, 2017 compared to $1,115,752 for the three months ended September 30, 2016, an increase of $728,448, or 65.3%. The increase was primarily attributable to an increase in sales headcount and higher participation in tradeshows and other marketing activities.

General and administrative. General and administrative expense was $837,972 for the three months ended September 30, 2017 compared to $789,718 for the three months ended September 30, 2016, an increase of $48,253, or 6.1%. The net increase was primarily due to an increase in professional fees and headcount.

Research and development. Research and development expense was $1,501,157 for the three months ended September 30, 2017 compared to $389,759 for the three months ended September 30, 2016, an increase of $1,111,398, or 285.2%. The increase in research and development spending was primarily attributable to new R&D projects.

Other income (expense). We incur interest expense in connection with our secured credit facility with Silicon Valley Bank and earn interest income from our investment in held-to-maturity securities.

Nine months ended September 30, 2017 compared to the nine months ended September 30, 2016

Revenue. Revenue was $14,118,130 for the nine months ended September 30, 2017 compared to $9,933,977 for the nine months ended September 30, 2016, an increase of $4,184,153, or 42.1%. The growth in revenue was primarily attributable to an increase in sales of the higher priced SRT-100 Vision product.

Cost of sales. Cost of sales was $4,631,263 for the nine months ended September 30, 2017 compared to $3,429,967 for the nine months ended September 30, 2016, an increase of $1,201,296, or 35.0%. The increase in cost of sales was due to the increase in sales.

Gross profit. Gross profit was $9,486,867 for the nine months ended September 30, 2017 compared to $6,504,010 for the nine months ended September 30, 2016, an increase of $2,982,857, or 45.9%. Our overall gross profit percentage was 67.2% in the nine months ended September 30, 2017 compared to 65.5% in the corresponding period in 2016. The increase in gross margin percentage was primarily due to increased sales of the higher margin SRT-100 Vision product.

Selling and marketing. Selling and marketing expense was $6,211,124 for the nine months ended September 30, 2017 compared to $3,244,364 for the nine months ended September 30, 2016, an increase of $2,966,760, or 91.4%. The increase was primarily attributable to an increase in sales headcount and higher participation in tradeshows and other marketing activities.

General and administrative. General and administrative expense was $2,798,198 for the nine months ended September 30, 2017 compared to $2,546,262 for the nine months ended September 30, 2016, an increase of $251,936, or 9.9%. The net increase was primarily due to an increase in headcount, director and officer insurance premiums and other public company expenses, partially offset by a decrease in stock compensation expense and professional fees.

Research and development. Research and development expense was $3,795,477 for the nine months ended September 30, 2017 compared to $1,096,789 for the nine months ended September 30, 2016, an increase of $2,698,688, or 246.1%. The increase in research and development spending was primarily attributable to new R&D projects.

Other income (expense). We incur interest expense in connection with our secured credit facility with Silicon Valley Bank and earn interest income from our investment in held-to-maturity securities.

Financial Condition

Our cash, cash equivalent and investment balance decreased from $12.6 million at December 31, 2016 to $9.9 million at September 30, 2017, primarily as a result of the operating loss of $3.3 million during the first nine months of 2017.

Borrowings under the revolving line of credit as of September 30, 2017 were approximately $1.6 million.

Liquidity and Capital Resources

Overview

Our liquidity position and capital requirements may be impacted by a number of factors, including the following:

- our ability to generate and increase revenue;
- fluctuations in gross margins, operating expenses and net results; and
- fluctuations in working capital.

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

- expansion of our sales, marketing and distribution activities; and
- expansion of our research and development activities.

We regularly evaluate our cash requirements for current operations, commitments, capital requirements and business development transactions, and we may elect to raise additional funds for these purposes in the future.

Cash flows

The following table provides a summary of our cash flows for the periods indicated:

	For the Nine Months Ended September 30, (unaudited)	
	2017	**2016**
Net Cash Provided by (Used In):		
Operating Activities	$ (3,851,535)	$ (2,339,670)
Investing Activities	4,310,901	(6,839,959)
Financing Activities	1,336,684	8,722,250
Total	$ 1,796,050	$ (457,379)

Cash flows from operating activities

Net cash used in operating activities was $3,851,535 for the nine months ended September 30, 2017, consisting of a net loss of $3,301,930 and an increase in net operating assets of $1,498,394, partially offset by non-cash charges of $948,789. The increase in net operating assets was primarily due to the increase in sales resulting in an increase in accounts receivable as well as an increase in inventory and a decrease in deferred revenues, less a decrease in prepaid and other currents assets as well as an increase in account payables and accrued expenses. Non-cash charges consisted of stock compensation expense, depreciation and amortization, bad debts and warranty provision. Net cash used in operating activities was $2,339,670 for the nine months ended September 30, 2016, primarily due to the increase in accounts receivable as well as an increase in prepaid expenses.

