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

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **May 22, 2017**

ENTEROMEDICS INC.
(Exact name of registrant as specified in its charter)

Delaware	**1-33818**	**48-1293684**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

2800 Patton Road **St. Paul, Minnesota**	**55113**
(Address of principal executive offices)	(Zip Code)

(651) 634-3003
(Registrant's telephone number, including area code)

Not applicable.
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company o

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. o

Explanatory Note

On May 23, 2017, EnteroMedics Inc., a Delaware corporation (the "Company"), filed a Current Report on Form 8-K (the "Original Report") with the Securities and Exchange Commission to report that effective as of May 22, 2017, the Company completed the acquisition of BarioSurg, Inc., a Delaware corporation ("BarioSurg"), through the merger of Acorn Subsidiary Inc., a Delaware corporation and wholly owned subsidiary of the Company, with and into BarioSurg, and subsequent merger of BarioSurg with and into Acorn Subsidiary Holdings LLC, a Delaware limited liability company and wholly owned subsidiary of the Company (the "Merger").

This amendment to the Original Report is being filed to provide the financial statements and pro forma financial information required by Items 9.01(a) and 9.01(b), respectively, of Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(a) *Financial Statements of Businesses Acquired*.

The audited financial statements of BarioSurg as of and for the years ended December 31, 2016 and December 31, 2015 and the unaudited interim financial statements of BarioSurg as of and for the three months ended March 31, 2017 are filed as Exhibit 99.1 and Exhibit 99.2, respectively, and are incorporated by reference.

(b) *Pro Forma Financial Information*.

The unaudited pro forma balance sheet as of March 31, 2017 and unaudited pro forma statements of income for the three months ended March 31, 2017 and the year ended December 31, 2016 and the notes to such unaudited pro forma financial statements, all giving effect to the Merger, are filed as Exhibit 99.3 and incorporated by reference.

(c) *Shell Company Information*.

Not applicable.

(d) *Exhibits*.

Exhibit No.	Description
23.1	Consent of KCCW Accountancy Corp., independent registered public accounting firm for BarioSurg, Inc.
99.1	Audited financial statements of BarioSurg, Inc. as of and for the years ended December 31, 2016 and December 31, 2015
99.2	Unaudited financial statements of BarioSurg, Inc. as of and for the three months ended March 31, 2017
99.3	Unaudited pro forma financial statements of EnteroMedics Inc.

Important Additional Information and Where to Find It

The Company intends to file a proxy statement and other relevant materials with the SEC to obtain approval from the Company's stockholders of the conversion of the conditional convertible preferred stock of EnteroMedics issued to BarioSurg's stockholders in connection with the acquisition into shares of common stock of EnteroMedics (the "Stockholder Approval"). INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE PROXY STATEMENT AND OTHER

RELEVANT MATERIALS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY AS THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE STOCKHOLDER APPROVAL. The proxy statement, any amendments or supplements to the proxy statement and other relevant documents filed by the Company with the SEC will be available free of charge through the web site maintained by the SEC at www.sec.gov or by calling the SEC at telephone number 1-800-SEC-0330. Free copies of these documents may also be obtained from the Company's website at www.enteromedics.com or by writing to: EnteroMedics Inc., 2800 Patton Road, St. Paul, Minnesota 55113, Attention: Investor Relations.

The Company and its directors and executive officers are deemed to be participants in the solicitation of proxies from the stockholders of the Company in connection with the Stockholder Approval. Information regarding the Company's directors and executive officers is included in the Company's definitive proxy statement for its 2017 annual meeting of stockholders held on June 1, 2017, which was filed with the SEC on April 27, 2017.

Other information regarding the participants in such proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be included in the proxy statement to be filed in connection with the Stockholder Approval.

SIGNATURES

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

ENTEROMEDICS INC.

By: /s/ Scott P. Youngstrom
Scott P. Youngstrom
Chief Financial Officer and Chief Compliance Officer

Dated: July 10, 2017

ENTEROMEDICS INC.

CURRENT REPORT ON FORM 8-K/A

<u>Exhibit Index</u>

Exhibit No.	Description	Method of Filing
23.1	Consent of KCCW Accountancy Corp., independent registered public accounting firm for BarioSurg, Inc.	Filed herewith

99.1	Audited financial statements of BarioSurg, Inc. as of and for the years ended December 31, 2016 and December 31, 2015	Filed herewith
99.2	Unaudited financial statements of BarioSurg, Inc. as of and for the three months ended March 31, 2017	Filed herewith
99.3	Unaudited pro forma financial statements of EnteroMedics Inc.	Filed herewith

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-211940, 333-196646, 333-184181, 333-176174, 333-171244, 333-159592, and 333-149662 on Form S-8, Registration Statement Nos. 333-216600, 333-205353, 333-195855, 333-183313, 333-171944, 333-170503, 333-171052, 333-166011, and 333-158516 on Form S-3, and Registration Statement Nos. 333-215590 and 333-213704 on Form S-1 of our report dated June 30, 2017, relating to the financial statements of BarioSurg, Inc., appearing in this Amendment No. 1 to Current Report on Form 8-K of EnteroMedics Inc.

/s/ KCCW Accountancy Corp.
Diamond Bar, California
July 10, 2017

Bariosurg, Inc.

FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2016 and 2015

CONTENTS

KCCW Accountancy Corp.
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Diamond Bar, CA 91765
Tel: +1 909 348 7228
Fax: +1 909 895 4155

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Bariosurg, Inc.

We have audited the accompanying balance sheets of Bariosurg, Inc. (the "Company") as of December 31, 2016 and 2015, and the related statements of operations, stockholders' equity, and cash flows for the years then ended. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bariosurg, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 2 of the financial statements, the Company's viability is dependent upon its ability to obtain future financing and the success of its future operations. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plan in regard to these matters is also described in Note 2 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ KCCW Accountancy Corp.
Diamond Bar, California
June 30, 2017

BARIOSURG, INC.
BALANCE SHEETS

	December 31,	December 31,

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	$ 432,101	$ 629,723
Total Current Assets	432,101	629,723
Fixed Assets		
Computer and network	1,995	1,995
Furniture and Fixture	1,350	1,350
Less: accumulated depreciation	(3,345)	(3,075)
Fixed Assets, net	—	270
Deposits	5,826	5,826
Total Assets	$ 437,927	$ 635,819
Liabilities and Stockholders' Equity		
Current Liabilities		
Accrued expenses	$ 131,325	$ 87,672
Due to related parties	6,000	1,672
Total Current Liabilities	137,325	89,344
Total Liabilities	137,325	89,344
Stockholders' Equity		
Preferred stock, par value $0.0001, 17,838,591 shares authorized:		
1,650,000 shares of Series S issued and outstanding at December 31, 2016 and December 31, 2015;	$ 165	$ 165
2,202,576 and 1,917,766 shares of Series A issued and outstanding at December 31, 2016 and December 31, 2015, respectively;	220	192
17,483 and 0 shares of Series B issued and outstanding at December 31, 2016 and December 31, 2015, respectively	2	—
Additional paid-in capital - preferred stock	2,560,649	2,310,679
Common stock, par value $0.0001; 40,000,000 shares authorized, 15,000,000 shares issued and outstanding at December 31, 2016 and December 31, 2015	1,500	1,500
Additional paid-in capital - common stock	52,271	47,063
Accumulated deficit	(2,314,205)	(1,813,124)
Total Stockholders' Equity	300,602	546,475
Total Liabilities and Stockholders' Equity	$ 437,927	$ 635,819

The accompanying notes are an integral part of the financial statements.

BARIOSURG, INC.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Net sales	$ —	$ —
Research and development expenses	119,411	74,451
General and administrative expenses	380,870	377,532
Loss from operations	(500,281)	(451,983)
Loss before income taxes	(500,281)	(451,983)
Provision for income taxes	800	800
Net Loss	$ (501,081)	$ (452,783)

The accompanying notes are an integral part of the financial statements.

