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

FORM 10-Q

QUARTERLY REPORT

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

For the quarterly period ended July 31, 2018

Commission File No. 000-51128

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

DELAWARE	**06-1529524**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1960 S 4250 W
Salt Lake City, UT 84104
(Address of principal executive offices)

Registrant's Telephone Number, Including Area Code: **(385) 237-2279**

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.4.05 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	[ ]	Accelerated filer	[ ]
Non-accelerated filer	[ ]	Smaller reporting company	[X]
Emerging growth company	[ ]		

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. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

As of September 12, 2018, there were 21,475,370 shares of the Registrant's common stock outstanding.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

POLARITYTE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	July 31, 2018 (Unaudited)	October 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 84,827	$ 17,667
Accounts receivable	329	-
Inventory	255	-
Prepaid expenses and other current assets	715	237
Receivable from Zift	30	60
Total current assets	86,156	17,964
Non-current assets:		
Property and equipment, net	10,307	2,173
Receivable from Zift, non-current	-	15
Security deposits	139	-
Goodwill	278	-
Intangible assets, net	1,007	-
Total non-current assets	11,731	2,188
TOTAL ASSETS	**$ 97,887**	**$ 20,152**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 3,867	$ 1,939
Contingent consideration	268	-
Current portion of long-term notes payable	533	-
Warrant liability and embedded derivative	-	13,502
Total current liabilities	4,668	15,441
Long-term notes payable	705	-
Other long-term liabilities	89	-
Total liabilities	5,462	15,441
Commitments and Contingencies		
Redeemable convertible preferred stock - Series F - 0 and 6,455 shares authorized, issued and outstanding at July 31, 2018 and October 31, 2017; liquidation preference - $0 and $17,750.	-	4,541
STOCKHOLDERS' EQUITY:		
Convertible preferred stock - 25,000,000 shares authorized, 0 and 3,230,655 shares issued and outstanding at July 31, 2018 and October 31, 2017, aggregate liquidation preference $0 and $2,140, respectively	-	109,995
Common stock - $.001 par value; 250,000,000 shares authorized; 21,475,370 and 6,515,524 shares issued and outstanding at July 31, 2018 and October 31, 2017, respectively	21	7
Additional paid-in capital	394,362	149,173
Accumulated deficit	(301,958)	(259,005)
Total stockholders' equity	92,425	170
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 97,887**	**$ 20,152**

See accompanying notes to condensed consolidated financial statements.

POLARITYTE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except share and per share amounts)

	For the three months ended July 31,		For the nine months ended July 31,	
	2018	**2017**	**2018**	**2017**
Net revenues	$ 416	$ -	$ 432	$ -
Cost of sales	229	-	231	-
Gross profit	187	-	201	-
Operating costs and expenses				
Product research and development	2,339	1,641	14,563	3,424
Research and development - intellectual property acquired	-	-	-	104,693
General and administrative	15,239	3,629	32,074	12,757
	17,578	5,270	46,637	120,874
Operating loss	(17,391)	(5,270)	(46,436)	(120,874)
Other (expenses) income				
Interest income	146	3	189	10
Change in fair value of derivatives	-	-	3,814	(8)
Loss on extinguishment of warrant liability	-	-	(520)	-
Net loss from continuing operations	(17,245)	(5,267)	(42,953)	(120,872)
Gain (loss) from discontinued operations	-	(33)	-	(449)
Gain on sale of discontinued operations	-	100	-	100
Gain (loss) from discontinued operations, net	-	67	-	(349)
Net loss	(17,245)	(5,200)	(42,953)	(121,221)
Deemed dividend - accretion of discount on Series F preferred stock	-	-	(1,290)	-
Deemed dividend - exchange of Series F preferred stock	-	-	(7,057)	-
Cumulative dividends on Series F preferred stock	-	-	(373)	-
Net loss attributable to common stockholders	$ (17,245)	$ (5,200)	$ (51,673)	$ (121,221)
Net loss per share, basic and diluted:				
Loss from continuing operations	$ (0.86)	$ (0.94)	$ (3.24)	$ (26.65)
Gain (loss) from discontinued operations	-	0.01	-	(0.08)
Deemed dividend - accretion of discount on preferred stock	-	-	(0.10)	-
Deemed dividend - exchange of Series F preferred stock	-	-	(0.53)	-
Cumulative dividends on Series F preferred stock	-	-	(0.03)	-
Net loss attributable to common stockholders	$ (0.86)	$ (0.93)	$ (3.90)	$ (26.73)
Weighted average shares outstanding, basic and diluted:	20,092,848	5,568,072	13,256,693	4,534,967

See accompanying notes to condensed consolidated financial statements.

POLARITYTE, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited, in thousands, except share and per share amounts)

	Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Number	Amount	Number	Amount	Capital	Deficit	Equity
Balance as of October 31, 2017	**3,230,655**	**$ 109,995**	**6,515,524**	**$ 7**	**$ 149,173**	**$ (259,005)**	**$ 170**
Issuance of common stock in connection with:							
Conversion of Series A preferred stock to common stock	(3,146,671)	(769)	713,036	1	768	-	-
Conversion of Series B preferred stock to common stock	(47,689)	(4,020)	794,820	1	4,019	-	-
Conversion of Series C preferred stock to common stock	(2,578)	(201)	59,950	-	201	-	-
Conversion of Series D preferred stock to common stock	(26,667)	(312)	44,445	-	312	-	-
Conversion of Series E preferred stock to common stock	(7,050)	(104,693)	7,050,000	7	104,686	-	-
Exchange of Series F preferred stock and dividends to common stock	-	-	1,003,391	1	13,060	-	13,061
Extinguishment of warrant liability	-	-	151,871	-	3,045	-	3,045
Option exercises	-	-	30,417	-	109	-	109
Proceeds received from issuance of common stock, net of issuance costs of $556	-	-	4,791,819	4	92,672	-	92,676
Stock-based compensation expense	-	-	308,387	-	27,674	-	27,674
Deemed dividend - accretion of discount on Series F preferred stock	-	-	-	-	(1,290)	-	(1,290)
Cumulative dividends on Series F preferred stock	-	-	-	-	(373)	-	(373)
Series F preferred stock dividends paid in common stock	-	-	11,710	-	306	-	306
Net loss	-	-	-	-	-	(42,953)	(42,953)
Balance as of July 31, 2018	**-**	**$ -**	**21,475,370**	**$ 21**	**$ 394,362**	**$ (301,958)**	**$ 92,425**

See accompanying notes to condensed consolidated financial statements.

POLARITYTE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	For the nine months ended July 31, 2018	For the nine months ended July 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (42,953)	$ (121,221)
Loss from discontinued operations	-	(349)
Loss from continuing operations	(42,953)	(120,872)
Adjustments to reconcile net loss from continuing operations to net cash used in continuing operating activities:		
Loss on extinguishment of warrant liability	520	-
Depreciation and amortization	1,052	295
Stock based compensation expense	27,674	10,696
Amortization of debt discount	18	-
Change in fair value of contingent consideration	20	-
Research and development - intellectual property acquired	-	104,693
Change in fair value of derivatives	(3,814)	8
Changes in operating assets and liabilities:		
Accounts receivable	(329)	-
Inventory	(255)	-
Prepaid expenses and other current assets	(478)	-
Security deposits	(139)	(364)
Accounts payable and accrued expenses	1,575	857
Other long-term liabilities	89	-
Net cash used in continuing operating activities	(17,020)	(4,687)
Net cash provided by discontinued operating activities	-	33
Net cash used in operating activities	(17,020)	(4,654)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(6,392)	(2,253)
Acquisition of IBEX	(2,258)	-
Net cash used in continuing investing activities	(8,650)	(2,253)
Net cash provided by discontinued investing activities	45	10
Net cash used in investing activities	(8,605)	(2,243)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from stock options exercised	109	1,123
Net proceeds from the sale of common stock	92,676	2,278
Net cash provided by financing activities	92,785	3,401
Net increase (decrease) in cash and cash equivalents	67,160	(3,496)
Cash and cash equivalents - beginning of period	17,667	6,523
Cash and cash equivalents - end of period	$ 84,827	$ 3,027
Supplemental schedule of non-cash investing and financing activities:		
Conversion of Series A preferred stock to common stock	$ 769	$ 976
Conversion of Series B preferred stock to common stock	$ 4,020	$ 549
Conversion of Series C preferred stock to common stock	$ 201	$ 609
Conversion of Series D preferred stock to common stock	$ 312	$ 1,517
Conversion of Series E preferred stock to common stock	$ 104,693	$ -
Exchange of Series F preferred stock for common stock	$ 13,061	$ -
Extinguishment of warrant liability	$ 2,525	$ -
Unpaid liability for acquisition of property and equipment	$ 368	$ 108
Warrant exchange for common stock shares	$ -	$ 78
Deemed dividend - accretion of discount on preferred stock	$ 1,290	$ -
Cumulative dividends on Series F preferred stock	$ 373	$ -
Series F preferred stock dividends paid in common stock	$ 306	$ -
Contingent consideration for IBEX acquisition	$ 278	$ -
Contingent consideration earned and recorded in accounts payable	$ 30	$ -
Note payable issued as partial consideration for IBEX acquisition	$ 1,220	$

See accompanying notes to condensed consolidated financial statements.