Cash flows from investing activities

Net cash provided by investing activities was $4,310,901 due to the maturity of debt securities held-to-maturity for $4,816,000, offset by the purchase of debt securities held-to-maturity for $264,365 and $240,734 for acquisition of property and equipment during the nine months ended September 30, 2017. Cash used in investing activities was $6,839,959 for the nine months ended September 30, 2016 due to the purchase of debt securities held-to-maturity for $6,577,522 and $262,437 for acquisition of property and equipment.

Cash flows from financing activities

Net cash provided by financing activities was $1,336,684 during the nine months ended September 30, 2017, mostly from the $1,625,970 borrowing from our revolving credit facility. Net cash provided by financing activities was $8,722,250 during the nine months ended September 30, 2016, of which $10,523,438 was the net proceeds from our initial public offering, $1,132,538 from the exercise of warrants, less $2,511,024 used for the payment of dividends to former preferred investors and $422,702 used for the repayment of outstanding borrowing under the line of credit.

Indebtedness

Silicon Valley Bank Secured Credit Facility

On March 12, 2013, we entered into a two-year $3 million revolving credit facility. The credit facility was amended and extended effective March 12, 2015 through May 12, 2017. The maximum borrowing was reduced to $1,500,000 and was limited by our eligible borrowing base of 80% of eligible accounts receivable. On September 21, 2016, we entered into a second amendment to the credit facility, which extended the facility through September 21, 2017, increased the maximum borrowing to $2,000,000 and expanded the eligible accounts receivables to include certain international receivables. We were not in compliance in April and May

2017 with one of our financial covenants. On June 27, 2017, the covenant defaults were waived and the agreement was amended to modify the financial covenants effective June 2017. An amendment signed on September 15, 2017 extended the maturity date of the credit line through November 19, 2017.

Interest, at Prime plus 0.75% (5.00% at September 30, 2017), is payable monthly, and the outstanding principal and interest are due on the maturity date. The facility is secured by all of our assets and limits the amount of additional indebtedness, restricts the sale, disposition or transfer of our assets and requires the maintenance of a certain monthly adjusted quick ratio restrictive covenant, as defined in the agreement. Approximately $1,626,000 was outstanding under the revolving credit facility at September 30, 2017 and $0 at December 31, 2016. We pay commitment fees of 0.25% per annum on the average unused portion of the line of credit.

On October 31, 2017, we amended our revolving credit facility to extend the maturity to October 31, 2019. The availability under the amended facility will equal the lesser of the $5 million commitment amount or the borrowing base plus the $2.5 million non-formula sublimit. The borrowing base consists of 80% of eligible accounts receivable, as defined in the agreement. Interest at Prime plus 0.75% (Prime plus 1.50% on non-formula borrowings) is payable monthly, and the outstanding principal and interest are due on the maturity date. The facility is secured by all of our assets and limits the amount of additional indebtedness, restricts the sale, disposition or transfer of our assets and requires the maintenance of a certain monthly adjusted quick ratio restrictive covenant, as defined in the agreement. We will pay commitment fees of 0.25% per annum on the average unused portion of the line of credit.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and do not currently have, any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with generally accepted accounting principles in the U.S., or GAAP. We have identified certain accounting policies as critical to understanding our financial condition and results of our operations. For a detailed discussion on the application of these and other accounting policies, see the notes to our financial statements and our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, for the year ended December 31, 2016.

JOBS Act

We qualify as an "emerging growth company" pursuant to the provisions of the JOBS Act. For as long as we are an "emerging growth company," we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, reduced disclosure obligations relating to the presentation of financial statements in Management's Discussion and Analysis of Financial Condition and Results of Operations, exemptions from the requirements of holding advisory "say-on-pay" votes on executive compensation and shareholder advisory votes on golden parachute compensation. We have availed ourselves of the reduced reporting obligations in this Quarterly Report on Form 10-Q, and expect to continue to avail ourselves of the reduced reporting obligations available to emerging growth companies in future filings.

In addition, an emerging growth company can delay its adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we have chosen to "opt out" of such extended transition period, and as a result, we plan to comply with any new or revised accounting standards on the relevant dates on which non-emerging growth companies must adopt such standards. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Control and Procedures

As of September 30, 2017, the end of the period covered by this Form 10-Q, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer each concluded that, as of September 30, 2017, the end of the period covered by this Form 10-Q, we maintained effective disclosure controls and procedures.

Changes in Internal Control over Financial Reporting

Our management, including the Chief Executive Officer and Chief Financial Officer, has reviewed our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934). There have been no significant changes in our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is party to certain legal proceedings in the ordinary course of business. The Company assesses, in conjunction with its legal counsel, the need to record a liability for litigation and related contingencies.