BARIOSURG, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Additional Paid-in Capital	Additional Paid-in Capital

	Preferred Stock		Preferred	Common Stock		Common	Accumulated	
	Shares	Amounts	Stock	Shares	Amounts	Stock	Deficit	Total
Balance at December 31, 2014	2,871,564	$ 287	$ 1,760,749	15,000,000	$ 1,500	$ 35,041	$ (1,360,341)	$ 437,236
Issuance of preferred stock - Series A	696,202	70	549,930	—	—	—	—	550,000
Share based compensation	—	—	—	—	—	12,022	—	12,022
Net loss	—	—	—	—	—	—	(452,783)	(452,783)
Balance at December 31, 2015	3,567,766	$ 357	$ 2,310,679	15,000,000	$ 1,500	$ 47,063	$ (1,813,124)	$ 546,475
Issuance of preferred stock - Series A	284,810	28	224,972	—	—	—	—	225,000
Issuance of preferred stock - Series B	17,483	2	24,998	—	—	—	—	25,000
Share based compensation	—	—	—	—	—	5,208	—	5,208
Net loss	—	—	—	—	—	—	(501,081)	(501,081)
Balance at December 31, 2016	3,870,059	$ 387	$ 2,560,649	15,000,000	$ 1,500	$ 52,271	$ (2,314,205)	$ 300,602

The accompanying notes are an integral part of the financial statements.

BARIOSURG, INC.
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities		
Net loss	$ (501,081)	$ (452,783)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	270	271
Share-based compensation	5,208	12,022
Changes in assets and liabilities:		
Increase in deposits	—	(5,636)
Increase in accrued expenses	43,653	60,178
Increase in due to related parties	4,328	1,672
Net cash used in operating activities	(447,622)	(384,276)
Cash Flows from Financing Activities		
Cash proceeds from issuance preferred stocks	250,000	550,000
Net cash provided by financing activities	250,000	550,000
Net increase (decrease) in cash and cash equivalents	(197,622)	165,724
Cash and Cash Equivalents		
Beginning	629,723	463,999
Ending	$ 432,101	$ 629,723
Supplemental Disclosure of Cash Flows		
Cash paid during the year for:		
Interest	$ —	$ —
Income taxes	$ 800	$ 800

The accompanying notes are an integral part of the financial statements.

BARIOSURG, INC.
NOTES TO THE FINAICAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Note 1. Nature of Business and Significant Accounting Policies

Nature of Business: Bariosurg, Inc. (hereinafter, “the Company”), a Delaware corporation formed on August 14, 2008. It is engaged primarily in research and development of the technology and medical device related to obesity and glycemic control.

The fiscal year of Bariosurg, Inc. ends on December 31st.

A summary of the Company’s significant accounting policies is as follows:

Basis of presentation: The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles of United States of America 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: For purposes of reporting cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Fixed assets: Fixed assets are recorded at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets as follows:

Furniture and equipment	5 years
Computer	5 years

Total depreciation expense was $270 and $271 for the years ended December 31, 2016 and 2015, respectively. Expenditures for major renewals and betterment that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting profit or loss is reflected in the statement of income for the period.

Impairment of long-lived assets: The Company reviews its long-lived assets whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Impairment is evaluated by comparing the carrying value of the long-lived assets with the estimated future net undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future net cash flows be less than the carrying value, the Company would recognize an impairment loss at that date. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value (estimated discounted future cash flows) of the long-lived assets.

Revenue recognition: The Company's revenue recognition policy is in accordance with U.S. GAAP when the following overall fundamental criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or the service has been performed, (iii) the Company's price to the customer is fixed or determinable and (iv) collection of the resulting accounts receivable is reasonably assured. The Company currently is not recognizing any revenue for the years ended December 31, 2016 and 2015.

Advertising costs: Advertising costs are expensed as incurred. The total advertising and marketing expenses were $499 and $10,712 for the years ended December 31, 2016 and 2015, respectively.

Research and Development — The Company accounts for R&D costs in accordance with Accounting Standards Codification ("ASC") 730, Research and Development ("ASC 730"). Research and development expenses are charged to expense as incurred unless there is an alternative future use in other research and development projects or otherwise. Research and development expenses are comprised of costs incurred in performing research and development activities, including personnel-related costs, facilities-related overhead, and outside contracted services including clinical trial costs, manufacturing and process development costs for both clinical and preclinical materials, research costs, and other consulting services. Non-refundable advance payment for goods and services that will be used in future research and development activities are expensed when the activity has been performed or when the goods have been received rather than when the payment is made. In instances where the Company enters into agreements with third parties to provide research and development services, costs are expensed as services are performed.

Income taxes: The Company accounts for income taxes in accordance with ASC 740, Income Taxes, which requires that the Company recognize deferred tax liabilities and assets based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities, using enacted tax rates in effect in the years the differences are expected to reverse. Deferred income tax benefit (expense) results from the change in net deferred tax assets or deferred tax liabilities. A valuation allowance is recorded when, in the opinion of management, it is more likely than not that some or all of any deferred tax assets will not be realized. The Company provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax position.

Valuation of Deferred Tax Assets — A valuation allowance is recorded to reduce its deferred tax assets to the amount that is more likely than not to be realized. In assessing the need for the valuation allowance, management considers, among other things, projections of future taxable income and ongoing prudent and feasible tax planning strategies. If the Company determines that sufficient negative evidence exists, then it will consider recording a valuation allowance against a portion or all of the deferred tax assets in that jurisdiction. If, after recording a valuation allowance, the Company's projections of future taxable income and other positive evidence considered in evaluating the need for a valuation allowance prove, with the benefit of hindsight, to be inaccurate, it could prove to be more difficult to support the realization of its deferred tax assets. As a result, an additional valuation allowance could be required, which would have an adverse impact on its effective income tax rate and results. Conversely, if, after recording a valuation allowance, the Company determines that sufficient positive evidence exists in the jurisdiction in which the valuation allowance was recorded, it may reverse a portion or all of the valuation allowance in that jurisdiction. In such situations, the adjustment made to the deferred tax asset would have a favorable impact on its effective income tax rate and results in the period such determination was made. See Note 6 for information related to income taxes, including the recorded balances of its valuation allowance related to deferred tax assets.

The Company applied the provisions of ASC 740-10-50, "Accounting For Uncertainty In Income Taxes", which provides clarification related to the process associated with accounting for uncertain tax positions

recognized in its financial statements. Audit periods remain open for review until the statute of limitations has passed. The completion of review or the expiration of the statute of limitations for a given audit period could result in an adjustment to the Company's liability for income taxes. Any such adjustment could be material to the Company's results of operations for any given quarterly or annual period based, in part, upon the results of operations for the given period. As of December 31, 2016, management considered that the Company had no uncertain tax positions, and will continue to evaluate for uncertain positions in the future.

Concentration:

Cash and cash equivalents: The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of December 31, 2016 and 2015, the Company had approximately $182,101 and $379,471 in excess of FDIC insured limits, respectively. The Company has not experienced any losses in such accounts.

Customers: The Company currently is not entering any sales contracts with customers and not recognizing any revenue for the years ended December 31, 2016 and 2015.

Suppliers: The Company currently is not entering any significant purchase agreements with suppliers for the years ended December 31, 2016 and 2015.

Fair Value Measurements — FASB ASC 820, "Fair Value Measurements" defines fair value for certain financial and nonfinancial assets and liabilities that are recorded at fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It requires that an entity measure its financial instruments to base fair value on exit price, maximize the use of observable units and minimize the use of unobservable inputs to determine the exit price. It establishes a hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy increases the consistency and comparability of fair value measurements and related disclosures by maximizing the use of observable inputs and minimizing the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the assets or liabilities based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy prioritizes the inputs into three broad levels based on the reliability of the inputs as follows:

- Level 1 — Inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Valuation of these instruments does not require a high degree of judgment as the valuations are based on quoted prices in active markets that are readily and regularly available.

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

- Level 3 — Valuations based on inputs that are unobservable and not corroborated by market data. The fair value for such assets and liabilities is generally determined using

pricing models, discounted cash flow methodologies, or similar techniques that incorporate the assumptions a market participant would use in pricing the asset or liability.

The carrying values of certain assets and liabilities of the Company, such as cash and cash equivalents, accrued liabilities, and due to related parties, approximate fair value due to their relatively short maturities.