POLARITYTE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. PRINCIPAL BUSINESS ACTIVITY AND BASIS OF PRESENTATION

PolarityTE, Inc. (the "Company") is a commercial-stage biotechnology and regenerative biomaterials company focused on transforming the lives of patients by discovering, designing and developing a range of regenerative tissue products and biomaterials for the fields of medicine, biomedical engineering and material sciences.

Discontinued Operations. On June 23, 2017, the Company sold Majesco Entertainment Company, a Nevada corporation and wholly-owned subsidiary of the Company ("Majesco Sub"), to Zift Interactive LLC, a Nevada limited liability company ("Zift"), pursuant to a purchase agreement. Pursuant to the terms of the agreement, the Company sold 100% of the issued and outstanding shares of common stock of Majesco to Zift, including all of the right, title and interest in and to Majesco Sub's business of developing, publishing and distributing video game products through mobile and online digital downloading. Pursuant to the terms of the agreement, the Company will receive total cash consideration of approximately $100,000 ($5,000 upon signing the agreement and 19 additional monthly payments of $5,000) plus contingent consideration based on net revenues with a fair value of $0. As of July 31, 2018, the Company received $70,000 in cash consideration and $30,000 remains receivable.

Segments. The Company's operations involve dissimilar products which are managed separately. Accordingly, it operates in two segments: 1) regenerative medicine and 2) veterinary sciences ("IBEX").

The accompanying interim condensed consolidated financial statements of the Company are unaudited, but in the opinion of management, reflect all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the results for the interim period. Accordingly, they do not include all information and notes required by generally accepted accounting principles for complete financial statements. The results of operations for interim periods are not necessarily indicative of results to be expected for the entire fiscal year. The balance sheet at October 31, 2017 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto for the year ended October 31, 2017 filed with the Securities and Exchange Commission on Form 10-K on January 30, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation. The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: PolarityTE, Inc., a Nevada corporation, Utah CRO Services, Inc., IBEX Preclinical Research, Inc., IBEX Property, LLC, Majesco Acquisition Corp. II and Majesco Sub (through the date sold). Majesco Sub was sold on June 23, 2017. Significant intercompany accounts and transactions have been eliminated in consolidation. Utah CRO Services, Inc., IBEX Preclinical Research, Inc., and IBEX Property, LLC are included from the date of acquisition, May 3, 2018.

Cash and Cash Equivalents. Cash equivalents consist of highly liquid investments with original maturities of three months or less at the date of purchase. At various times, the Company has deposits in excess of the Federal Deposit Insurance Corporation limit. The Company has not experienced any losses on these accounts.

Accounts Receivable. Accounts receivable consists of amounts due to the Company related to the sale of the Company's core product SkinTE and veterinary science services. Accounts that are outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance for doubtful accounts by considering a number of factors, including the length of time trade accounts receivable are past due and the customer's current ability to pay its obligation to the Company. The Company writes off accounts receivable when they become uncollectible. As of July 31, 2018, there was no allowance for doubtful accounts.

Inventory. Inventory comprises finished goods, which are valued at the lower of cost or net realizable value, on a first-in, first-out basis. The Company evaluates the carrying value of its inventory on a regular basis, taking into account anticipated future sales compared with quantities on hand, and the remaining shelf life of goods on hand.

Property and Equipment. Property and equipment is stated at cost. Depreciation and amortization is being provided for by the straight-line method over the estimated useful lives of the assets, generally range from three to eight years. Amortization of leasehold improvements is provided for over the shorter of the term of the lease or the life of the asset.

Capitalized Software Development Costs. Software development costs are capitalized once technological feasibility is established and management expects such costs to be recoverable against future revenues. Amounts related to software development that are not capitalized are charged immediately to expense. Capitalized costs are amortized straight-line over the estimated useful life of three years.

Goodwill and Intangible Assets. Goodwill represents the excess acquisition cost over the fair value of net tangible and intangible assets acquired. Goodwill is not amortized and is subject to annual impairment testing at the end of the third fiscal quarter or between annual tests if an event or change in circumstance occurs that would more likely than not reduce the fair value of a reporting unit below its carrying value. In testing for goodwill impairment, the Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events and circumstances, the Company concludes that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is not required. If the Company concludes otherwise, it is required to perform the two-step impairment test. The goodwill impairment test is performed at the reporting unit level by comparing the estimated fair value of a reporting unit with its respective carrying value. If the estimated fair value exceeds the carrying value, goodwill at the reporting unit level is not impaired. If the estimated fair value is less than carrying value, further analysis is necessary to determine the amount of impairment, if any, by comparing the implied fair value of the reporting unit's goodwill to the carrying value of the reporting unit's goodwill.

The fair value of reporting units is based on widely accepted valuation techniques that the Company believes market participants would use, although the valuation process requires significant judgment and often involves the use of significant estimates and assumptions. The Company utilizes a market cap approach in estimating the fair value of reporting units. The estimates and assumptions used in determining fair value could have a significant effect on whether or not an impairment charge is recorded and the magnitude of such a charge. Adverse market or economic events could result in impairment charges in future periods.

Intangible assets deemed to have finite lives are amortized on a straight-line basis over their estimated useful lives, which generally range from one to eleven years. The useful life is the period over which the asset is expected to contribute directly, or indirectly, to its future cash flows. Intangible assets are reviewed for impairment on an interim basis when certain events or circumstances exist. For amortizable intangible assets, impairment exists when the undiscounted cash flows exceeds its carrying value. At least annually, the remaining useful life is evaluated.

Impairment of Long-Lived Assets. The Company reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Factors that the Company considers in deciding when to perform an impairment review include significant underperformance of the business in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in the use of the assets. If an impairment review is performed to evaluate a long-lived asset for recoverability, the Company compares forecasts of undiscounted cash flows expected to result from the use and eventual disposition of the long-lived asset to its carrying value. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of an asset are less than its carrying amount. The impairment loss would be based on the excess of the carrying value of the impaired asset over its fair value, determined based on discounted cash flows.

Income Taxes. The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company evaluates the potential for realization of deferred tax assets at each quarterly balance sheet date and records a valuation allowance for assets for which realization is not more likely than not.

Stock Based Compensation. The Company measures all stock-based compensation to employees using a fair value method and records such expense in general and administrative and research and development expenses. Compensation expense for stock options with cliff vesting is recognized on a straight-line basis over the vesting period of the award, based on the fair value of the option on the date of grant. For stock options with graded vesting, the Company recognizes compensation expense over the service period for each separately vesting tranche of the award as though the award were in substance, multiple awards. Forfeitures are recognized as they occur.

The fair value for options issued is estimated at the date of grant using a Black-Scholes option-pricing model. The risk-free rate is derived from the U.S. Treasury yield curve in effect at the time of the grant. The volatility factor is determined based on the Company's historical stock prices.

The value of restricted stock and restricted stock unit grants is measured based on the fair market value of the Company's common stock on the date of grant and amortized over the vesting period of, generally, six months to three years.

Loss Per Share. Basic loss per share of common stock is computed by dividing net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding for the period. Diluted loss per share excludes the potential impact of common stock options, unvested shares of restricted stock and outstanding common stock purchase warrants because their effect would be anti-dilutive due to our net loss.

Commitments and Contingencies. We are subject to claims and litigation in the ordinary course of our business. We record a liability for contingencies when the amount is both probable and reasonably estimable. We record associated legal fees as incurred.

Accounting for Warrants. The Company accounts for the issuance of common stock purchase warrants issued in connection with the equity offerings in accordance with the provisions of ASC 815, Derivatives and Hedging ("ASC 815"). The Company classifies as equity any contracts that (i) require physical settlement or net-share settlement or (ii) gives the Company a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement). The Company classifies as assets or liabilities any contracts that (i) require net-cash settlement (including a requirement to net-cash settle the contract if an event occurs and if that event is outside the control of the Company) or (ii) gives the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). In addition, under ASC 815, registered common stock warrants that require the issuance of registered shares upon exercise and do not expressly preclude an implied right to cash settlement are accounted for as derivative liabilities. The Company classifies these derivative warrant liabilities on the condensed consolidated balance sheet as a current liability.