Item 1A. Risk Factors

An investment in our securities involves risks. You should carefully consider the risk factors as previously disclosed in our Form 10-K filed with the SEC for the year ended December 31, 2016, as updated in our subsequent quarterly reports, together with the other information in this Quarterly Report on Form 10-Q, including the financial statements and related notes, before deciding whether to purchase, hold, or sell our securities. The occurrence of any of these risks could harm our business, financial condition, or results of operations or cause our actual results to differ materially from those contained in forward-looking statements we have made in this report and those we may make from time to time. You should consider all of the risk factors described when evaluating our business. There have been no material changes to the risk factors as previously disclosed in our Form 10-K filed with the SEC for the year ended December 31, 2016, the discussion of which is specifically incorporated by reference into this Quarterly Report on Form 10-Q.

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

(a) Sales of Unregistered Securities

There have been no unregistered sales of securities during the three months ended September 30, 2017.

(b) Use of Proceeds from the Sale of Registered Securities

In June 2016, we completed an initial public offering, or IPO, of units consisting of one share of common stock and one warrant to purchase one share of common stock. In connection with the IPO, we issued 2,300,000 units of our common stock at a price of $5.50 per unit, including 300,000 units pursuant to the underwriters' full exercise of their over-allotment option for an aggregate offering price of $12.65 million. The offer and sale of all of the securities in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1, as amended (File No. 333-209451), which was declared effective by the SEC on June 2, 2016.

We received total net proceeds from the IPO of approximately $10.5 million after deducting underwriting discounts and commissions of approximately $0.9 million and other offering expenses of approximately $1.4 million. We have used approximately $2.6 million for the payment of dividends to former preferred investors and approximately $4.6 million to fund our operations.

The remaining proceeds from the IPO have been invested in highly liquid money market funds and debt securities with maturities of 12 months or less. There has been no material change in the planned use of proceeds from our IPO as described in our final prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act on June 2, 2016.

(c) Purchases of Equity Securities by The Registrant and Affiliated Purchases.

None

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosure

Not applicable.

Item 5. Other Information

On October 31, 2017, we entered into the Third Amendment to Second Amended and Restated Loan and Security Agreement (the "Amended Loan Agreement") with Silicon Valley Bank. The Amended Loan Agreement increases the existing credit facility from $2 million to an amount equal to the lesser of $5 million or the borrowing base plus the $2.5 million non-formula sublimit (as those terms are defined in the Amended Loan Agreement). In addition, the maturity date was extended until October 31, 2019. Interest accrues at the prime rate plus 0.75% (prime plus 1.50% on non-formula borrowings) and is payable monthly. The facility is secured by all of our assets and limits the amount of additional indebtedness, restricts the sale, disposition or transfer of our assets and requires the maintenance of a certain monthly adjusted quick ratio restrictive covenant(as defined in the Amended Loan Agreement). We will pay commitment fees of 0.25% per annum on the average unused portion of the facility.

Item 6. Exhibits

A list of exhibits required to be filed as part of this report is set forth in the Exhibit Index, which is presented elsewhere in this document, and is incorporated herein by reference.

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.

	SENSUS HEALTHCARE, INC.
Date: November 6, 2017	/s/ Joseph C. Sardano Joseph C. Sardano Chief Executive Officer (Principal Executive Officer)
Date: November 6, 2017	/s/ Arthur Levine Arthur Levine Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description
10.1	Second Amendment to Second Amended and Restated Loan and Security Agreement, dated as of September 15, 2017
10.2*	Third Amendment to Second Amended and Restated Loan and Security Agreement, dated as of October 31, 2017
31.1	Certification of Joseph C. Sardano, Chairman and Chief Executive Officer of Sensus Healthcare, Inc., Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2	Certification of Arthur Levine, Chief Financial Officer of Sensus Healthcare, Inc., Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32.1	Certification of Joseph C. Sardano, Chairman and Chief Executive Officer of Sensus Healthcare, Inc., Pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Arthur Levine, Chief Financial Officer of Sensus Healthcare, Inc., Pursuant to 18 U.S.C. Section 1350.

101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Confidential information has been omitted and filed separately with the Securities Exchange Commission. Confidential treatment has been requested with respect to this omitted information.

EX-10.1 2 s107962_ex10-1.htm EXHIBIT 10.1

Exhibit 10.1

SECOND AMENDMENT
TO
SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

This Second Amendment to Second Amended and Restated Loan and Security Agreement (this "Amendment") is entered into as of September __, 2017, by and between Silicon Valley Bank ("Bank") and Sensus Healthcare, Inc. (f/k/a Sensus Healthcare, LLC), a Delaware corporation ("Borrower"), whose address is 851 Broken Sound Parkway NW, Suite 215, Boca Raton, FL 33487.

Recitals

A. Bank and Borrower have entered into that certain Second Amended and Restated Loan and Security Agreement dated as of September 21, 2016 (as the same may from time to time be further amended, modified, supplemented or restated, the "Loan Agreement").