***Share-Based Compensation* —** The Company follows the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 505-50, Equity-Based Payments to Non-Employees ("ASC 505-50"). Stock option awards issued to non-employees, principally consultants of the Company, are accounted for at fair value using the Binomial option pricing model. Management believes that the fair value of the stock options is more reliably measured than the fair value of services received. The Company records compensation expense based on the then-current fair values of the stock options at each financial reporting date. Compensation expense recorded during the service period is adjusted in subsequent periods for changes in the fair value of the stock options until the earlier of the date at which the non-employees' performance is complete or a performance commitment is reached, which is generally when the stock option award vests. Compensation expense for non-employee grants is recorded on a straight-line basis in the statements of operations. Total share-based compensation expenses were $5,208 and $12,022 for the years ended December 31, 2016 and 2015, respectively.

Recently Issued Accounting Pronouncements: In November 2015, the FASB issued ASU 2015-17, "Income Taxes: Balance Sheet Classification of Deferred Taxes.(Topic 740)", which requires that all deferred tax assets and liabilities be reported as noncurrent, eliminating the need to analyze temporary differences to determine if deferred tax assets should be reported as current or noncurrent. The new guidance will be effective for public business entities in fiscal years beginning after December 15, 2016, including interim periods within those years (i.e., in the first quarter of 2017 for calendar year-end companies). For entities other than public business entities, the amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted for all entities as of the beginning of an interim or annual reporting period. The adoption of this standard is not expected to have a material impact on the Company's financial position and results of operations.

Note 2. Going Concern

The Company had incurred net loss of $501,081 and $452,783 for the years ended December 31, 2016 and 2015, and had accumulated deficit of $2,314,205 and $1,813,124 as of December 31, 2016 and December 31, 2015, respectively. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. This basis of accounting contemplates the recovery of the Company's assets and the satisfaction of liabilities in the normal course of business. This presentation presumes funds will be available to finance ongoing research and development, operations and capital expenditures and permit the realization of assets and the payment of liabilities in the normal course of operations for the foreseeable future.

There can be no assurances that there will be adequate financing available to the Company and the financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plans to obtain such resources for the Company include (1) obtaining capital either from shareholders or outside investors and (2) short-term borrowings from stockholders or other related party(ies) when needed. However, management cannot provide any assurance that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually to secure other sources of financing and attain profitable operations.

Note 3. Related Party Transactions

Operating lease

On October 1, 2015, the Company and Spinofix Inc., (the "Spinofix"), entered an operating equipment lease agreement which expires on September 30, 2018. Spinofix was incorporated on May 20, 2010 in the state of Delaware. Both the Company and Spinofix are under common control by the Company's President. The monthly rent is $400. Rent expense under this lease agreement amounted to $4,800 and $1,200 for the years ended December 31, 2016 and 2015, respectively.

Due to related parties

As of December 31, 2016 and 2015, the Company had $6,000 and $1,672 due to Spinofix, respectively.

Note 4. Share-Based Compensation

Total share-based compensation expenses were allocated as follows

	Year Ended December 31,	
	2016	2015
Research and development	$ 2,958	$ 7,085
General and administrative	2,250	4,937
Total share-based compensation expense	$ 5,208	$ 12,022

2009 Stock Incentive Plan

The Company's board of directors adopted, and its stockholders approved its 2009 Stock Incentive Plan (the "2009 Plan") in April 2009, providing for the issuance under 2009 Plan of options and rights to purchase up to two million two hundred twenty thousand (2,220,000) shares of common stock. As of December 31, 2016 and 2015, there were 809,000 shares available for issuance under the Company's 2009 Plan, which provides for the grant of incentive stock options and non-qualified stock options to consultants.

The exercise price of stock options under the 2009 Plan may not be less than 100% of the fair market value per share of the common stock on the date of grant. All stock options under the 2009 Plan have a term of no greater than 10 years from the date of grant. Vesting of stock options is determined by the President and CEO of the Company, who is also the major shareholder. No stock option may be exercised subsequent to its termination date.

The purchase price of a right to purchase common stock and the termination date of the offer under the 2009 Plan is determined by the President and CEO of the Company, who is also the major shareholder. The Company shall have the right to repurchase all or a portion of the shares acquired pursuant to the exercise of this option in the event that the participant's continuous service should terminate for any reason whatsoever.

Determination of Fair Value

During the years ended December 31, 2016 and 2015, the fair value of each stock option granted was estimated on the date of grant using the Binomial option pricing model with the following assumptions:

	Year Ended December 31,	
	2016	2015
Weighted average fair value of common stock on date of grant	N/A	$ 0.0990
Weighted average exercise price of the options	N/A	$ 0.2500
Weighted average exercise price of options outstanding at end of period	$ 0.1615	$ 0.1615
Expected term of the options (years)	N/A	10
Expected volatility (%)	N/A	58.73% - 61.53%
Risk-free interest rate	N/A	2.157% - 2.158%
Dividend yield	N/A	—
Expected forfeiture per year (%)	N/A	0
Weighted average fair value of the options per unit	N/A	$ 0.0440

No stock options were granted during the year ended December 31, 2016

Compensation expense related to share-based transactions is measured and recognized in the financial statements based on the fair value of the awards granted. The share-based compensation expense, net of forfeitures, is recognized on a straight-line basis over the requisite service periods of the awards, which is generally three to four years.

Use of the Binomial option pricing model requires the input of subjective assumptions, including the fair value of the underlying common stock, expected term of the option, expected volatility of the price of the common stock, risk-free interest rates, and expected dividend yield of the common stock. The assumptions used in the option-pricing model represent management's best estimates.

These assumptions and estimates are as follows:

Fair Value of Common Stock

The fair value of the common stock underlying its share-based awards was primarily based on the latest financing rounds of issuing equity interest near the option grant date. It was determined by the Company's board of directors, with input from management and a third-party valuation firm.

Expected Term

The expected term assumptions were determined based on the vesting terms, exercise terms, and contractual lives of the options.

Expected Volatility

The expected volatility of stock options is estimated based upon the historical volatility of a number of publicly traded companies in similar stages of development and comparable industries for a period commensurate with the expected life.

Risk-Free Interest Rate

The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the option's expected term.

Dividend Yield

The Company has never declared or paid any cash dividends and does not presently plan to pay cash dividends in the foreseeable future. Consequently, an expected dividend yield of zero was utilized.

Expected Forfeitures

The Company considers many factors when estimating expected forfeitures, including economic environment, and historical experience. The Company updates its estimated forfeiture rate annually.

Early Exercise Multiple

The early exercise multiple is assumed to be 250% of exercise price.

The following table summarizes the stock option activity under the 2009 Plan and related information:

	Options Outstanding		
	Number of Shares Underlying Outstanding Options	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Life (Years)**
Outstanding — January 1, 2015	559,000	0.084	7.52
Granted	250,000	0.25	9.45
Exercised	—	N/A	—
Forfeited or cancelled	—	N/A	—
Outstanding — December 31, 2015	809,000	0.161	7.68
Granted	—	N/A	—
Exercised	—	N/A	—
Forfeited or cancelled	—	N/A	—
Outstanding — December 31, 2016	809,000	0.161	7.18
Exercisable — December 31, 2016	604,874	$ 0.161	6.85
Vested and expected to vest — December 31, 2016	809,000	$ 0.161	7.18
Exercisable — December 31, 2015	498,916	$ 0.161	6.78
Vested and expected to vest — December 31, 2015	809,000	$ 0.161	7.68

The weighted-average grant-date fair value of options granted during the years ended December 31, 2016 and 2015 was $0 and $0.044 per share, respectively. The total fair value of options vested during the years ended December 31, 2016 and 2015 was $5,208 and $12,022, respectively.

As of December 31, 2016 and 2015, the total unrecognized share-based compensation expense for unvested stock options, net of expected forfeitures, was $12,729 and $17,937, respectively, which is expected to be recognized over a weighted-average period of 0.41 years and 1.42 years, respectively.

Note 5. Operating Lease Obligation

The Company leases its main office in Lake Forest, California, under operating leases expiring on September 30, 2018. The total office rent expenses were $32,134 and $43,966 for the years ended December 31, 2016 and 2015, respectively. The Company also leases equipment from Spinofix (See Note 3) during the years ended December 31, 2016 and 2015.

Future minimum lease payments under the Company’s operating leases are as follows:

December 31,		Amount
2017	$	36,608
2018		27,456
Thereafter		—
Total	$	64,064

Note 6. Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction, and various state and local jurisdictions. The Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2012.