Change in Fair Value of Derivatives. The Company assessed the classification of common stock purchase warrants as of the date of each offering and determined that certain instruments met the criteria for liability classification. Accordingly, the Company classified the warrants as a liability at their fair value and adjusts the instruments to fair value at each reporting period. This liability is subject to re-measurement at each balance sheet date until the warrants are exercised or expire, and any change in fair value is recognized as "change in fair value of derivatives" in the consolidated statements of operations. The fair value of the warrants as well as other derivatives have been estimated using a Monte-Carlo or Black-Scholes valuation model.

Revenue Recognition. The Company recognizes revenue upon the shipment of products or the performance of services when each of the following four criteria is met: (i) persuasive evidence of an arrangement exists; (ii) products are delivered or services are performed; (iii) the sales price is fixed or determinable; and (iv) collectability is reasonably assured.

Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities or the disclosure of gain or loss contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Among the more significant estimates included in these financial statements are the valuation of warrant liability, valuation of derivative liability, stock-based compensation and the valuation allowances for deferred tax benefits. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements

In April 2016, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09, *Share-Based Payment: Simplifying the Accounting for Share-Based Payments*. The standard addresses several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. The Company adopted ASU 2016-09 during the first quarter of fiscal 2018 and the Company elected to account for forfeitures as they occur. The amendment was applied using a modified retrospective transition method. The provisions of ASU 2016-09 had no impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. This new standard clarifies the definition of a business and provides a screen to determine when an integrated set of assets and activities is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This new standard is effective for the Company on November 1, 2018 but may be adopted early. The ASU is applied prospectively to any transaction occurring within the period of adoption. The Company early adopted this guidance effective November 1, 2017. The adoption of this standard did not have a material impact on the Company's financial position, results of operations, or cash flows.

Recent Accounting Pronouncements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, a new accounting standard that requires recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The FASB has also issued several updates to ASU 2014-09. The new standard supersedes U.S. GAAP guidance on revenue recognition and requires the use of more estimates and judgments than the present standards. It also requires additional disclosures regarding the nature, amount, timing and uncertainty of cash flows arising from contracts with customers. Topic 606 is effective for our fiscal year 2019 beginning on November 1, 2018. The Company is currently evaluating the overall effect that the standard will have on our consolidated financial statements and accompanying notes to the consolidated financial statements and which transition method to apply. As of July 31, 2018, the Company has completed and documented a preliminary assessment of the impact of the new revenue standard on its contracts with customers. The Company plans to finalize its assessment of the impact of the new revenue standard on its results of operations, internal controls and disclosures in the fourth quarter of 2018. The Company does not expect this new standard to have a material effect on the Company's financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes FASB ASC Topic 840, Leases (Topic 840) and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. Leases with a term of twelve months or less will be accounted for similar to existing guidance for operating leases. The standard is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted upon issuance. The Company is currently assessing the potential impact of this guidance, but expects it to have a material impact on the Company's balance sheet.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The adoption of this update is not expected to have a material impact on the Company's consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment.* ASU No. 2017-04 removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This standard will be applied prospectively and is effective for the Company beginning November 1, 2020. Early adoption is permitted for annual and interim goodwill impairment testing dates after January 1, 2017. The Company is currently evaluating the impact this standard will have on its financial statements.

In May 2017, the FASB issued ASU 2017-09, *Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting*. ASU 2017-09 provides clarity and reduces both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, to a change to the terms or conditions of a share-based payment award. The amendments in ASU 2017-09 should be applied prospectively to an award modified on or after the adoption date. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company is currently assessing the potential impact of adopting ASU 2017-09 on its consolidated financial statements and related disclosures.

In June 2018, the FASB issued ASU 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-based Payment Accounting.* The standard expands the scope of Topic 718 to include share-based payments issued to nonemployees for goods or services, simplifying the accounting for share-based payments to nonemployees by aligning it with the accounting for share-based payments to employees, with certain exceptions. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years with early adoption permitted, including adoption in an interim period. The Company does not believe the adoption of this standard will have a significant impact on its financial statements given the limited number of nonemployee stock-based awards outstanding.

3. LIQUIDITY

On April 12, 2018, the Company completed a public offering providing for the issuance and sale of 2,335,937 shares of the Company's common stock, par value $0.001 per share, at an offering price of $16.00 per share, for net proceeds of approximately $34.6 million, after deducting offering expenses payable by the Company (see Note 10).

On June 7, 2018, the Company completed an underwritten offering with Cantor Fitzgerald & Co., as underwriter, providing for the issuance and sale of 2,455,882 shares of the Company's common stock, par value $0.001 per share, at an offering price of $23.65 per share, for net proceeds of approximately $58.0 million, after deducting offering expenses payable by the Company (see Note 10).

Based upon the current status of our product development and commercialization plans, we believe that our existing cash and cash equivalents will be adequate to satisfy our capital needs for at least the next 12 months from the date of filing. We anticipate needing substantial additional financing to continue clinical deployment and commercialization of our lead product SkinTE, development of our other product candidates, and scaling the manufacturing capacity for our products and product candidates, and prepare for commercial readiness. We will continue to pursue fundraising opportunities when available, but such financing may not be available in the future on terms favorable to us, if at all. If adequate financing is not available, we may be required to delay, reduce the scope of, or eliminate one or more of our product development programs. We plan to meet our capital requirements primarily through issuances of equity securities, debt financing, revenue from product sales and future collaborations. Failure to generate revenue or raise additional capital would adversely affect our ability to achieve our intended business objectives.

4. IBEX ACQUISITION

On March 2, 2018, the Company, along with its wholly owned subsidiary, Utah CRO Services, Inc., a Nevada corporation (“Acquisition Co.”), entered into agreements with Ibex Group, L.L.C., a Utah limited liability company, and Ibex Preclinical Research, Inc., a Utah corporation (collectively, the “Seller” or “IBEX”) for the purchase of the assets and rights to the Seller’s preclinical research and veterinary sciences business and related real estate. The Company acquired this preclinical biomedical research facility in order to accelerate research and development of PolarityTE pipeline products. The business consists of a “good laboratory practices” (GLP) compliant preclinical research facility, including vivarium, operating rooms, preparation rooms, storage facilities, and surgical and imaging equipment. The real property includes two parcels in Cache County, Utah, consisting of approximately 1.75 combined gross acres of land, together with the buildings, structures, fixtures, and personal property located on the real property. The above was accounted for as a business combination.

The acquisition closed on May 3, 2018. The aggregate purchase price was $3.8 million, of which $2.3 million was paid at closing and the balance satisfied by a promissory note payable to the Seller with an initial fair value of $1.2 million (see Note 9, for a description of the promissory note) and contingent consideration with an initial fair value of approximately $0.3 million. During the three and nine months ended July 31, 2018, the Company recorded approximately $38,000 of direct and incremental costs associated with acquisition-related activities. These costs were incurred primarily for banking, legal, and professional fees associated with the IBEX acquisition. These costs were recorded in general and administrative expenses in the consolidated statement of operations.

During the three and nine months ended July 31, 2018, IBEX contributed approximately $172,000 to net revenues and approximately $124,000 to gross profit, respectively.

Purchase Price Allocation

The following table summarizes the preliminary purchase price allocation for the IBEX acquisition (in thousands):

Equipment	$	430
Land and buildings		2,000
Intangible assets		1,057
Goodwill		278
Accrued property taxes		(9)
Aggregate purchase price	**$**	**3,756**
Less: Promissory note to seller		1,220
Contingent consideration		278
Cash paid at closing	**$**	**2,258**

As part of the acquisition of IBEX, the Company recorded a contingent consideration liability of $0.3 million in current liabilities in the condensed consolidated balance sheets. The contingent consideration represents the estimated fair value of future payments due to the Seller of IBEX based on IBEX’s revenue generated from studies quoted prior to but completed after the transaction. Contingent consideration is initially recognized at fair value as purchase consideration and subsequently remeasured at fair value through earnings. The initial fair value of the contingent consideration was based on the present value of estimated future cash flows using a 20% discount rate. The total amount of the contingent consideration to be paid will not exceed $650,000. The subsequent increase in fair value of contingent consideration from acquisition to July 31, 2018 of approximately $20,000 was recognized in general and administrative expense in the Company’s condensed consolidated statement of operations for the three and nine months ended July 31, 2018. The excess of the fair value of purchase consideration over the fair values of identifiable assets and liabilities is recorded as goodwill, including the value of the assembled workforce.

The purchase price allocation for the IBEX acquisition is preliminary and subject to revision as additional information about fair value of assets acquired becomes available. Additional information that existed as of the acquisition date but at that time was unknown may become known during the remainder of the measurement period, a period not to exceed 12 months from the acquisition date.

Disclosure of pro-forma revenues and earnings attributable to the acquisition is excluded because it is impracticable to obtain complete historical financial records for IBEX Preclinical Research, Inc.