B. Bank has extended credit to Borrower for the purposes permitted in the Loan Agreement.

C. Borrower has requested that Bank amend the Loan Agreement to extend the maturity date as more fully set forth herein.

D. Bank has agreed to so amend certain provisions of the Loan Agreement, but only to the extent, in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

Agreement

Now, Therefore, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

1. Definitions. Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Loan Agreement.

2. Amendment to Loan Agreement.

2.1 Section 13 (**Definitions**). The following term and its definition set forth in Section 13.1 are amended in their entirety and replaced with the following:

"**Revolving Line Maturity Date**" is November 19, 2017.

3. Limitation of Amendment.

3.1 The amendment set forth in Section 2, above, is effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right or remedy which Bank may now have or may have in the future under or in connection with any Loan Document.

3.2 This Amendment shall be construed in connection with and as part of the Loan Documents and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein amended, are hereby ratified and confirmed and shall remain in full force and effect.

4. Representations and Warranties. To induce Bank to enter into this Amendment, Borrower hereby represents and warrants to Bank as follows:

4.1 Immediately after giving effect to this Amendment (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date), and (b) no Event of Default has occurred and is continuing;

4.2 Borrower has the power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

4.3 The organizational documents of Borrower most recently delivered to Bank remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

4.4 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized;

4.5 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not and will not contravene (a) any law or regulation binding on or affecting Borrower, (b) any contractual restriction with a Person binding on Borrower, (c) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower, or (d) the organizational documents of Borrower;

4.6 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on Borrower, except as already has been obtained or made; and

4.7 This Amendment has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

5. **Ratification of Perfection Certificate**. Borrower hereby ratifies, confirms and reaffirms, all and singular, the terms and disclosures contained in a certain Perfection Certificate dated on or about September 14, 2016, and acknowledges, confirms and agrees that the disclosures and information Borrower provided to Bank in such Perfection Certificate have not changed, as of the date hereof.

6. **Integration**. This Amendment and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Amendment and the Loan Documents merge into this Amendment and the Loan Documents.

7. **Counterparts.** This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

8. **Effectiveness**. This Amendment shall be deemed effective upon (a) the due execution and delivery to Bank of this Amendment by each party hereto, (b) Borrower's payment of an extension fee in an amount equal to One Thousand Two Hundred Fifty Dollars ($1,250), and (c) payment of Bank's legal fees and expenses in connection with the negotiation and preparation of this Amendment.

[Signature page follows.]

In Witness Whereof, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

BANK	**BORROWER**
Silicon Valley Bank	Sensus Healthcare, Inc.
By: /s/ Sam Subilia	By: /s/ Arthur Levine
Name: Sam Subilia	Name: Arthur Levine
Title: Vice President	Title: Chief Financial Officer

[Signature Page to Second Amendment to
Second Amended and Restated Loan and Security Agreement]

EX-10.2 3 s107962_ex10-2.htm EXHIBIT 10.2

Exhibit 10.2

**THIRD AMENDMENT
TO SECOND AMENDED AND RESTATED
LOAN AND SECURITY AGREEMENT**

This Third Amendment to Second Amended and Restated Loan and Security Agreement (this "Amendment") is entered into as of October 31, 2017, by and between Silicon Valley Bank ("Bank") and Sensus Healthcare, Inc. (f/k/a Sensus Healthcare, LLC), a Delaware corporation ("Borrower"), whose address is 851 Broken Sound Parkway NW, Suite 215, Boca Raton, FL 33487.

Recitals

A. Bank and Borrower have entered into that certain Second Amended and Restated Loan and Security Agreement dated as of September 21, 2016 (as the same has been and may from time to time be further amended, modified, supplemented or restated, the "Loan Agreement").

B. Bank has extended credit to Borrower for the purposes permitted in the Loan Agreement.

C. Borrower has requested that Bank amend the Loan Agreement to (i) increase the size of the Revolving Line, (ii) extend the maturity date of the Revolving Line, and (iii) make certain other revisions to the Loan Agreement as more fully set forth herein.

D. Bank has agreed to so amend certain provisions of the Loan Agreement, but only to the extent, in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

Agreement

Now, Therefore, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

1. **Definitions.** Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Loan Agreement.

2. **Amendments to Loan Agreement.**

2.1 **Section 2.1.1** (**Revolving Advances**). Section 2.1.1(a) is deleted in its entirety and replaced with the following:

(a) Availability. Subject to the terms and conditions of this Agreement and to deduction of Reserves, Bank shall make Advances not exceeding the Availability Amount. Amounts borrowed under the Revolving Line may be repaid and, prior to the Revolving Line Maturity Date, reborrowed, subject to the applicable terms and conditions precedent herein.

2.2 **Section 2.2** (**Overadvances**). Section 2.2 is deleted in its entirety and replaced with the following:

2.2 **Overadvances**. If, at any time, the outstanding principal amount of the aggregate Advances exceeds the lesser of either (a) the Revolving Line or (b) (i) the Borrowing Base plus (ii) the Non-Formula Amount, Borrower shall immediately pay to Bank in cash the amount of such excess (such excess, the "**Overadvance**"). Without limiting Borrower's obligation to repay Bank any Overadvance, Borrower agrees to pay Bank interest on the outstanding amount of any Overadvance, on demand, at a per annum rate equal to the rate that is otherwise applicable to Advances plus five percent (5.00%).