Components of income tax (benefits) for the year ended December 31, 2016 and 2015 are as follows:

	For the year ended December 31, 2016						For the year ended December 31, 2015					
	Federal		State		Total		Federal		State		Total	
Current	$	—	$	800	$	800	$	—	$	800	$	800
Deferred		—		—		—		—		—		—
	$	—	$	800	$	800	$	—	$	800	$	800

Significant components of the Company’s deferred tax accounts at December 31, 2016 and December31, 2015:

The accompanying notes are an integral part of the financial statements.

	December 31, 2016		December 31, 2015	
Deferred Tax Account - noncurrent:				
Accumulated depreciation	$	—	$	(108)
Tax losses carryforwards		664,828		511,028
Nonqualified stock options		20,423		18,350
Less: Valuation allowance		(685,251)		(529,270)
Total deferred tax account - noncurrent	$	—	$	—

The difference between the effective rate reflected in the provision for income taxes on loss before taxes and the amounts determined by applying the applicable statutory U.S. tax rate are analyzed below:

	2016	2015
Statutory tax benefit, net of state effects	31%	31%
State income taxes	8.84%	8.84%
Nondeductible/nontaxable items	—%	—%
Change in valuation allowance	(42.84)%	(42.84)%
Effective income tax rate	—%	—%

Note 7. Subsequent Events

On January 1, 2017, the Company granted to a consultant an option to purchase all or any portion of a total thirty thousand shares of common stock at a purchase price of $0.25 per share under the 2009 Plan. The shares shall become vested shares in a series of six months successive equal monthly installments for each full month of continuous service provided by the consultant. The vesting commencement date is January 1, 2017.

On May 22, 2017, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with EnteroMedics Inc. (“EnteroMedics”) to sell all of the ownership interests of the Company. The aggregate merger consideration paid by EnteroMedics for all of the outstanding shares of capital stock and outstanding options of the Company was: (i) 1.38 million shares of common stock, par value $0.01 per share, of EnteroMedics (“EnteroMedics Common Stock”), (ii) 1.0 million shares of newly created conditional convertible preferred stock, par value $0.01 per share, of EnteroMedics (“EnteroMedics Preferred Stock”), which shares will convert into 5.0 million shares of EnteroMedics Common Stock subject to and contingent upon the post-closing approval of the stockholders of EnteroMedics in accordance with the NASDAQ Stock Market Rules, and (iii) $2 million in cash. At the closing of the Merger, 100,018 shares of EnteroMedics Preferred Stock were deposited with an escrow agent to fund-post closing indemnification obligations of stockholders of the Company.

The Company has evaluated subsequent events through the date which the financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2016 have been incorporated into these financial statements and there are no subsequent events that require disclosure in accordance with FASB ASC Topic 855, “Subsequent Events.”

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The accompanying notes are an integral part of the financial statements.

Bariosurg, Inc.

FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED
MARCH 31, 2017 AND 2016

CONTENTS

BARIOSURG, INC.
BALANCE SHEETS

	March 31, 2017 (Unaudited)	December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	$ 388,864	$ 432,101
Total Current Assets	388,864	432,101
Fixed Assets		
Computer and network	1,995	1,995
Furniture and Fixture	1,350	1,350
Less: accumulated depreciation	(3,345)	(3,345)
Fixed Assets, net	—	—
Deposits	5,826	5,826
Total Assets	$ 394,690	$ 437,927
Liabilities and Stockholders' Equity		
Current Liabilities		
Accrued expenses	$ 148,746	$ 131,325
Due to related parties	7,200	6,000
Total Current Liabilities	155,946	137,325
Total Liabilities	155,946	137,325
Stockholders' Equity		
Preferred stock, par value $0.0001, 17,838,591 shares authorized:		
1,650,000 shares of Series S issued and outstanding at March 31, 2017 and December 31, 2016;	$ 165	$ 165
2,202,576 shares of Series A issued and outstanding at March 31, 2017 and December 31, 2016;	220	220
87,413 and 17,483 shares of Series B issued and outstanding at March 31, 2017 and December 31, 2016, respectively	9	2
Additional paid-in capital - preferred stock	2,660,642	2,560,649
Common stock, par value $0.0001; 40,000,000 shares authorized, 15,000,000 shares issued and outstanding at March 31, 2017 and December 31, 2016	1,500	1,500
Additional paid-in capital - common stock	55,022	52,271
Accumulated deficit	(2,478,814)	(2,314,205)
Total Stockholders' Equity	238,744	300,602
Total Liabilities and Stockholders' Equity	$ 394,690	$ 437,927

The accompanying notes are an integral part of the financial statements.

BARIOSURG, INC.

STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016
(UNAUDITED)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Net sales	$ —	$ —
Research and development expenses	46,752	29,302
General and administrative expenses	117,857	117,313
Loss from operations	(164,609)	(146,615)
Loss before income taxes	(164,609)	(146,615)
Provision for income taxes	—	—
Net Loss	$ (164,609)	$ (146,615)

The accompanying notes are an integral part of the financial statements.

BARIOSURG, INC.
STATEMENTS OF CASH FLOW
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016
(UNAUDITED)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Cash Flows from Operating Activities		
Net loss	$ (164,609)	$ (146,615)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	—	68
Share-based compensation	2,751	1,126
Changes in assets and liabilities:		
Increase in accrued expenses	17,421	40,993
Increase in due to related parties	1,200	1,200
Net cash used in operating activities	(143,237)	(103,228)
Cash Flows from Financing Activities		
Cash proceeds from issuance preferred stocks	100,000	25,000
Net cash provided by financing activities	100,000	25,000
Net decrease in cash and cash equivalents	(43,237)	(78,228)
Cash and Cash Equivalents		
Beginning	432,101	629,723
Ending	$ 388,864	$ 551,495
Supplemental Disclosure of Cash Flows		
Cash paid during the year for:		
Interest	$ —	$ —
Income taxes	$ —	$ —

The accompanying notes are an integral part of the financial statements.

BARIOSURG, INC.
NOTES TO THE FINAICAL STATEMENTS
MARCH 31, 2017
(UNAUDITED)

Note 1. Nature of Business and Significant Accounting Policies

Nature of Business: Bariosurg, Inc. (hereinafter, “the Company”), a Delaware corporation formed on August 14, 2008. It is engaged primarily in research and development of the technology and medical device related to obesity and glycemic control.

The fiscal year of Bariosurg, Inc. ends on December 31st.

A summary of the Company's significant accounting policies is as follows:

Basis of presentation: The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles of United States of America 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: For purposes of reporting cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Fixed assets: Fixed assets are recorded at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets as follows:

Furniture and equipment	5 years
Computer	5 years

Total depreciation expense was $0 and $68 for the three months ended March 31, 2017 and 2016, respectively. Expenditures for major renewals and betterment that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting profit or loss is reflected in the statement of income for the period.

Impairment of long-lived assets: The Company reviews its long-lived assets whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Impairment is evaluated by comparing the carrying value of the long-lived assets with the estimated future net undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future net cash flows be less than the carrying value, the Company would recognize an impairment loss at that date. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value (estimated discounted future cash flows) of the long-lived assets.

Revenue recognition: The Company's revenue recognition policy is in accordance with U.S. GAAP when the following overall fundamental criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or the service has been performed, (iii) the Company's price to the customer is fixed or determinable and (iv) collection of the resulting accounts receivable is reasonably assured. The Company currently is not recognizing any revenue for the three months ended March 31, 2017 and 2016.

Advertising costs: Advertising costs are expensed as incurred. The total advertising and marketing expenses were $0 and $124 for the three months ended March 31, 2017 and 2016, respectively.

Research and Development — The Company accounts for R&D costs in accordance with Accounting Standards Codification ("ASC") 730, Research and Development ("ASC 730"). Research and development expenses are charged to expense as incurred unless there is an alternative future use in other research and development projects or otherwise. Research and development expenses are comprised of costs incurred in performing research and development activities, including personnel-related costs, facilities-related overhead, and outside contracted services including clinical trial costs, manufacturing and process development costs for both clinical and preclinical materials, research costs, and other consulting services. Non-refundable advance payment for goods and services that will be used in future research and development activities are expensed when the activity has been performed or when the goods have been received rather than when the payment is made. In instances where the Company enters into agreements with third parties to provide research and development services, costs are expensed as services are performed.