The following table shows the valuation of the individual identifiable intangible assets acquired along with their estimated remaining useful lives (in thousands):

	Approximate Fair Value	Remaining Useful Life (in years)
Non-compete agreement	$ 410	4
Customer contracts / relationships	534	7 to 8
Trade names / trademarks	101	10 to 11
Backlog	12	Less than 1
Total intangible assets	**$ 1,057**	

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following (in thousands):

	July 31, 2018	October 31, 2017
Legal retainer	$ 45	$ 15
Prepaid insurance	84	69
Other prepaids	586	126
Other assets	-	27
Total prepaid expenses and other current assets	$ 715	$ 237

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following (in thousands):

	July 31, 2018	October 31, 2017
Machinery and equipment	$ 6,873	$ 2,418
Land and buildings	2,000	-
Computers and software	1,194	211
Leasehold improvements	890	-
Construction in progress	667	-
Furniture and equipment	90	30
Total property and equipment, gross	11,714	2,659
Accumulated depreciation	(1,407)	(486)
Total property and equipment, net	$ 10,307	$ 2,173

Depreciation expense for the three months ended July 31, 2018 and 2017 was approximately $396,000 and $122,000, respectively. Depreciation expense for the nine months ended July 31, 2018 and 2017 was approximately $1,002,000 and $295,000, respectively.

7. INTANGIBLE ASSETS

Intangible assets, net, consist of the following (in thousands):

	July 31, 2018	October 31, 2017
Customer contracts / relationships	$ 534	$ -
Trade names / trademarks	101	-
Non-compete agreement	410	-
Backlog	12	
Total intangible assets, gross	1,057	-
Accumulated amortization	(50)	-
Total intangible assets, net	$ 1,007	$ -

Amortization expense for the three months and nine months ended July 31, 2018 was approximately $50,000.

The future amortization of these intangible assets is expected to be as follows (in thousands):

Fiscal year 2018 (three months remaining)	$ 50
Fiscal year 2019	195
Fiscal year 2020	189
Fiscal year 2021	189
Fiscal year 2022	138
Thereafter	246
	$ 1,007

8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following (in thousands):

	July 31, 2018	October 31, 2017
Accounts payable	$ 82	$ 25
Due to Zift	-	36
Medical study and supplies	186	362
Property and equipment purchases	368	54
Salaries and other compensation	1,108	574
Legal and accounting	1,050	555
Other accruals	1,073	333
Total accounts payable and accrued expenses	$ 3,867	$ 1,939

Salaries and other compensation include accrued payroll expense and employer 401K plan contributions.

9. LONG TERM NOTES PAYABLE

In connection with the IBEX Acquisition, described in Note 4, the Company issued a promissory note payable to the Seller with an initial fair value of $1.22 million. The promissory note has a principal balance of $1,333,333 and bears interest at a rate of 3.5% interest per annum. Principal and interest are payable in five equal installments beginning on November 3, 2018 and continuing on each six-month anniversary thereafter (“Payment Date”). The promissory note may be prepaid by the Company at anytime and becomes due and payable at the earlier of the maturity date of November 3, 2020 or upon an event of default, which includes failure to pay any installment on each Payment Date, breach of any negative covenants, insolvency or bankruptcy. Upon the occurrence of an event of default, the promissory note will bear an accelerated interest of 7% per annum from the date of the event of default.

The Company initially recognized the promissory note at its fair value, using an estimated market rate of interest for the Company, which was higher than the promissory note’s stated rate. The result of imputing a market rate of interest resulted in an initial discount to the principal balance of approximately $113,000, which is being amortized to interest expense over the term of the promissory note using the effective interest method. Amortization of debt discount of $18,000 was included in interest expense for the three and nine months ended July 31, 2018.

10. PREFERRED SHARES AND COMMON SHARES

Common Stock Issuance

On April 12, 2018, the Company completed a public offering providing for the issuance and sale of 2,335,937 shares of the Company’s common stock, par value $0.001 per share, at an offering price of $16.00 per share, for net proceeds of approximately $34.6 million, after deducting offering expenses payable by the Company.

On June 7, 2018, the Company completed an underwritten offering with Cantor Fitzgerald & Co., as underwriter, providing for the issuance and sale of 2,455,882 shares of the Company's common stock, par value $0.001 per share, at an offering price of $23.65 per share, for net proceeds of approximately $58.0 million, after deducting offering expenses payable by the Company.

Exchange of 100% of Outstanding Series F Preferred Stock Shares and Warrants

On September 20, 2017, the Company sold an aggregate of $17,750,000 worth of units (the "Units") of the Company's securities to accredited investors at a purchase price of $2,750 per Unit with each Unit consisting of (i) one share of the Company's newly authorized 6% Series F Convertible Preferred Stock, par value $0.001 per share (the "Series F Preferred Shares"), which were each convertible into one hundred (100) shares of the Company's common stock, and (ii) a two-year warrant to purchase up to 322,727 shares of the Company's common stock, at an exercise price of $30.00 per share.

The Series F Preferred Shares were convertible into shares of the Company's common stock based on a conversion calculation equal to the stated value of the Series F Preferred Shares, plus all accrued and unpaid dividends, if any, on such Series F Preferred Shares, as of such date of determination, divided by the conversion price. The stated value of each Series F Preferred Share was $2,750 and the initial conversion price was $27.50 per share, each subject to adjustment for stock splits, stock dividends, recapitalizations, combinations, subdivisions or other similar events.

On the two-year anniversary of the initial issuance date, any Series F Preferred Shares outstanding and not otherwise already converted, shall, at the option of the holder, will either (i) automatically convert into common stock of the Company at the conversion price then in effect or (ii) be repaid by the Company based on the stated value of such outstanding Series F Preferred Shares.

The warrants issued in connection with the Series F Preferred Shares were determined to be liabilities pursuant to ASC 815. The warrant agreement provided for an adjustment to the number of common shares issuable under the warrant and/or adjustment to the exercise price, including but not limited to, if: (a) the Company issued shares of common stock as a dividend or distribution to holders of its common stock; (b) the Company subdivided or combined its common stock (i.e., stock split); (c) adjustment of exercise price upon issuance of new securities at less than the exercise price. Under ASC 815, warrants that provide for down-round exercise price protection are recognized as derivative liabilities.

The conversion feature within the Series F Preferred Shares was determined to not be clearly and closely related to the identified host instrument and, as such, was recognized as a derivative liability measured at fair value pursuant to ASC 815.

The initial fair value of the warrants and bifurcated embedded conversion feature, estimated to be approximately $4.3 million and $9.3 million, respectively, was deducted from the gross proceeds of the Unit offering to arrive at the initial discounted carrying value of the Series F Preferred Shares. The resulting discount to the aggregate stated value of the Series F Preferred Shares of approximately $13.6 million was recognized as accretion using the effective interest method similar to preferred stock dividends, over the two-year period prior to optional redemption by the holders.

On March 6, 2018, the Company entered into separate exchange agreements (the "Exchange Agreements") with holders (each a "Holder", and collectively the "Holders") of 100% of the Company's outstanding Series F Preferred Shares, and the Company's warrants to purchase shares of the Company's common stock issued in connection with the Series F Preferred Shares (such "Warrants" and Series F Preferred Shares collectively referred to as the "Exchange Securities") to exchange the Exchange Securities and unpaid dividends on the Series F Preferred Shares for common stock (the "Exchange").

The Exchange resulted in the following issuances: (A) all outstanding Series F Preferred Shares were converted into 972,070 shares of restricted common stock at an effective conversion price of $18.26 per share of common stock (the closing price of Common Stock on the NASDAQ Capital Market on February 26, 2018); (B) the right to receive 6% dividends underlying Series F Preferred Shares was terminated in exchange for 31,321 shares of restricted common stock; (C) 322,727 Warrants to purchase common stock were exchanged for 151,871 shares of restricted common stock; and (D) the Holders of the Warrants relinquished any and all other rights pursuant to the Warrants, including exercise price adjustments.

As part of the Exchange, the Holders also relinquished any and all other rights related to the issuance of the Exchange Securities, the respective governing agreements and certificates of designation, including any related dividends, adjustment of conversion and exercise price, and repayment option. The existing registration rights agreement with the holders of the Series F Preferred Shares was also terminated and the holders of the Series F Preferred Shares waived the obligation of the Company to register the common shares issuable upon conversion of Series F Preferred Shares or upon exercise of the warrants, and waived any damages, penalties and defaults related to the Company failing to file or have declared effective a registration statement covering those shares.

