April 2, 2018

ReShape Lifesciences Announces $6 Million Registered Direct Offering

SAN CLEMENTE, Calif., April 2, 2018 /PRNewswire/ -- ReShape Lifesciences Inc. (NASDAQ:RSLS), a developer of minimally invasive medical devices to treat obesity and metabolic diseases, today announced that it has entered into a securities purchase agreement with an institutional investor providing for the purchase and sale in a registered direct offering of shares of series D convertible preferred stock and a warrant to purchase shares of common stock for a purchase price of $6.0 million.

The shares of series D convertible preferred stock will be convertible into an aggregate of 8.0 million shares of common stock at a conversion price of $0.75 per share and the warrants will have a one-year term (or, if later, eight months after the requisite stockholder approval is obtained) and be exercisable for 35 million shares of common stock at an exercise price of $0.75 per share. ReShape Lifesciences expects to receive net proceeds of approximately $5.25 million after deducting placement agent fees and other offering expenses. If the requisite stockholder approval is obtained, and if the warrants are exercised in full, ReShape Lifesciences would receive an additional $26.25 million in gross proceeds based on the initial warrant exercise price of $0.75 per share. ReShape Lifesciences intends to use the net proceeds from the registered direct offering to continue its commercialization efforts, for clinical and product development activities, and for other working capital and general corporate purposes. The closing of the offering is expected to take place on or about April 4, 2018, subject to the satisfaction or waiver of customary closing conditions.

ReShape Lifesciences intends to ask its stockholders at its 2018 annual meeting for the requisite approval for the conversion or exercise of the securities described above into shares of common stock exceeding 19.99% of the company's currently outstanding common stock for purposes of the NASDAQ Stock Market Rules and has entered into voting agreements with stockholders representing a majority of the company's outstanding common stock pursuant to which those stockholders have agreed to vote in favor of that proposal.

Ladenburg Thalmann & Co. Inc., a subsidiary of Ladenburg Thalmann Financial Services Inc. (NYSE American: LTS), acted as the lead placement agent in connection with the registered direct offering. A.G.P./Alliance Global Partners, offering securities through Euro Pacific Capital Inc., acted as co-placement agent in connection with the registered direct offering.

A shelf registration statement relating to the securities offered in the registered direct offering described above was filed with the Securities and Exchange Commission (the "SEC") on March 10, 2017, as amended on July 18, 2017 (File No. 333-216600), and became effective on July 21, 2017. ReShape Lifesciences will file a prospectus supplement relating to the offering with the SEC. Copies of the prospectus supplement, when available, and accompanying prospectus relating to the offering may be obtained for free by visiting EDGAR on the SEC website at www.sec.gov. Copies of the prospectus supplement, when available, and the accompanying prospectus relating to the offering may also be obtained from Ladenburg Thalmann & Co. Inc., Prospectus Department, 277 Park Avenue, 26th Floor, New York, New York 10172, or by calling (212) 409-2000.

This press release does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction.

About ReShape Lifesciences Inc.

ReShape Lifesciences™ is a medical device company focused on technologies to treat obesity and metabolic diseases. The FDA-approved ReShape Balloon™ System involves a non-surgical weight loss procedure that uses advanced balloon technology designed to take up room in the stomach to help people with a 30-40 kg/m^2 Body Mass Index (BMI) and at least one co-morbidity lose weight. ReShape vBloc™ Therapy, delivered by an FDA-approved pacemaker-like device called the ReShape vBloc System, is designed to help patients with a 40-45 kg/m^2, or a 35-39.9 kg/m^2 BMI and at least one co-morbidity feel full and eat less by intermittently blocking hunger signals on the vagus nerve. The ReShape Vest™ System is an investigational, minimally invasive, laparoscopically implanted medical device that wraps around the stomach, emulating the gastric volume reduction effect of conventional weight-loss surgery, and is intended to enable rapid weight loss in obese and morbidly obese patients without permanently changing patient anatomy.

Forward-Looking Safe Harbor Statement:

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified by the use of words such as expect," "plan," "anticipate," "could," "may," "intend," "will," "continue," "future," other words of similar meaning and the use of future dates. Forward-looking statements in this release include statements regarding the proposed offering and the anticipated use of proceeds therefrom. These forward-looking statements are based on the current expectations of our management and involve known and unknown risks and uncertainties that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others: risks and uncertainties related to our acquisition of ReShape Medical, Inc., including unexpected costs or liabilities, the ability to recognize the benefits of the acquisition and that the acquisition may involve unexpected costs or liabilities; our ability to continue as a going concern; our limited history of operations; our losses since inception and for the foreseeable future; our limited commercial sales experience with our vBloc® System for the treatment of obesity in the United States or in any foreign market other than Australia and the European Community; the competitive industry in which we operate; our ability to maintain compliance with the Nasdaq continued listing requirements; our ability to commercialize our vBloc System; our dependence on third parties to initiate and perform our clinical trials; the need to obtain regulatory approval for any modifications to our vBloc System; physician adoption of our vBloc System and vBloc Neurometabolic Therapy; our ability to obtain third party coding, coverage or payment levels; ongoing regulatory compliance; our dependence on third party manufacturers and suppliers; the successful development of our sales and marketing capabilities; our ability to raise additional capital when needed; international commercialization and operation; our ability to attract and retain management and other personnel and to manage our growth effectively; potential product liability claims; the cost and management time of operating a public company; potential healthcare fraud and abuse claims; healthcare legislative reform; and our ability to obtain and maintain intellectual property protection for our technology and products. These and additional risks and uncertainties are described more fully in the Company's filings with the Securities and Exchange Commission, particularly those factors identified as "risk factors" in Exhibit 99.3 of our current report on Form 8-K filed January 31, 2018. We are providing this information as of the date of this press release and do not undertake any obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise.

ReShape Lifesciences™

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