Income taxes: The Company accounts for income taxes in accordance with ASC 740, Income Taxes, which requires that the Company recognize deferred tax liabilities and assets based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities, using enacted tax rates in effect in the years the differences are expected to reverse. Deferred income tax benefit (expense) results from the change in net deferred tax assets or deferred tax liabilities. A valuation allowance is recorded when, in the opinion of management, it is more likely than not that some or all of any deferred tax assets will not be realized. The Company provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax position.

Valuation of Deferred Tax Assets — A valuation allowance is recorded to reduce its deferred tax assets to the amount that is more likely than not to be realized. In assessing the need for the valuation allowance, management considers, among other things, projections of future taxable income and ongoing prudent and feasible tax planning strategies. If the Company determines that sufficient negative evidence exists, then it will consider recording a valuation allowance against a portion or all of the deferred tax assets in that jurisdiction. If, after recording a valuation allowance, the Company's projections of future taxable income and other positive evidence considered in evaluating the need for a valuation allowance prove, with the benefit of hindsight, to be inaccurate, it could prove to be more difficult to support the realization of its deferred tax assets. As a result, an additional valuation allowance could be required, which would have an adverse impact on its effective income tax rate and results. Conversely, if, after recording a valuation allowance, the Company determines that sufficient positive evidence exists in the jurisdiction in which the valuation allowance was recorded, it may reverse a portion or all of the valuation allowance in that jurisdiction. In such situations, the adjustment made to the deferred tax asset would have a favorable impact on its effective income tax rate and results in the period such determination was made. See Note 7 for information related to income taxes, including the recorded balances of its valuation allowance related to deferred tax assets.

The Company applied the provisions of ASC 740-10-50, "Accounting For Uncertainty In Income Taxes", which provides clarification related to the process associated with accounting for uncertain tax positions recognized in its financial statements. Audit periods remain open for review until the statute of limitations has passed. The completion of review or the expiration of the statute of limitations for a given audit period could result in an adjustment to the

Company's liability for income taxes. Any such adjustment could be material to the Company's results of operations for any given quarterly or annual period based, in part, upon the results of operations for the given period. As of March 31, 2017 and December 31, 2016, management considered that the Company had no uncertain tax positions, and will continue to evaluate for uncertain positions in the future.

Concentration:

Cash and cash equivalents: The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of March 31, 2017 and December 31, 2016, the Company had approximately $138,864 and $182,101 in excess of FDIC insured limits, respectively. The Company has not experienced any losses in such accounts.

Customers: The Company currently is not entering any sales contracts with customers and not recognizing any revenue for the three months ended March 31, 2017 and 2016.

Suppliers: The Company currently is not entering any significant purchase agreements with suppliers for the three months ended March 31, 2017 and 2016.

Fair Value Measurements — FASB ASC 820, "Fair Value Measurements" defines fair value for certain financial and nonfinancial assets and liabilities that are recorded at fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It requires that an entity measure its financial instruments to base fair value on exit price, maximize the use of observable units and minimize the use of unobservable inputs to determine the exit price. It establishes a hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy increases the consistency and comparability of fair value measurements and related disclosures by maximizing the use of observable inputs and minimizing the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the assets or liabilities based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy prioritizes the inputs into three broad levels based on the reliability of the inputs as follows:

- Level 1 — Inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Valuation of these instruments does not require a high degree of judgment as the valuations are based on quoted prices in active markets that are readily and regularly available.

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

- Level 3 — Valuations based on inputs that are unobservable and not corroborated by market data. The fair value for such assets and liabilities is generally determined using pricing models, discounted cash flow methodologies, or similar techniques that incorporate the assumptions a market participant would use in pricing the asset or liability.

The carrying values of certain assets and liabilities of the Company, such as cash and cash equivalents, accrued liabilities, and due to related parties, approximate fair value due to their relatively short maturities.

***Share-Based Compensation* —** The Company follows the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 505-50, Equity-Based Payments to Non-Employees ("ASC 505-50"). Stock option awards issued to non-employees, principally consultants of the Company, are accounted for at fair value using the Binomial option pricing model. Management believes that the fair value of the stock options is more reliably measured than the fair value of services received. The Company records compensation expense based on the then-current fair values of the stock options at each financial reporting date. Compensation expense recorded during the service period is adjusted in subsequent periods for changes in the fair value of the stock options until the earlier of the date at which the non-employees' performance is complete or a performance commitment is reached, which is generally when the stock option award vests. Compensation expense for non-employee grants is recorded on a straight-line basis in the statements of operations. Total share-based compensation expenses were $2,751 and $1,126 for the three months ended March 31, 2017 and 2016, respectively.

Recently Issued Accounting Pronouncements: The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on its result of operations, financial position or cash flow.

Note 2. Going Concern

The Company had incurred net loss of $164,609 and $146,615 for the three months ended March 31, 2017 and 2016, and had accumulated deficit of $2,478,814 and $2,314,205 as of March 31, 2017 and December 31, 2016, respectively. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. This basis of accounting contemplates the recovery of the Company's assets and the satisfaction of liabilities in the normal course of business. This presentation presumes funds will be available to finance ongoing research and development, operations and capital expenditures and permit the realization of assets and the payment of liabilities in the normal course of operations for the foreseeable future.

There can be no assurances that there will be adequate financing available to the Company and the consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plans to obtain such resources for the Company include (1) obtaining capital either from shareholders or outside investors and (2) short-term borrowings from stockholders or other related party(ies) when needed. However, management cannot provide any assurance that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually to secure other sources of financing and attain profitable operations.

Note 3. Related Party Transactions

Operating lease

On October 1, 2015, the Company and Spinofix Inc., (the "Spinofix"), entered an operating equipment lease agreement which expires on September 30, 2018. Spinofix was incorporated on May 20, 2010 in the state of Delaware. Both the Company and Spinofix are under common control by the Company's President. The monthly rent is $400. Rent expense under this lease agreement amounted to $1,200 and $1,200 for the three months ended March 31, 2017 and 2016, respectively.

Due to related parties

As of March 31, 2017 and December 31, 2016, the Company had $7,200 and $6,000 due to Spinofix, respectively.

Note 4. Share-Based Compensation

Total share-based compensation expenses were allocated as follows

	Three Months Ended March 31,	
	2017	2016
	(Unaudited)	
Research and development	$ 2,188	$ 563
General and administrative	563	563
Total share-based compensation expense	$ 2,751	$ 1,126

2009 Stock Incentive Plan

The Company's board of directors adopted, and its stockholders approved its 2009 Stock Incentive Plan (the "2009 Plan") in April 2009, providing for the issuance under 2009 Plan of options and rights to purchase up to two million two hundred twenty thousand (2,220,000) shares of common stock. As of March 31, 2017 and December 31, 2016, there were 839,000 and 809,000 shares, respectively, available for issuance under the Company's 2009 Plan, which provides for the grant of incentive stock options and non-qualified stock options to consultants.

The exercise price of stock options under the 2009 Plan may not be less than 100% of the fair market value per share of the common stock on the date of grant. All stock options under the 2009 Plan have a term of no greater than 10 years from the date of grant. Vesting of stock options is determined by the President and CEO of the Company, who is also the major shareholder. No stock option may be exercised subsequent to its termination date.

The purchase price of a right to purchase common stock and the termination date of the offer under the

2009 Plan is determined by the President and CEO of the Company, who is also the major shareholder. The

Company shall have the right to repurchase all or a portion of the shares acquired pursuant to the exercise of this option in the event that the participant's continuous service should terminate for any reason whatsoever.