2.3 **Section 2.3 (Payment of Interest on the Credit Extensions)**. Section 2.3(a) is deleted in its entirety and replaced with the following:

(a) Interest Rate.

(i) Advances. Subject to Section 2.3(b), the principal amount outstanding under the Revolving Line (other than Non-Formula Advances) shall accrue interest at a floating per annum rate equal to (i) during any Streamline Period, three-quarters of one percentage point (0.75%) above the Prime Rate, and (ii) during any Non-Streamline Period, one and one-half percentage points (1.50%) above the Prime Rate, in either case, which interest shall be payable monthly in accordance with Section 2.3(d) below.

(ii) Non-Formula Advances. Subject to Section 2.3(b), the outstanding principal amount of the Non-Formula Advances shall accrue interest at a floating per annum rate equal to one and one-half percentage points (1.50%) above the Prime Rate, which interest shall be payable monthly in accordance with Section 2.3(d) below.

2.4 **Section 2.4 (Fees)**. Subsection (e) of Section 2.4 is re-lettered to be subsection (f) and the following new subsection (e) is hereby inserted immediately following subsection (d):

(e) Revolving Line Facility Fee. A non-refundable facility fee of Thirty-Three Thousand Dollars ($33,000), fully earned as of the Third Amendment Effective Date, and payable as follows: (i) Sixteen Thousand Five Hundred Dollars ($16,500), shall be due and payable on the Third Amendment Effective Date, and (ii) Sixteen Thousand Five Hundred Dollars ($16,500), shall be due and payable on the first anniversary of the Third Amendment Effective Date (or any earlier termination of the Revolving Line);

2.5 **Section 2.6** (**Lockbox; Account Collection Services**). Subsection (c) of Section 2.6 is amended by adding the phrase "subject to Bank's right to maintain a reserve pursuant to Section 6.3(g)," immediately after the phrase "Following the Lockbox Triggering Event," in the first sentence thereof.

2.6 **Section 3.2** (**Conditions Precedent to all Credit Extensions**). Sections 3.2(a) and (b) are deleted in their entirety and replaced with the following:

(a) timely receipt of the Credit Extension request and any materials and documents required by Section 3.4;

(b) the representations and warranties in this Agreement shall be true, accurate, and complete in all material respects on the date of the proposed Credit Extension and on the Funding Date of each Credit Extension; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, and no Event of Default shall have occurred and be continuing or result from the Credit Extension. Each Credit Extension is Borrower's representation and warranty on that date that the representations and warranties in this Agreement remain true, accurate, and complete in all material respects; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date; and"

2.7 **Section 3.4** (**Procedures for Borrowing**). Section 3.4 is deleted in its entirety and replaced with the following:

3.4 **Procedures for Borrowing**. Subject to the prior satisfaction of all other applicable conditions to the making of an Advance set forth in this Agreement, to obtain an Advance, Borrower (via an individual duly authorized by an Administrator) shall notify Bank (which notice shall be irrevocable) by electronic mail by 12:00 p.m. Pacific time on the Funding Date of the Advance. Such notice shall be made by Borrower through Bank's online banking program, provided, however, if Borrower is not utilizing Bank's online banking program, then such notice shall be in a written format acceptable to Bank that is executed by an Authorized Signer. Bank shall have received satisfactory evidence that the Board has approved that such Authorized Signer may provide such notices and request Advances. In connection with any such notification, Borrower must promptly deliver to Bank by electronic mail or through Bank's online banking program such reports and information, including without limitation, sales journals, cash receipts journals, accounts receivable aging reports, as Bank may request in its sole discretion. Bank shall credit proceeds of an Advance to the Designated Deposit Account. Bank may make Advances under this Agreement based on instructions from an Authorized Signer or without instructions if the Advances are necessary to meet Obligations which have become due.

2.8 **Section 5.3 (Accounts Receivable)**. Section 5.3(b) is amended by deleting "Transaction Report" in the second sentence thereof and substituting "Borrowing Base Report" therefor.

2.9 **Section 6.2** (**Financial Statements, Reports, Certificates**). Section 6.2(a) is deleted in its entirety and replaced with the following:

(a) a Borrowing Base Report (and any schedules related thereto and including a detailed accounts receivable ledger and any other information requested by Bank with respect to Borrower's Accounts) within thirty (30) days after the end of each month;

2.10 **Section 6.3** (**Accounts Receivable**). Section 6.3(e) is deleted in its entirety and replaced with the following:

(e) Verifications; Confirmations; Credit Quality; Notifications. Bank may, from time to time, (i) verify and confirm directly with the respective Account Debtors the validity, amount and other matters relating to the Accounts, either in the name of Borrower or Bank or such other name as Bank may choose, and notify any Account Debtor of Bank's security interest in such Account and/or (ii) conduct a credit check of any Account Debtor to approve any such Account Debtor's credit.