The exchange of all outstanding Series F Preferred Shares, and the holders' right to receive 6% dividends, for common stock of the Company was recognized as follows:

Fair market value of 1,003,391 shares of common stock issued at $20.05 (Company's closing stock price on March 5, 2018) in exchange for Series F Preferred Shares and accrued dividends	$	20,117,990
Carrying value of Series F Preferred Shares at March 5, 2018, including dividends		(5,898,274)
Carrying value of bifurcated conversion option at March 5, 2018		(7,162,587)
Deemed dividend on Series F Preferred Shares exchange	$	7,057,129

As the Warrants were classified as a liability, the exchange of the Warrants for common shares should be recognized as a liability extinguishment. As of March 5, 2018, the fair market value of the 151,871 common shares issued in the Exchange was $3,045,034 and the fair value of the common stock warrant liability was $2,525,567 resulting in a loss on extinguishment of warrant liability of $519,467 during the nine months ended July 31, 2018.

The Company recognized accretion of the discount to the stated value of the Series F Preferred Shares of approximately $1,290,000 in the nine months ended July 31, 2018, respectively, as a reduction of additional paid-in capital and an increase in the carrying value of the Series F Preferred Shares. The accretion is presented in the Statement of Operations as a deemed dividend, increasing net loss to arrive at net loss attributable to common stockholders.

Preferred Stock Conversion and Elimination

On February 6, 2018, 15,756 shares of Series B Convertible Preferred Stock ("Series B Preferred Shares") were converted into 262,606 shares of common stock.

On March 6, 2018, the Company received conversion notices (in accordance with original terms) from holders of 100% of the outstanding shares of Series A Convertible Preferred Stock (the "Series A Preferred Shares"), Series B Preferred Shares and Series E Convertible Preferred Stock (the "Series E Preferred Shares") and issued an aggregate of 7,945,250 shares of common stock to such holders.

The Series E Preferred Shares were held by Dr. Denver Lough, the Company's Chief Executive Officer. On March 6, 2018, the Company entered into a new registration rights agreement (the "Lough Registration Rights Agreement") with Dr. Lough, pursuant to which the Company agreed to file a registration statement to register the resale of 7,050,000 shares of Common Stock issued upon conversion of the Series E Preferred Shares within six months, to cause such registration statement to be declared effective by the Securities and Exchange Commission as promptly as possible following its filing and, with certain exceptions set forth in the Lough Registration Rights Agreement, to maintain the effectiveness of the registration statement until all of such shares have been sold or are otherwise able to be sold pursuant to Rule 144 under the Securities Act without restriction. Any sales of shares under the registration statement were subject to certain limitations as specified with more particularity in the Lough Registration Rights Agreement. In April 2018, Dr. Lough entered into a lock up agreement for 180 days, which prohibits him from selling any shares that may be registered until October 2018.

On March 7, 2018, the Company filed a Certificate of Elimination with the Secretary of State of the State of Delaware terminating the Company's Series A, Series B, Series C, Series D, Series E and Series F Preferred Stock. As a result, the Company has 10,000,000 shares of authorized and unissued preferred stock with no designation as to series.

Convertible preferred stock activity for the nine months ended July 31, 2018 consisted of the following:

	Shares Outstanding - October 31, 2017	First Quarter 2018 -Preferred Stock Conversions	First Quarter 2018 - Common Stock Shares Issued	Second Quarter 2018 -Preferred Stock Conversions and Series F Exchange	Second Quarter 2018 - Common Stock Shares Issued	Year to Date 2018 -Preferred Stock Conversions and Series F Exchange	Year to Date 2018 - Common Stock Shares Issued
Series A	3,146,671	(1,544,572)	350,000	(1,602,099)	363,036	(3,146,671)	713,036
Series B	47,689	-	-	(47,689)	794,820	(47,689)	794,820
Series C	2,578	(2,578)	59,950	-	-	(2,578)	59,950
Series D	26,667	(26,667)	44,445	-		(26,667)	44,445
Series E	7,050	-	-	(7,050)	7,050,000	(7,050)	7,050,000
Series F	6,455	-	-	(6,455)	972,070	(6,455)	972,070
Total	3,237,110	(1,573,817)	454,395	(1,663,293)	9,179,926	(3,237,110)	9,634,321

11. FAIR VALUE MEASUREMENTS

In accordance with ASC 820, Fair Value Measurements, financial instruments were measured at fair value using a three-level hierarchy which maximizes use of observable inputs and minimizes use of unobservable inputs:

- Level 1: Observable inputs such as quoted prices in active markets for identical instruments
- Level 2: Quoted prices for similar instruments that are directly or indirectly observable in the market
- Level 3: Significant unobservable inputs supported by little or no market activity. Financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, for which determination of fair value requires significant judgment or estimation.

In connection with the offering of Units in September 2017, the Company issued warrants to purchase an aggregate of 322,727 shares of common stock. These warrants were exercisable at $30.00 per share and expire in two years. The warrants were liabilities pursuant to ASC 815. The warrant agreement provided for an adjustment to the number of common shares issuable under the warrant and/or adjustment to the exercise price, including but not limited to, if: (a) the Company issues shares of common stock as a dividend or distribution to holders of its common stock; (b) the Company subdivides or combines its common stock (i.e., stock split); (c) adjustment of exercise price upon issuance of new securities at less than the exercise price. Under ASC 815, warrants that provide for down-round exercise price protection are recognized as derivative liabilities.

The Series F Preferred Shares contained an embedded conversion feature that was not clearly and closely related to the identified host instrument and, as such, was recognized as a derivative liability measured at fair value. The Company classified these derivatives on the consolidated balance sheet as a current liability.

As noted in Note 10. above, both the warrants and the Series F Preferred Shares were exchanged for common stock on March 6, 2018.

The fair value of the bifurcated embedded conversion feature was estimated to be approximately $7.2 million and $9.2 million, respectively, at March 5, 2018 and October 31, 2017 as calculated using a Monte Carlo simulation with the following assumptions:

	Series F Conversion Feature	
	March 5, 2018	October 31, 2017
Stock price	$ 20.05	$ 25.87
Exercise price	$ 27.50	$ 27.50
Risk-free rate	2.158%	1.581%
Volatility	88.2%	96.0%
Term	1.54	1.89

The fair value of the warrant liability was estimated to be approximately $2.5 million and $4.3 million, respectively, at March 5, 2018 and October 31, 2017 as calculated using the Monte Carlo simulation with the following assumptions:

	Warrant Liability	
	March 5, 2018	October 31, 2017
Stock price	$ 20.05	$ 25.87
Exercise price	$ 30.00	$ 30.00
Risk-free rate	2.158%	1.581%
Volatility	88.2%	96.0%
Term	1.54	1.89

Financial instruments measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The fair value hierarchy of financial instruments, measured at fair value on a recurring basis on the consolidated balance sheets as of July 31, 2018 is as follows (in thousands):

	Fair Value Measurement as of July 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities				
Contingent consideration	$ -	$ -	$ 268	$ 268
Total	$ -	$ -	$ 268	$ 268

The fair value hierarchy of financial instruments, measured at fair value on a recurring basis on the consolidated balance sheets as of October 31, 2017 is as follows (in thousands):

	Fair Value Measurement as of October 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities				
Warrant liability	$ -	$ -	$ 4,256	$ 4,256
Derivative liability	-	-	9,246	9,246
Total	$ -	$ -	$ 13,502	$ 13,502

The following table sets forth the changes in the estimated fair value for our Level 3 classified contingent consideration (in thousands):

	Contingent Consideration
Fair value – October 31, 2017	$ -

IBEX acquisition - May 3, 2018	$	278
Change in fair value		20
Earned and moved to accounts payable		(30)
Fair value - July 31, 2018	$	268

The following table sets forth the changes in the estimated fair value for our Level 3 classified derivative liabilities (in thousands):

	2017 Series F Preferred Stock - Warrant Liability		2017 Series F Preferred Stock - Embedded Derivative		Total Warrant and Derivative Liability	
Fair value - October 31, 2017	$	4,256	$	9,246	$	13,502
Change in fair value		(1,731)		(2,083)		(3,814)
Exchange / conversion to common shares		(2,525)		(7,163)		(9,688)
Fair value - July 31, 2018	$	-	$	-	$	-

The carrying value of the long-term promissory note approximates fair value, due to the imputation of interest on the note to an estimated market rate of interest. The carrying amounts of accounts payable, accrued expenses, and accounts receivable approximate fair value as these accounts are largely current and short term in nature.