Determination of Fair Value

During the three months ended March 31, 2017 and 2016, the fair value of each stock option granted was estimated on the date of grant using the Binomial option pricing model with the following assumptions:

	Three Months Ended March 31,	
	2017	2016
	(Unaudited)	
Weighted average fair value of common stock on date of grant	$ 0.2120	N/A
Weighted average exercise price of the options	$ 0.2500	N/A
Weighted average exercise price of options outstanding at end of period	$ 0.1650	$ 0.1615
Expected term of the options (years)	10	N/A
Expected volatility (%)	60.14	N/A
Risk-free interest rate (%)	2.420	N/A
Dividend yield	—	N/A
Expected forfeiture per year (%)	—	N/A
Weighted average fair value of the options per unit	$ 0.1141	N/A

No stock options were granted during the three months ended March 31, 2016

Compensation expense related to share-based transactions is measured and recognized in the financial statements based on the fair value of the awards granted. The share-based compensation expense, net of forfeitures, is recognized on a straight-line basis over the requisite service periods of the awards, which is generally three to four years.

Use of the Binomial option pricing model requires the input of subjective assumptions, including the fair value of the underlying common stock, expected term of the option, expected volatility of the price of the common stock, risk-free interest rates, and expected dividend yield of the common stock. The assumptions used in the option-pricing model represent management's best estimates.

These assumptions and estimates are as follows:

Fair Value of Common Stock

The fair value of the common stock underlying its share-based awards was primarily based on the latest financing rounds of issuing equity interest near the option grant date. It was determined by the Company's board of directors, with input from management and a third-party valuation firm.

Expected Term

The expected term assumptions were determined based on the vesting terms, exercise terms, and contractual lives of the options.

Expected Volatility

The expected volatility of stock options is estimated based upon the historical volatility of a number of publicly traded companies in similar stages of development and comparable industries for a period commensurate with the expected life.

Risk-Free Interest Rate

The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the option's expected term.

Dividend Yield

The Company has never declared or paid any cash dividends and does not presently plan to pay cash dividends in the foreseeable future. Consequently, an expected dividend yield of zero was utilized.

Expected Forfeitures

The Company considers many factors when estimating expected forfeitures, including economic environment, and historical experience. The Company updates its estimated forfeiture rate annually.

Early Exercise Multiple

The early exercise multiple is assumed to be 250% of exercise price.

The following table summarizes the stock option activity under the 2009 Plan and related information:

	Options Outstanding			
	Number of Shares Underlying Outstanding Options		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)
Outstanding — January 1, 2016	809,000		0.161	7.68
Granted	—		N/A	—
Exercised	—		N/A	—
Forfeited or cancelled	—		N/A	—
Outstanding — December 31, 2016	809,000		0.161	7.18
Granted	30,000		N/A	—
Exercised	—		N/A	—
Forfeited or cancelled	—		N/A	—
Outstanding — March 31, 2017(Unaudited)	839,000	$	0.165	7.15
Exercisable — March 31, 2017(Unaudited)	645,062	$	0.145	6.87
Vested and expected to vest — March 31, 2017(Unaudited)	839,000	$	0.165	7.15
Exercisable — December 31, 2016	604,874	$	0.161	6.85
Vested and expected to vest — December 31, 2016	809,000	$	0.161	7.18

The weighted-average grant-date fair value of options granted during the three months ended March 31, 2017 and 2016 was $0.100 and $0 per share, respectively. The total fair value of options vested during the three months ended March 31, 2017 and 2016 was $2,751 and $1,126, respectively.

As of March 31, 2017 and December 31, 2016, the total unrecognized share-based compensation expense for unvested stock options, net of expected forfeitures, was $9,978 and $12,729, respectively, which is expected to be recognized over a weighted-average period of 0.15 years and 0.41 years, respectively.

Note 5. Stockholders' Equity

On January 1, 2017, the Company granted to a consultant an option to purchase all or any portion of a total thirty thousand shares of common stock at a purchase price of $0.25 per share under the 2009 Plan. The shares shall become vested shares in a series of six months successive equal monthly installments for each full month of continuous service provided by the consultant. The vesting commencement date is January 1, 2017.

On January 4, 2017, the Company sold and issued 69,930 shares of Series B preferred stock, $0.0001 par value, to one shareholder for a total amount of $100,000 in cash.

Note 6. Operating Lease Obligation

The Company leases its main office in Lake Forest, California, under operating leases expiring on September 30, 2018. The total office rent expenses were $7,952 for the three months ended March 31, 2017 and 2016. The Company also leases equipment from Spinofix (See Note 3) during the years ended December 31, 2016 and 2015.

Future minimum lease payments under the Company's operating leases are as follows:

March 31,	Amount
2018	$ 36,608
2019	18,304
Total	$ 54,912

Note 7. Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction, and various state and local jurisdictions. The Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2012.

Significant components of the Company's deferred tax accounts at March 31, 2017 and December 31, 2016:

	March 31, 2017	December 31, 2016
Deferred Tax Account - noncurrent:		
Tax losses carryforwards	664,828	$ 664,828
Nonqualified stock options	21,520	20,423
Less: Valuation allowance	(686,348)	(685,251)
Total deferred tax account - noncurrent	$ —	$ —

The difference between the effective rate reflected in the provision for income taxes on loss before taxes and the amounts determined by applying the applicable statutory U.S. tax rate are analyzed below:

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
	(Unaudited)	
Statutory tax benefit, net of state effects	31 %	31 %
State income taxes	8.84 %	8.84 %
Nondeductible/nontaxable items	— %	— %
Change in valuation allowance	(42.84)%	(42.84)%
Effective income tax rate	— %	— %

Note 8. Subsequent Events

On May 22, 2017, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with EnteroMedics Inc. ("EnteroMedics") to sell all of the ownership interests of the Company. The aggregate merger consideration paid by EnteroMedics for all of the outstanding shares of capital stock and outstanding options of the Company was: (i) 1.38 million shares of common stock, par value $0.01 per share, of EnteroMedics ("EnteroMedics Common Stock"), (ii) 1.0 million shares of newly created conditional convertible preferred stock, par value $0.01 per share, of EnteroMedics ("EnteroMedics Preferred Stock"), which shares will convert into 5.0 million shares of EnteroMedics Common Stock subject to and contingent upon the post-closing approval of the stockholders of EnteroMedics in accordance with the NASDAQ Stock Market Rules, and (iii) $2 million in cash. At the closing of the Merger, 100,018 shares of EnteroMedics Preferred Stock were deposited with an escrow agent to fund-post closing indemnification obligations of stockholders of the Company.

The Company has evaluated subsequent events through the date which the financial statements were available to be issued. All subsequent events requiring recognition as of March 31, 2017 have been incorporated into these financial statements and there are no subsequent events that require disclosure in accordance with FASB ASC Topic 855, "Subsequent Events."

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Exhibit 99.3

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

On May 22, 2017, EnteroMedics Inc. ("EnteroMedics" or the "Company") entered into an Agreement and Plan of Merger (the "Merger Agreement") to acquire all of the ownership interests of BarioSurg, Inc. ("BarioSurg"). The aggregate merger consideration paid by the Company for all of the outstanding shares of capital stock and outstanding options of BarioSurg was: (i) 1.38 million shares of common stock, par value $0.01 per share, of the Company ("Company Common Stock"), (ii) 1.0 million shares of newly created conditional convertible preferred stock, par value $0.01 per share, of the Company ("Company Preferred Stock"), which shares will convert into 5.0 million shares of Company Common Stock subject to and contingent upon the post-closing approval of the Company's stockholders in accordance with the NASDAQ Stock Market Rules, and (iii) $2.0 million in cash. At the closing of the Merger, 100,018 shares of Company Preferred Stock were deposited with an escrow agent to fund-post closing indemnification obligations of BarioSurg's former stockholders.

The total consideration paid by the Company, preliminarily valued at $28.3 million, includes: (a) $2.0 million in cash paid from existing cash balances of EnteroMedics and (b) $26.3 million from the issuance of Company Common Stock and Company Preferred Stock.