2.11 **Section 6.3** (**Accounts Receivable**). Section 6.3 is hereby amended by inserting the following appearing as subsection (g) thereto:

(g) Reserves. Notwithstanding any terms in this Agreement to the contrary, at times when an Event of Default exists, Bank may hold any proceeds of the Accounts and any amounts in the Lockbox that are not applied to the Obligations pursuant to Section 2.6(c) above (including amounts otherwise required to be transferred to the Designated Deposit Account when a Streamline Period is in effect) as a reserve to be applied to any Obligations regardless of whether such Obligations are then due and payable.

2.12 Section 6.13 (**Online Banking**). Section 6.13 is hereby inserted immediately following Section 6.12:

6.13 Online Banking.

(a) Utilize Bank's online banking platform for all matters requested by Bank which shall include, without limitation (and without request by Bank for the following matters), uploading information pertaining to Accounts and Account Debtors, requesting approval for exceptions, requesting Credit Extensions, and uploading financial statements and other reports required to be delivered by this Agreement (including, without limitation, those described in Section 6.2 of this Agreement).

(b) Comply with the terms of the "Banking Terms and Conditions" and ensure that all persons utilizing the online banking platform are duly authorized to do so by an Administrator. Bank shall be entitled to assume the authenticity, accuracy and completeness on any information, instruction or request for a Credit Extension submitted via the online banking platform and to further assume that any submissions or requests made via the online banking platform have been duly authorized by an Administrator.

2.13 Section 8.2 (**Covenant Default**). Section 8.2(a) is amended by deleting "or 6.10(b)" and substituting "6.10(b), or 6.13" therefor.

2.14 Section 13 (**Definitions**). The following terms and their respective definitions set forth in Section 13.1 are deleted in their entirety and replaced with the following:

"**Availability Amount**" is (a) the lesser of (i) the Revolving Line or (ii) (A) the Borrowing Base plus (B) the Non-Formula Amount, minus (b) the outstanding principal balance of any Advances. Any Advances made in excess of the Borrowing Base shall be deemed to be "**Non-Formula Advances**".

"**Borrowing Base**" is eighty percent (80%) of Eligible Accounts, as determined by Bank from Borrower's most recent Borrowing Base Report (and as may subsequently be updated by Bank based upon information received by Bank including, without limitation, Accounts that are paid and/or billed following the date of the Borrowing Base Report); provided, however, that Bank has the right to decrease the foregoing percentage in its good faith business judgment to mitigate the impact of events, conditions, contingencies, or risks which may adversely affect the Collateral or its value.

"**Prime Rate**" is the rate of interest per annum from time to time published in the money rates section of The Wall Street Journal or any successor publication thereto as the "prime rate" then in effect; provided that, in the event such rate of interest is less than zero, such rate shall be deemed to be zero for purposes of this Agreement; and provided further that if such rate of interest, as set forth from time to time in the money rates section of The Wall Street Journal, becomes unavailable for any reason as determined by Bank, the "Prime Rate" shall mean the rate of interest per annum announced by Bank as its prime rate in effect at its principal office in the State of California (such Bank announced Prime Rate not being intended to be the lowest rate of interest charged by Bank in connection with extensions of credit to debtors); provided that, in the event such rate of interest is less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"**Revolving Line**" is an aggregate principal amount equal to Five Million Dollars ($5,000,000).

"**Revolving Line Maturity Date**" is the second anniversary of the Third Amendment Effective Date.

2.15 Section 13 (**Definitions**). The preamble in the definition of Eligible Accounts set forth in Section 13.1 is deleted in its entirety and replaced with the following:

"**Eligible Accounts**" means Accounts owing to Borrower which arise in the ordinary course of Borrower's business that meet all Borrower's representations and warranties in Section 5.3, that have been, at the option of Bank, confirmed in accordance with Section 6.3(e) of this Agreement, and are due and owing from Account Debtors deemed creditworthy by Bank in its good faith business judgment. Bank reserves the right at any time after the Effective Date to adjust any of the criteria set forth below and to establish new criteria in its good faith business judgment. Unless Bank otherwise agrees in writing, Eligible Accounts shall not include:

2.16 Section 13 (**Definitions**). Clause (v) of the defined term "Eligible Accounts" in Section 13.1 is amended by deleting "except for [* * *], and [* * *]" and replacing such phrase with "except for [* * *], [* * *], and [* * *]".

2.17 Section 13 (**Definitions**). The following new defined terms are hereby inserted alphabetically in Section 13.1:

"**Administrator**" is an individual that is named:

(a) as an "Administrator" in the "SVB Online Services" form completed by Borrower with the authority to determine who will be authorized to use SVB Online Services (as defined in the "Banking Terms and Conditions") on behalf of Borrower; and

(b) as an Authorized Signer of Borrower in an approval by the Board.

"**Board**" is Borrower's Board of Directors.