12. STOCK BASED COMPENSATION ARRANGEMENTS

In the three and nine months ended July 31, 2018 and 2017, the Company recorded stock-based compensation expense related to restricted stock awards and stock options as follows (in thousands):

	For the Three Months Ended July 31,			
	2018		2017	
General and administrative expense:				
Continuing operations	$	8,718	$	2,464
Discontinued operations		-		274
		8,718		2,738
Research and development expense:				
Continuing operations		1,204		452
Total stock-based compensation expense	$	9,922	$	3,190

	For the Nine Months Ended July 31,			
	2018		2017	
General and administrative expense:				
Continuing operations	$	22,783	$	10,057
Discontinued operations		-		1,118
		22,783		11,175
Research and development expense:				
Continuing operations		4,891		639
Total stock-based compensation expense	$	27,674	$	11,814

A summary of the Company's employee stock option activity in the nine months ended July 31, 2018 is presented below:

	Number of shares	Weighted-Average Exercise Price	
Outstanding - October 31, 2017	3,525,530	$	6.34
Granted	1,768,000	$	25.22
Exercised	(30,794)	$	3.87
Forfeited	(34,167)	$	18.90
Outstanding - July 31, 2018	5,228,569	$	12.65
Options exercisable - July 31, 2018	3,028,208	$	7.64
Weighted-average fair value of options granted during the period		$	18.33

A summary of the Company's non-employee stock option activity in the nine months ended July 31, 2018 is presented below:

	Number of shares	Weighted-Average Exercise Price
Outstanding - October 31, 2017	$ 293,000	$ 19.61
No activity	-	$ -
Outstanding – July 31, 2018	293,000	$ 19.61
Options exercisable - July 31, 2018	136,542	$ 17.12

Stock options are generally granted to employees or non-employees at exercise prices equal to the fair market value of the Company's common stock at the dates of grant. Stock options generally vest over one to three years and have a term of five to ten years. The total fair value of employee options granted during the nine months ended July 31, 2018 was approximately $32.4 million. The intrinsic value of options outstanding at July 31, 2018 was $60.1 million. The intrinsic value of options exercised during the nine months ended July 31, 2018 was $583,000. The weighted average remaining contractual term of outstanding and exercisable options at July 31, 2018 was 8.8 years and 8.5 years, respectively. As of July 31, 2018, there was approximately $19.6 million of unrecognized compensation cost related to stock options, which is expected to be recognized over a remaining weighted-average vesting period of 0.6 years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions for the nine months ended July 31, 2018:

Risk free annual interest rate	2.01%-3.04%
Expected volatility	80.86-85.62%
Expected life	5.00-6.01
Assumed dividends	None

Restricted stock and restricted stock units activity for employees and non-employees in the nine months ended July 31, 2018:

	Number of shares	Weighted-Average Grant-Date Fair Value
Unvested - October 31, 2017	227,132	$ 7.83
Granted	308,387	$ 27.48
Vested	(187,488)	$ 11.53
Unvested – July 31, 2018	348,031	$ 23.25

The total fair value of restricted stock and restricted stock units granted during the nine months ended July 31, 2018 was approximately $8.5 million.

The fair value of restricted stock and restricted stock unit grants is measured based on the fair market value of the Company's common stock on the date of grant and amortized over the vesting period of, generally, six months to three years. As of July 31, 2018, there was approximately $6.0 million of unrecognized compensation cost related to unvested restricted stock and restricted stock unit awards, which is expected to be recognized over a remaining weighted-average vesting period of 1.0 year.

13. INCOME TAXES

The Company calculates its provision for federal and state income taxes based on current tax law. The Tax Cuts and Jobs Act (tax reform) was enacted on December 22, 2017 ("Enactment Date"), and has several key provisions impacting accounting for and reporting of income taxes. The most significant provision reduces the U.S. corporate statutory tax rate from 35% to 21% beginning on January 1, 2018. Although most provisions of tax reform are not effective until 2018, the Company is required to record the effect of a change in tax law as of the Enactment Date on its deferred tax assets. As the Company maintains a full valuation allowance against its deferred tax assets, there is no income tax expense recorded related to this change. As of the Enactment Date, the Company estimated that its deferred tax asset and related valuation allowance were each reduced by approximately $2.2 million.

In accordance with Staff Accounting Bulletin 118 ("SAB 118"), income tax effects of the Tax Act may be refined upon obtaining, preparing, or analyzing additional information during the measurement period and such changes could be material. During the measurement period, provisional amounts may be adjusted for the effects, if any, of interpretative guidance issued after December 31, 2017, by U.S. regulatory and standard-setting bodies. While we are able to make reasonable estimates of the impact of the reduction in corporate rate and the deemed repatriation transition tax, the final impact of the Tax Act may differ from these estimates, due to, among other things, changes in our interpretations and assumptions, additional guidance that may be issued by the I.R.S., and actions we may take. We are continuing to gather additional information to determine the final impact.

Due to the Company's history of losses and uncertainty of future taxable income, a valuation allowance sufficient to fully offset net operating losses and other deferred tax assets has been established. The valuation allowance will be maintained until sufficient positive evidence exists to support a conclusion that a valuation allowance is not necessary. The issuance of the Series E Preferred Stock in connection with its original acquisition of the PolarityTE, Inc., a Nevada corporation in April 2017, will likely result in limitations on the utilization of the Company's net operating loss carryforwards under IRS section 382.

14. LOSS PER SHARE

Shares of common stock issuable under convertible preferred stock, warrants and options and shares subject to restricted stock grants were not included in the calculation of diluted earnings per common share for the three and nine months ended July 31, 2018 and 2017, as the effect of their inclusion would be anti-dilutive.

For periods when shares of participating preferred stock (as defined in ASC 260 earnings per share) are outstanding, the two-class method is used to calculate basic and diluted earnings (loss) per common share. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. Under the two-class method, basic earnings (loss) per common share is computed by dividing net earnings (loss) attributable to common shares after allocation of earnings to participating securities by the weighted-average number of shares of common stock outstanding during the year. Diluted earnings (loss) per common share, when applicable, is computed using the more dilutive of the two-class method or the if-converted method. In periods of net loss, no effect is given to participating securities since they do not contractually participate in the losses of the Company.

The table below provides total potential shares outstanding, including those that are anti-dilutive, on July 31, 2018 and 2017:

	July 31,	
	2018	2017
Shares issuable upon conversion of preferred stock	-	9,020,287
Shares issuable upon exercise of stock options	5,521,569	2,918,806
Non-vested shares under restricted stock grants	348,031	294,363

15. COMMITMENTS AND CONTINGENCIES

Contingencies

On June 26, 2018, a class action complaint alleging violations of the Federal securities laws was filed in the United States District Court, District of Utah, by Jose Moreno against the Company and two directors of the Company, Case No. 2:18-cv-00510-JNP (the "Moreno Complaint"). On July 6, 2018, a similar complaint was filed in the same court against the same defendants by Yedid Lawi, Case No. 2:18-cv-00541-PMW (the "Lawi Complaint"). Both the Moreno Complaint and Lawi Complaint allege that the defendants made or were responsible for, disseminating information to the public through reports filed with the Securities and Exchange Commission and other channels that contained material misstatements or omissions in violation of Sections 10 and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 adopted thereunder. Specifically, both complaints allege that the defendants misrepresented the status of one of the Company's patent applications while touting the unique nature of the Company's technology and its effectiveness. Plaintiffs are seeking damages suffered by them and the class consisting of the persons who acquired the publicly-traded securities of the Company between March 31, 2017, and June 22, 2018. Plaintiffs have filed motions to consolidate and for appointment as lead plaintiff, which are pending, so that defendants have not filed any responsive pleadings to the complaints. The Company believes the allegations in the Moreno Complaint and Lawi Complaint are without merit, and intends to defend the litigation, vigorously. At this early stage of the proceedings the Company is unable to make any prediction regarding the outcome of the litigation.

On February 26, 2015, a complaint for patent infringement was filed in the United States District Court for the Eastern District of Texas by Richard Baker, an individual residing in Australia, against Microsoft, Nintendo, Majesco Sub, and a number of other game publisher defendants. The complaint alleged that the Zumba Fitness Kinect game infringed plaintiff's patents in motion tracking technology. The plaintiff is representing himself pro se in the litigation and is seeking monetary damages in the amount of $1.3 million. The case was subsequently transferred to the Western District of Washington. On June 16, 2017, final judgment was entered in favor of the defendants finding that the accused products did not literally infringe the asserted patent and that plaintiff was barred from pursing infringement under the doctrine of equivalents due to prosecution history estoppel. The plaintiff appealed that decision to the Court of Appeals for the Federal Circuit. On April 9, 2018, the Court of Appeals for the Federal Circuit affirmed the judgment of the District Court for the Western District of Washington. On May 7, 2018, the plaintiff filed a petition for panel rehearing and rehearing en banc by the Court of Appeals. The petition for rehearing was denied on June 8, 2018. The plaintiff subsequently filed a petition for a writ of certiorari with the Supreme Court of the United States. That petition was placed on the docket September 4, 2018 as No. 18-276 and is currently pending. On June 23, 2017, as part of a purchase agreement, liabilities and claims relating to this litigation were assumed by Zift. The Company cannot be certain about the outcome of the appeal, or whether litigation regarding the assumption of liabilities by Zift may occur.