The following Unaudited Pro Forma Condensed Combined Statements of Operations for the three months ended March 31, 2017, and for the year ended December 31, 2016, combine the historical consolidated statements of operations of EnteroMedics and BarioSurg for those periods, giving effect to the transaction as if it had been consummated on January 1, 2016. The Unaudited Pro Forma Condensed Combined Financial Statements were prepared using the acquisition method of accounting in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, *Business Combinations*, with EnteroMedics considered as the accounting acquirer and BarioSurg as the accounting acquiree. Accordingly, consideration paid by the Company to complete the transaction will be allocated to identifiable assets and liabilities of BarioSurg based on their estimated fair values as of the closing date of the transaction. As of the date of the Form 8-K/A filing to which these Pro Forma Condensed Combined Financial Statements are attached (the "Form 8-K/A"), the Company has not completed the detailed valuation analysis necessary to arrive at the required estimates of the fair value of BarioSurg's assets acquired and the liabilities assumed and the related allocations of purchase price, nor has it identified all adjustments necessary to conform BarioSurg's accounting policies to EnteroMedics' accounting policies. A final determination of the fair value of BarioSurg's assets and liabilities, including intangible assets with both indefinite or definite lives, will be based on the actual net tangible and intangible assets and liabilities of BarioSurg that existed as of the closing date of the transaction and, therefore, cannot be made prior to the preparation of the financial statements of BarioSurg after closing. As a result of the foregoing, the pro forma adjustments are preliminary and are subject to change as additional information becomes available and as additional analyses are performed. The Company has prepared preliminary estimates of the fair value of BarioSurg' s assets and liabilities based on discussions with BarioSurg' s management, preliminary valuation analyses and due diligence which are reflected in the Unaudited Pro Forma Condensed Combined Financial Statements. Any increases or decreases in the fair value of relevant balance sheet amounts upon completion of the final valuations will result in differences from the Unaudited Pro Forma Condensed Combined Balance Sheet and Statements of Operations and these differences may be material.

Assumptions and estimates underlying the unaudited adjustments to the pro forma condensed combined financial information (the "pro forma adjustments") are described in the accompanying notes. The historical consolidated financial statements have been adjusted in the unaudited pro forma condensed combined financial information to give effect to pro forma events that are: (1) directly attributable to the transaction; (2) factually supportable; and (3) with respect to the Unaudited Pro Forma Condensed Combined Statement of Operations, expected to have a continuing impact on the combined results following the transaction. The unaudited pro forma condensed combined financial information has been presented for illustrative purposes only and is not necessarily indicative of the operating results and financial position that would have been achieved had the transaction occurred on the date indicated. Further, the unaudited pro forma condensed combined financial information does not purport to project the future operating results or financial position of the combined company following the transaction.

These Unaudited Pro Forma Condensed Combined Financial Statements have been derived from, and should be read in conjunction with:

- The unaudited condensed consolidated financial statements of the Company as of and for the three-month period ended March 31, 2017, as contained in its Quarterly Report on Form 10-Q filed on May 15, 2017;
- The audited consolidated financial statements of the Company as of and for the years ended December 31, 2016 and 2015, as contained in its Annual Report on Form 10-K filed on March 8, 2017;
- The audited financial statements of BarioSurg as of and for the years ended December 31, 2016 and 2015, included as Exhibit 99.1 of the Form 8-K/A; and
- The unaudited financial statements of BarioSurg as of and for the three months ended March 31, 2017, included as Exhibit 99.2 of the Form 8-K/A.

The Unaudited Pro Forma Condensed Combined Financial Statements do not reflect the costs of any integration activities or any future cost savings from combined operations pursuant to the transaction. Although EnteroMedics believes that there may be integration costs and that cost savings will be realized following the transaction, there can be no assurance that these costs savings will be achieved in full or at all. In addition, the Unaudited Pro Forma Condensed Combined Statements of Operations do not include other one-time costs directly attributable to the transaction or professional fees incurred by EnteroMedics or BarioSurg as they are not expected to have a continuing impact on the combined company.

EnteroMedics Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations
Three Months Ended March 31, 2017

	Historical Bariosurg	Historical EnteroMedics	Acquisition & Financing Adjustments (1)	Note References	Proforma Combined
Sales	$	$ 40,040	$ —		$ 40,040
Cost of goods sold		29,523	—		29,523
Gross profit	—	10,517	—		10,517
Operating expenses:					

Selling, general and administrative	117,857	5,928,986	33,583	5a, 5f	6,080,426
Research and development	46,752	1,124,413	—		1,171,165
Total operating expenses	164,609	7,053,399	33,583		7,251,591
Operating loss	(164,609)	(7,042,882)	(33,583)		(7,241,074)
Other income (expense):					
Interest income	—	100	—		100
Interest expense	—	—	—		—
Change in value of warrant liability	—	(323,130)	—		(323,130)
Other, net	—	(900)	—		(900)
Net loss	$ (164,609)	$ (7,366,812)	$ (33,583)		$ (7,565,004)
Net loss per share—basic and diluted		$ (1.27)			$ (1.06)
Shares used to compute basic and diluted net loss per share		5,788,282	1,380,684	5c	7,168,966

(1) See Note 5 to the Unaudited Pro Forma Condensed Combined Financial Statements

EnteroMedics Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations
Year Ended December 31, 2016

	Historical Bariosurg	Historical EnteroMedics	Acquisition & Financing Adjustments (1)	Note References	Proforma Combined
Sales	$ —	$ 786,660	$ —		$ 786,660
Cost of goods sold	—	431,476	—		431,476
Gross profit	—	355,184	—		355,184
Operating expenses:					
Selling, general and administrative	380,870	17,981,525	134,331	5a, 5f	18,496,726
Research and development	119,411	5,169,286	—		5,288,697
Total operating expenses	500,281	23,150,811	134,331		23,785,423
Operating loss	(500,281)	(22,795,627)	(134,331)		(23,430,239)
Other income (expense):					
Interest income	—	5,837	—		5,837
Interest expense	—	(4,104,003)	—		(4,104,003)
Change in value of warrant liability	—	3,512,816	—		3,512,816
Other, net	(800)	20,133	—		19,333
Net loss	$ (501,081)	$ (23,360,844)	$ (134,331)		$ (23,996,256)
Net loss per share—basic and diluted		$ (37.53)			$ (11.98)
Shares used to compute basic and diluted net loss per share		622,431	1,380,684	5c	2,003,115

(1) See Note 5 to the Unaudited Pro Forma Condensed Combined Financial Statements

EnteroMedics Inc.
Unaudited Pro Forma Condensed Combined Balance Sheet
As of March 31, 2017

	Historical Bariosurg	Historical EnteroMedics	Acquisition & Financing Adjustments (1)	Note References	Proforma Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ 388,864	$ 18,681,046	$ (2,000,000)	5d	$ 17,069,910
Accounts receivable, net	—	68,153	—		68,153
Inventory	—	1,702,928	—		1,702,928
Prepaid expenses and other current assets	—	401,757	—		401,757
Total current assets	388,864	20,853,884	(2,000,000)		19,242,748
Property and equipment, net	—	171,598	—		171,598
Intangible assets, net	—	—	21,887,186	5a	21,887,186
Goodwill	—	—	6,133,033	4	6,133,033
Other assets	5,826	684,343	—		690,169
Total assets	$ 394,690	$ 21,709,825	$ 26,020,219		$ 48,124,734
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts Payable and Accrued Expenses	$ 155,946	$ 3,717,506	$ —		$ 3,873,452
Accrued interest payable	—	—	—		—
Total current liabilities	155,946	3,717,506	—		3,873,452

Common stock warrant liability	—	46,737	—		46,737
Total liabilities	155,946	3,764,243	—		3,920,189
Stockholders' equity:					
Preferred stock	394	—	9,608	5e	10,002
Common stock	1,500	69,069	12,307	5e	82,876
Additional paid-in capital	2,715,664	326,184,707	23,519,490	5e	352,419,861
Accumulated deficit	(2,478,814)	(308,308,194)	2,478,814	5e	(308,308,194)
Total stockholders' equity	238,744	17,945,582	26,020,219		44,204,545
Total liabilities and stockholders' equity	$ 394,690	$ 21,709,825	$ 26,020,219		$ 48,124,734

(1) See Notes 4 and 5 to the Unaudited Pro Forma Condensed Combined Financial Statements

EnteroMedics Inc.,
Notes to Pro Forma Condensed Combined Financial Statements
(Unaudited)

Note 1 - Description of Acquisition

On May 22, 2017, EnteroMedics Inc. ("EnteroMedics" or the "Company") entered into an Agreement and Plan of Merger (the "Merger Agreement") to acquire all of the ownership interests of BarioSurg, Inc. ("BarioSurg"). The aggregate merger consideration paid by the Company for all of the outstanding shares of capital stock and outstanding options of BarioSurg was: (i) 1.38 million shares of common stock, par value $0.01 per share, of the Company ("Company Common Stock"), (ii) 1.0 million shares of newly created conditional convertible preferred stock, par value $0.01 per share, of the Company ("Company Preferred Stock"), which shares will convert into 5.0 million shares of Company Common Stock subject to and contingent upon the post-closing approval of the Company's stockholders in accordance with the NASDAQ Stock Market Rules, and (iii) $2.0 million in cash. At the closing of the Merger, 100,018 shares of Company Preferred Stock were deposited with an escrow agent to fund post-closing indemnification obligations of BarioSurg's former stockholders.