"**Borrowing Base Report**" is that certain report of the value of certain Collateral in the form specified by Bank to Borrower from time to time.

"**Non-Formula Advance**" is defined in the definition of Availability Amount.

"**Non-Formula Amount**" is an amount equal to (a) at all times that Borrower maintains an Adjusted Quick Ratio, tested monthly, of at least 1.50 to 1.00, Two Million Five Hundred Thousand Dollars ($2,500,000), and (b) at all times that Borrower maintains an Adjusted Quick Ratio, tested monthly, of less than 1.50 to 1.00, Zero Dollars ($0).

"**Third Amendment Effective Date**" is October 31, 2017.

2.18 Section 13 (**Definitions**). The following defined term set forth in Section 13.1 is deleted in its entirety:

"**Transaction Report**"

2.19 Exhibit B (Compliance Certificate). The Compliance Certificate appearing as **Exhibit B** to the Loan Agreement is deleted in its entirety and replaced with the Compliance Certificate attached as **Exhibit B** attached hereto.

2.20 Exhibit C. The Transaction Report (as defined in the Loan Agreement until the date of this Amendment) appearing as **Exhibit C** to the Loan Agreement is deleted in its entirety and replaced with the following: "**Exhibit C – Intentionally Omitted"**.

* * * Confidential Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to this omitted information.

3. Limitation of Amendments.

3.1 The amendments set forth in Section 2, above, are effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right or remedy which Bank may now have or may have in the future under or in connection with any Loan Document.

3.2 This Amendment shall be construed in connection with and as part of the Loan Documents and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein amended, are hereby ratified and confirmed and shall remain in full force and effect.

4. Representations and Warranties. To induce Bank to enter into this Amendment, Borrower hereby represents and warrants to Bank as follows:

4.1 Immediately after giving effect to this Amendment (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date), and (b) no Event of Default has occurred and is continuing;

4.2 Borrower has the power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

4.3 The organizational documents of Borrower most recently delivered to Bank remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

4.4 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized by all necessary action on the part of Borrower;

4.5 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not and will not contravene (a) any law or regulation binding on or affecting Borrower, (b) any contractual restriction with a Person binding on Borrower, (c) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower, or (d) the organizational documents of Borrower;

4.6 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on Borrower, except as already has been obtained or made; and

4.7 This Amendment has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

5. Ratification of Perfection Certificate. Borrower hereby ratifies, confirms and reaffirms, all and singular, the terms and disclosures contained in a certain Perfection Certificate dated on or about September 14, 2016, and acknowledges, confirms and agrees that the disclosures and information Borrower provided to Bank in such Perfection Certificate have not changed, as of the date hereof.

6. Integration. This Amendment and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Amendment and the Loan Documents merge into this Amendment and the Loan Documents.

7. Counterparts. This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

8. Effectiveness. This Amendment shall be deemed effective upon (a) the due execution and delivery to Bank of this Amendment by each party hereto, (b) Borrower's payment of the revolving line facility fee in an amount equal to Sixteen Thousand Five Hundred Dollars ($16,500) pursuant to Section 2.4(e)(i) of the Loan Agreement (as amended hereby), and (c) payment of Bank's legal fees and expenses in connection with the negotiation and preparation of this Amendment.

[Signature page follows.]

In Witness Whereof, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

BANK	**BORROWER**
Silicon Valley Bank	Sensus Healthcare, Inc.
By: /s/ Scott McCarty Name: Scott McCarty	By: /s/ Arthur Levine Name: Arthur Levine

Title: Director Title: CFO

[Signature Page to Third Amendment to
Second Amended and Restated Loan and Security Agreement]

EXHIBIT B

COMPLIANCE CERTIFICATE

TO: SILICON VALLEY BANK Date: ________________
FROM: SENSUS HEALTHCARE, INC.

The undersigned authorized officer of SENSUS HEALTHCARE, INC. ("Borrower") certifies that under the terms and conditions of the Second Amended and Restated Loan and Security Agreement between Borrower and Bank (the "Agreement"), (1) Borrower is in complete compliance for the period ending _______________ with all required covenants except as noted below, (2) there are no Events of Default, (3) all representations and warranties in the Agreement are true and correct in all material respects on this date except as noted below; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, (4) Borrower, and each of its Subsidiaries, has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except as otherwise permitted pursuant to the terms of Section 5.9 of the Agreement, and (5) no Liens have been levied or claims made against Borrower or any of its Subsidiaries relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Bank. Attached are the required documents supporting the certification. The undersigned certifies that these are prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. The undersigned acknowledges that no borrowings may be requested at any time or date of determination that Borrower is not in compliance with any of the terms of the Agreement, and that compliance is determined not just at the date this certificate is delivered. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

Please indicate compliance status by circling Yes/No under "Complies" column.