In addition to the items above, the Company at times may be a party to claims and suits in the ordinary course of business. We record a liability when it is both probable that a liability has been incurred and the amount of the loss or range of loss can be reasonably estimated. The Company has not recorded a liability with respect to the matter above. While the Company believes that it has valid defenses with respect to the legal matter pending and intends to vigorously defend the matter above, given the uncertainty surrounding litigation and our inability to assess the likelihood of a favorable or unfavorable outcome, it is possible that the resolution of the matter could have a material adverse effect on our consolidated financial position, cash flows or results of operations.

Commitments

The Company leases office space in Hazlet, New Jersey at a cost of approximately $1,100 per month under a lease agreement that expires on March 31, 2019.

The Company also leased space in Salt Lake City, Utah at a cost of approximately $24,000 per month under a lease agreement that expired on March 31, 2018. The Company will continue to lease space in Salt Lake City, Utah at a cost of approximately $12,400 per month under a lease agreement that expires on September 30, 2018. The Company will exit the property at the termination of the lease.

On December 27, 2017, the Company signed a five-year lease with one five-year option to renew on approximately 178,528 rentable square feet in Salt Lake City, Utah. The base rent for the first year of the lease is $1,178,285 and escalates at the rate of 3% per annum thereafter.

On July 11, 2018, the Company signed a two-year lease with one five-year option to renew on approximately 44,695 rentable square feet in Salt Lake City, Utah. The base rent, including building maintenance fees is $478,237 per annum. As of July 31, 2018, this lease had not commenced and is expected to commence during the fiscal quarter ending October 31, 2018.

Rent expense for the three months ended July 31, 2018 and 2017 was approximately $356,000 and $87,000, respectively. Rent expense for the nine months ended July 31, 2018 and 2017 was approximately $994,000 and $147,000, respectively.

The Company has entered into employment agreements with key executives that contain severance terms and change of control provisions.

16. DISCONTINUED OPERATIONS

The results of operations from the discontinued business for the three and nine months ended July 31, 2018 and 2017 are as follows (in thousands):

	For the Three Months Ended July 31,		For the Nine Months Ended July 31,	
	2018	2017	2018	2017
Revenues	$ -	$ 143	$ -	$ 558
Expenses	-	176	-	1,007
Gain (loss) from discontinued operations	$ -	$ (33)	$ -	$ (449)
Gain on sale of discontinued operations	$ -	$ 100	$ -	$ 100

The cash flows from the discontinued business for the nine months ended July 31, 2018 and 2017 are as follows (in thousands):

	For the nine months ended July 31, 2018	For the nine months ended July 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss from discontinued operations	$ -	$ (349)
Adjustments to reconcile net loss from discontinued operations to net cash used in discontinued operating activities:		
Depreciation and amortization	-	11
Stock based compensation expense	-	1,118
Amortization of capitalized software development costs and license fees	-	50
Gain on sale of Majesco Sub		(100)
Changes in operating assets and liabilities:		
Accounts receivable	-	113
Accounts payable and accrued expenses	-	(810)
Net cash provided by discontinued operating activities	$ -	$ 33
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from sale of Majesco Sub	$ 45	$ 10
Net cash provided by discontinued investing activities	$ 45	$ 10

17. SEGMENT REPORTING

The Company’s operations involve dissimilar products which are managed separately. Accordingly, it operates in two segments: 1) regenerative medicine and 2) veterinary sciences.

Certain information concerning our segments for the three and nine months ended July 31, 2018 and 2017 and as of July 31, 2018 and 2017 is presented in the following table (in thousands):

	Three Months Ended July 31, 2018	Three Months Ended July 31, 2017
Revenues:		
Reportable Segments:		
Regenerative Medicine	$ 244	$ —
Veterinary Sciences	172	—
Discontinued Operations	—	—
Total consolidated revenues	$ 416	$ —
Net loss:		
Reportable Segments:		
Regenerative Medicine	$ (17,157)	$ (5,267)
Veterinary Sciences	(88)	—
Discontinued Operations	—	67
Total net loss	$ (17,245)	$ (5,200)

	Nine Months Ended July 31, 2018	Nine Months Ended July 31, 2017
Revenues:		
Reportable Segments:		
Regenerative Medicine	$ 260	$ —
Veterinary Sciences	172	—
Discontinued Operations	—	—
Total consolidated revenues	$ 432	$ —
Net loss:		
Reportable Segments:		
Regenerative Medicine	$ (42,865)	$ (120,872)
Veterinary Sciences	(88)	—
Discontinued Operations	—	(349)
Total net loss	$ (42,953)	$ (121,221)

	As of July 31, 2018	As of October 31, 2017
Identifiable assets employed:		
Reportable Segments:		
Regenerative Medicine	$ 93,577	$ 20,152
Veterinary Sciences	4,310	—
Discontinued Operations	—	—
Total assets	$ 97,887	$ 20,152

18. SUBSEQUENT EVENTS

Changes in Board of Directors and Officers

On August 7, 2018, Edward Swanson resigned from the position of director of the Company, and the Board of Directors of the Company (the “Board”) elected Rainer Erdtmann a director of the Company to fill the Class III director vacancy left by the resignation of Dr. Swanson. The Board determined that Mr. Erdtmann is “independent” pursuant to the definition of independence under Rule 5605(a)(2) of the Nasdaq Listing Rules. In consideration of Mr. Erdtmann’s agreement to join the Board the Company issued to Mr. Erdtmann an option to purchase 50,000 shares of the Company’s common stock exercisable over a term of 10 years and vests in 24 equal monthly installments commencing September 7, 2018, subject to continued service on the Board. The option was issued under the Company’s 2017 Equity Incentive Plan (the “Plan”), and the exercise price is $20.47 per share, which is fair value determined under the Plan. Mr. Erdtmann will also be entitled to participate in the annual compensation package the Company provides to its non-employee directors.

On August 7, 2018, pursuant to Article II, Section 1.B of the Company’s Bylaws the Board approved an increase in the number of persons comprising the Board from seven to eight by adding one new director position to Class II of the Board, and the Board elected David Seaburg a director of the Company to fill the vacancy in Class II of the Board. The Company entered into a consulting agreement with Mr. Seaburg pursuant to which he will provide investor relations and other services to the Company over a period of two years for a fee consisting of (a) quarter-annual cash payment of $10,000, (b) 60,000 restricted stock units issued under the Plan that vest in four equal installments every six months during the term of the agreement subject to continued service, and (c) an annual award under the Plan of options exercisable over a term of 10 years to purchase common stock with a value of $150,000 at the time of the award based on a Black-Scholes calculation.

John Stetson was an executive officer Company serving as the Chief Investment Officer. On September 7, 2018, the employment of John Stetson in any capacity with the Company, including as Chief Investment Officer, was terminated.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Statements in this quarterly report on Form 10-Q that are not historical facts constitute forward-looking statements that are made pursuant to the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended, or the “Exchange Act”. Examples of forward-looking statements include statements relating to industry prospects, our future economic performance including anticipated revenues and expenditures, results of operations or financial position, and other financial items, our business plans and objectives, including our intended product releases, and may include certain assumptions that underlie forward-looking statements. Risks and uncertainties that may affect our future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements include, among other things, those discussed in this section as well as factors described in Part II, Item 1A-“Risk Factors”. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these terms or other comparable terminology. These statements are subject to business and economic risk and reflect management’s current expectations and involve subjects that are inherently uncertain and difficult to predict. Actual events or results may differ materially. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of these statements. We are under no duty to update any of the forward-looking statements after the date of this report to conform these statements to actual results. References herein to “we,” “us,” and “the Company” are to PolarityTE, Inc. and its consolidated subsidiaries.

Overview

PolarityTE, Inc. is a commercial-stage biotechnology and regenerative biomaterials company focused on transforming the lives of patients by discovering, designing and developing a range of regenerative tissue products and biomaterials for the fields of medicine, biomedical engineering and material sciences.

On March 2, 2018, the Company, along with its wholly owned subsidiary, Utah CRO Services, Inc., a Nevada corporation (“Acquisition Co.”), entered into agreements with Ibex Group, L.L.C., a Utah limited liability company, and Ibex Preclinical Research, Inc., a Utah corporation (collectively, the “Seller”) for the purchase of the assets and rights to the Seller’s preclinical research and veterinary sciences business and related real estate. The business consists of a “good laboratory practices” (GLP) compliant preclinical research facility, including vivarium, operating rooms, preparation rooms, storage facilities, and surgical and imaging equipment. The real property includes two parcels in Cache County, Utah, consisting of approximately 1.75 combined gross acres of land, together with the buildings, structures, fixtures, and personal property located on the real property.

The acquisition closed on May 3, 2018. The aggregate purchase price was \$3.8 million, of which \$2.3 million was paid at closing and the balance satisfied by a promissory note payable to the Seller with an initial fair value of \$1.22 million and contingent consideration with an initial fair value of approximately \$0.3 million.

Research and Development Expenses. Research and development expenses primarily represent employee related costs, including stock compensation, for research and development executives and staff, lab and office expenses and other overhead charges.