The shares of Company Common Stock issued at the closing of the Merger represent approximately 10.4% of the total outstanding shares of Company Common Stock immediately following the Merger. Subject to receipt of the required approval of the Company's stockholders, the number of shares of Company Common Stock to be issued upon conversion of the shares of Company Preferred Stock represents approximately 37.6% of the total outstanding shares of Company Common Stock immediately following the Merger, on an as-converted basis. Collectively, the shares of Company Common Stock and Company Preferred Stock (assuming conversion of the Company Preferred Stock into Company Common Stock) to be issued in connection with the Merger will represent approximately 48.0% of the issued and outstanding capital stock of the Company following the Merger, on an as-converted basis. Shares of Company Preferred Stock were non-voting until the receipt of the required Company stockholder approval. Approval by the Company's stockholders was not required in connection with the closing of the Merger and the issuance of shares of Company Common Stock in connection with the Merger. Under the terms of the Merger Agreement, the Company has agreed to use commercially reasonable efforts to call and hold a meeting of the Company's stockholders to obtain the requisite approval for the conversion of the Company Preferred Stock into shares of Company Common Stock, for purposes of the NASDAQ Stock Market Rules, within 120 days after the date of the Merger Agreement and, if such approval is not obtained at that meeting, to obtain such approval at an annual or special stockholders meeting to be held at least every six months thereafter.

Note 2 - Basis of Presentation

The Unaudited Pro Forma Condensed Combined Financial Statements are prepared in accordance with Article 8, rule 8-05, of the Securities and Exchange Commission Regulation S-X. The historical financial information has been adjusted to give effect to the transactions that are (i) directly attributable to the acquisition, (ii) factually supportable and (iii) with respect to the Unaudited Pro Forma Condensed Combined Statements of Operations, expected to have a continuing impact on the operating results of the combined company. The historical information of EnteroMedics and BarioSurg is presented in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"), except that it does not contain all of the footnote disclosures normally required by U.S. GAAP.

At this time, the Company is not aware of any material differences in accounting policy or classification between its financial statements and those of BarioSurg, however, the Company will continue to review BarioSurg's accounting policies in an effort to determine whether any reclassification of amounts recorded by BarioSurg in its results of operations or in its statements of financial condition may be required. As a result of that review, the Company may identify differences between the accounting policies and classifications of the two companies that, when conformed, could have a material impact on these Unaudited Pro Forma Condensed Combined Financial Statements.

Note 3 - Calculation of Preliminary Estimated Purchase Price and Transaction Financing

The acquisition was financed with (i) the issuance of 1.38 million shares of Company Common Stock, (ii) 1.0 million shares of Company Preferred Stock, which shares will convert into 5.0 million shares of Company Common Stock subject to and contingent upon the post-closing approval of the Company's stockholders in accordance with the NASDAQ Stock Market Rules, and (iii) $2 million in cash. At the closing of the Merger, 100,018 shares of Company Preferred Stock were deposited with an escrow agent to fund-post closing indemnification obligations of BarioSurg's former stockholders. For purposes of the Unaudited Pro Forma Condensed Combined Financial Statements the Company has preliminarily valued at $28.3 million all the consideration paid in conjunction with the acquisition, with $26.3 million representing the preliminary valuation of Company Common Stock and Company Preferred Stock. The preliminary valuation of the Company Common Stock and Company Preferred stock took into account (i) the conversion ratio of the Company Preferred Stock, (ii) the average closing prices of

EnteroMedics' common stock on the NASDAQ Stock Market on the date the transaction was announced and the three trading days following the announcement, and (iii) a discount for lack of marketability related to the shares issued in the transaction.

Note 4 - Preliminary Estimated Purchase Price Allocation

Under the acquisition method of accounting, the total purchase price, which equals fair value, is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of the date of the acquisition.

EnteroMedics has performed a preliminary estimate of the fair market value of BarioSurg's tangible and intangible assets and liabilities. The table below represents management's preliminary estimated fair value allocation of the total estimated consideration to BarioSurg's tangible and intangible assets and liabilities as of March 31, 2017:

Total consideration	$	28,258,963
Tangible net assets acquired		(238,744)
Identifiable intangible assets acquired		(21,887,186)
Consideration allocated to goodwill	$	6,133,033

This preliminary estimated purchase price allocation has been used to prepare pro forma adjustments in these Unaudited Pro Forma Condensed Combined Financial Statements. Upon completion of the fair value assessment after the closing, it is anticipated that the final purchase price allocation will differ from the preliminary assessment outlined above. Any changes to the initial estimates of the fair value of assets and liabilities that are made within the measurement period, which will not exceed one year from the closing, will be recorded as adjustments to those assets and liabilities and residual amounts will be allocated to goodwill.

Note 5 - Pro Forma Adjustments

The Unaudited Pro Forma Condensed Combined Statements of Operations do not include any material non-recurring charges directly attributable to the acquisition that will arise in subsequent periods. In addition, the Unaudited Pro Forma Condensed Combined Financial Statements do not reflect the costs of any integration activities including any benefits that may result from realization of future cost savings from operating efficiencies or revenue synergies expected to result from the acquisition. The Unaudited Pro Forma Condensed Combined Financial Statements reflect the following adjustments.

(a) Tangible and Intangible Assets — Fair Value Adjustments

The preliminary valuation identified intangible assets consisting of In Process research and development, covenant not to compete and trademarks/tradenames. The fair value of acquired intangible assets was estimated by management at $21,887,186. The calculation of these fair values is preliminary and subject to change. The following table summarizes the estimated fair values of BarioSurg's identifiable intangible assets and their estimated useful lives and uses a straight-line method of amortization:

	Estimated Fair Value	Estimated Useful Life in Years	Amortization Expense: Three Months Ended March 31, 2017	Amortization Expense: Year Ended December 31, 2016
In Process Research & Development	$ 20,720,939	n/a	$ —	$ —
Covenant not to compete	75,884	3	6,324	25,295
Trademarks/tradenames	1,090,363	10	27,259	109,036
Other				
Pro forma adjustments to intangible assets	$ 21,887,186		$ 33,583	$ 134,331

Under generally accepted accounting principles, in process research and development is tested annually for impairment, but amortization is not commenced until the underlying product is fully developed.

(b) Income Tax Expense/Benefit

The Pro Forma Unaudited Statement of Operations do not reflect an adjustment to income tax expense/benefit for any of the periods presented because the combined operations generated a loss. No deferred income tax asset is recorded because the accounting criteria to record such assets has not been met.

(c) Loss per Share

Reflects an adjustment to increase basic and diluted weighted average shares for the issuance of 1,380,684 common shares as of the closing of the date of the Merger Agreement. Company Preferred Stock issued as part of the consideration for the transaction are not included as they would be anti-dilutive.

(d) Cash

Represents adjustment related to $2.0 million of cash paid as part of the consideration related to the transaction:

(e) Stockholders' Equity

Reflects the issuance of 1.38 million shares of Company Common Stock, par value $0.01 per share, and 1.0 million shares of Company Preferred Stock, par value $0.01 per share, together valued at approximately $26.3 million at closing. Additionally, reflects the elimination of the historical preferred stock, common stock, additional paid-in capital and accumulated deficit of BarioSurg of $394, $1,500, $2.7 million, and $2.5 million, respectively, at closing.

(f) Summary of Pro Forma Adjustments Affecting Selling, General and Administrative Expenses

The table below summarizes all the pro forma entries, outlined above, that affect Selling, General and Administrative Expenses for the three months ended March 31, 2017 and the twelve months ended December 31, 2016:

	Three Months Ended March 31, 2017	Year Ended December 31, 2016
Selling, General and Administrative Expenses		
Add:		
Amortization expense	$ 33,583	$ 134,331