Reporting Covenant	Required	Complies
Monthly financial statements with Compliance Certificate	Monthly within 30 days	Yes No
Annual financial statement (CPA Audited) + CC	FYE within 150 days	Yes No
10-Q, 10-K and 8-K	Monthly within 30 days	Yes No
Borrowing Base Report	Monthly within 30 days	Yes No
A/R & A/P Agings, Deferred Revenue report	Monthly within 30 days	Yes No
Annual Financial Projections	FYE within 30 days and as updated	Yes No

Financial Covenant	Required	Actual	Complies
Maintain on a Monthly Basis:			
Minimum Adjusted Quick Ratio	1.35:1.00	____:1.00	Yes No

Lockbox; Streamline Period; Non-Formula Availability		Applies
AQR ≥ 2.00:1.00*	No Lockbox Required; Streamline Period; Non-Formula = $2,500,000	Yes No
2.00:1.00 > AQR ≥ 1.50:1.00*	Lockbox Required; Streamline Period; Non-Formula = $2,500,000	Yes No
AQR < 1.50:1.00	Lockbox Required; Non-Streamline Period; Non-Formula = $0	Yes No

* At all times during the applicable Testing Month

The following financial covenant analysis and information set forth in Schedule 1 attached hereto are true and accurate as of the date of this Certificate.

The following are the exceptions with respect to the certification above: (If no exceptions exist, state "No exceptions to note.")

____

____

____

____

Sensus Healthcare, Inc.

By: ______________________________
Name: ______________________________
Title: ______________________________

BANK USE ONLY

Received by: ______________________________
AUTHORIZED SIGNER

Date: ______________________________

Verified: ______________________________
AUTHORIZED SIGNER

Date: ______________________________

Compliance Status: Yes No

Schedule 1 to Compliance Certificate

Financial Covenants of Borrower

In the event of a conflict between this Schedule and the Loan Agreement, the terms of the Loan Agreement shall govern.

Dated: ____________________

I. **Adjusted Quick Ratio**

Required: 1.35:1.00 (For financial covenants)
2.00:1.00 (For Lockbox to not be required)
1.50:1.00 (For Streamline Period eligibility (at all times during the applicable Testing Month) and Non-Formula availability)

Actual:

A.	Aggregate value of the unrestricted cash and Cash Equivalents of Borrower maintained with Bank	$______
B.	Aggregate value of the net billed accounts receivable of Borrower	$______
C.	Quick Assets (the sum of lines A and B)	$______
D.	Aggregate value of Obligations to Bank	$______
E.	Aggregate value of liabilities that should, under GAAP, be classified as liabilities on Borrower's consolidated balance sheet, including all Indebtedness and the current portion of Subordinated Debt, and not otherwise reflected in line D above that matures within one (1) year	$______
F.	Current Liabilities (the sum of lines D and E)	$______
G.	Aggregate value of all amounts received or invoiced by Borrower in advance of performance under contracts and not yet recognized as revenue	$______
H.	Line F minus line G	$______
I.	Adjusted Quick Ratio (line C divided by line H)	____:1.00

Is line I equal to or greater than 1.35:1.00?

______ No: Not in compliance ______ Yes: In Compliance

Has line I been equal to or greater than 2.00:1.00 at all times during the term of this Agreement?

______ No: Lockbox is required ______ Yes: Lockbox is not required

Was line I equal to or greater than 1.50:1.00 at all times during the applicable Testing Month?

______ No: Non-Streamline Period; Non-Formula = $0 ______ Yes: Streamline Period; Non-Formula = $2,500,000

EX-31.1 4 s107962_ex31-1.htm EXHIBIT 31.1

Exhibit 31.1

Certification of CEO Pursuant to Securities Exchange Act

Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to

Section 302 of the Sarbanes-Oxley Act of 2002

I, Joseph C. Sardano, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sensus Healthcare, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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. 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

   c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2017

/s/ Joseph C. Sardano

Joseph C. Sardano

Chairman and Chief Executive Officer

EX-31.2 5 s107962_ex31-2.htm EXHIBIT 31.2

Exhibit 31.2

Certification of CFO Pursuant to Securities Exchange Act

Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to

Section 302 of the Sarbanes-Oxley Act of 2002

I, Arthur Levine, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sensus Healthcare, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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. 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

   c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2017

/s/ Arthur Levine

Arthur Levine

Chief Financial Officer

EX-32.1 6 s107962_ex32-1.htm EXHIBIT 32.1

Exhibit 32.1

Certification of CEO Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certificates that:

(1) this Quarterly Report for Sensus Healthcare, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (this "Report"), fully complies with the requirements of Section 13(a) 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 as of and for the periods covered therein.

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, 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.

/s/ Joseph C. Sardano

Joseph C. Sardano

Chairman and Chief Executive Officer

November 6, 2017

Exhibit 32.2

Certification of CFO Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certificates that:

(1) this Quarterly Report for Sensus Healthcare, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (this "Report"), fully complies with the requirements of Section 13(a) 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 as of and for the periods covered therein.

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, 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.

/s/ Arthur Levine

Arthur Levine

Chief Financial Officer

November 6, 2017