General and Administrative Expenses. General and administrative expenses primarily represent employee related costs, including stock compensation, for corporate executive and support staff, general office expenses, professional fees and various other overhead charges. Professional fees, including legal and accounting expenses, typically represent one of the largest components of our general and administrative expenses. These fees are partially attributable to our required activities as a publicly traded company, such as SEC filings, and corporate- and business-development initiatives.

Income Taxes. Income taxes consist of our provisions for income taxes, as affected by our net operating loss carryforwards. Future utilization of our net operating loss, or NOL, carryforwards may be subject to a substantial annual limitation due to the “change in ownership” provisions of the Internal Revenue Code. The annual limitation may result in the expiration of NOL carryforwards before utilization. Due to our history of losses, a valuation allowance sufficient to fully offset our NOL and other deferred tax assets has been established under current accounting pronouncements, and this valuation allowance will be maintained unless sufficient positive evidence develops to support its reversal.

Critical Accounting Estimates

Our discussion and analysis of the financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP.

The preparation of these condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ materially from these estimates under different assumptions or conditions.

We have identified the policies below as critical to our business operations and to the understanding of our financial results. The impact and any associated risks related to these policies on our business operations is discussed throughout management's discussion and analysis of financial condition and results of operations when such policies affect our reported and expected financial results.

Accounting for Stock-Based Compensation. Stock-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as expense over the vesting period. Determining the fair value of stock-based awards at the grant date requires judgment, including, in the case of stock option awards, estimating expected stock volatility.

Accounting for Common and Preferred Stock and Warrant transactions. We issued units consisting of preferred shares and warrants and common stock and warrants and subsequently remeasured certain of those warrants. Determining the fair value of the securities in these transactions requires significant judgment, including adjustments to quoted share prices and expected stock volatility. Such estimates may significantly impact our results of operations and losses applicable to common stockholders.

Commitments and Contingencies. We record a liability for contingencies when the amount is both probable and reasonably estimable. We record associated legal fees as incurred.

Results of Operations

Three months ended July 31, 2018 versus three months ended July 31, 2017

Net Revenues. For the three-month period ended July 31, 2018, net revenues from product sales were $0.4 million, which represents approximately $0.2 million from the sale of the Company's core product SkinTE and approximately $0.2 million from contract research operations in Veterinary Sciences.

Cost of Sales. For the three-month period ended July 31, 2018, cost of sales was approximately $0.2 million and approximately 55% of net revenues.

Research and Development Expenses. For the three-month period ended July 31, 2018, research and development expenses were approximately $2.3 million, mostly consisting of stock-based compensation of approximately $1.2 million, salaries of approximately $0.5 million and depreciation of approximately $0.3 million. For the three-month period ended July 31, 2017, research and development expenses were approximately $1.6 million and mostly consisted of salaries of approximately $0.5 million, stock-based compensation of approximately of $0.5 million, travel relates expenses of approximately $0.3 million and depreciation of approximately $0.1 million.

General and Administrative Expenses. For the three-month period ended July 31, 2018, general and administrative expenses were approximately $15.2 million compared to $3.6 million for the three months ended July 31, 2017. The increase is primarily due to an increase of approximately $6.3 million in stock-based compensation, $0.6 million in legal and accounting and $0.6 million in consulting expenses.

Other (Expenses) Income. For the three-month period ended July 31, 2018, other (expenses) income mainly included an interest income of approximately $0.1 million. For the three-month period ended July 31, 2017, other (expenses) income was insignificant.

Net Loss from continuing operations. Net loss from continuing operations for the three months ended July 31, 2018 was approximately $17.2 million, compared to a loss of approximately $5.3 million in the comparable period in 2017, primarily reflecting the increase in stock-based compensation and other product research and development and general and administrative expenses.

Nine months ended July 31, 2018 versus nine months ended July 31, 2017

Net Revenues. For the nine-month period ended July 31, 2018, net revenues from product sales were $0.4 million, which represents approximately $0.2 million from the sale of the Company's core product SkinTE and approximately $0.2 million from contract research operations in Veterinary Sciences.

Cost of Sales. For the nine-month period ended July 31, 2018, cost of sales was approximately $0.2 million and approximately 53% of net revenues.

Research and Development Expenses. For the nine-month period ended July 31, 2018, research and development expenses were approximately $14.6 million. Research and development expenses mostly consist of stock-based compensation of approximately $4.9 million, salaries of approximately $4.1 million, medical studies of approximately $0.5 million, bonuses of approximately $0.5 million, medical samples of approximately $0.5 million, depreciation of approximately $0.9 million, rent of approximately $0.7 million, office expense of approximately $0.5 million, business meals and transportation of approximately $0.3 million, consulting of approximately $0.2 million and health insurance of approximately $0.2 million. For the nine-month period ended July 31, 2017, research and development expenses were approximately $3.4 million and mostly consist of salaries of approximately $1.3 million, stock-based compensation of approximately of $0.6 million, travel relates expenses of approximately $0.5 million and depreciation of approximately $0.3 million.

General and Administrative Expenses. For the nine-month period ended July 31, 2018, general and administrative expenses were approximately $32.1 million compared to $12.8 million for the nine months ended July 31, 2017. The increase is primarily due to an increase of $12.7 million in stock-based compensation, $1.1 million in legal and accounting and $1.0 million in consulting expenses.

Other (Expenses) Income. For the nine-month period ended July 31, 2018, other (expenses) income mainly included a change in fair value of derivatives of approximately a $3.8 million gain and a loss on extinguishment of warrant liability of approximately $0.5 million. For the nine-month period ended July 31, 2017, other (expenses) income was insignificant.

Net loss from continuing operations. Net loss from continuing operations for the nine months ended July 31, 2018 was approximately $43.0 million, compared to a loss of approximately $120.9 million in the comparable period in 2017, primarily reflecting the decrease of $104.7 million in research and development - intellectual property acquired expenses offset by the increase in stock-based compensation.

Liquidity and Capital Resources

As of July 31, 2018, our cash and cash equivalents balance was approximately $84.8 million and our working capital was approximately $81.5 million, compared to cash and cash equivalents of $17.7 million and working capital of $2.5 million at October 31, 2017.

As reflected in the condensed consolidated financial statements, we had an accumulated deficit of approximately $302.0 million at July 31, 2018, a net loss of approximately $43.0 million and approximately $17.0 million net cash used in continuing operating activities for the nine months ended July 31, 2018.

On April 12, 2018, we completed a public offering providing for the issuance and sale of 2,335,937 shares of our common stock, par value $0.001 per shares at an offering price of $16.00 per share, for net proceeds of $34.6 million, after deducting offering expenses payable by us.

On June 7, 2018, we completed an underwritten offering with Cantor Fitzgerald & Co., as underwriter, providing for the issuance and sale of 2,455,882 shares of our common stock, par value $0.001 per share, at an offering price of $23.65 per share, for net proceeds of approximately $58.0 million, after deducting offering expenses payable by us.

Based upon the current status of our product development and commercialization plans, we believe that our existing cash and cash equivalents will be adequate to satisfy our capital needs for at least the next 12 months from the date of filing. We anticipate needing substantial additional financing to continue clinical deployment and commercialization of our lead product SkinTE, development of our other product candidates, and scaling the manufacturing capacity for our products and product candidates, and prepare for commercial readiness. We will continue to pursue fundraising opportunities when available, however, such financing may not be available on terms favorable to us, if at all. If adequate funds are not available, we may be required to delay, reduce the scope of, or eliminate one or more of our product development programs. We plan to meet our capital requirements primarily through issuances of equity securities, debt financing, revenue from product sales and future collaborations. Failure to generate revenue or raise additional capital would adversely affect our ability to achieve our intended business objectives.

Our actual capital requirements will depend on many factors, including among other things: our ability to scale the manufacturing for and to commercialize successfully our lead product, SkinTE; the progress and success of clinical evaluation and acceptance of SkinTE; our ability to develop our other product candidates; and the costs and timing of obtaining any required regulatory registrations or approvals. Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary materially. The foregoing factors, along with the other factors described in the section, Item 1A, "Risk Factors" in Part II of this Report on Form 10-Q as well as our risk factors set forth in our Annual Report on Form 10-K for the year ended October 31, 2017, will impact our future capital requirements and the adequacy of our available funds. If we are required to raise additional funds, any additional equity financing may be highly dilutive, or otherwise disadvantageous, to existing stockholders and debt financing, if available, may involve restrictive covenants. Collaborative arrangements, if necessary to raise additional funds, may require us to relinquish rights to certain of our technologies, products or marketing territories. Our failure to raise capital when needed, and on acceptable terms, would require us to reduce our operating expenses and would limit our ability to respond to competitive pressures or unanticipated requirements to develop our product candidates and to continue operations, any of which would have a material adverse effect on our business, financial condition and results of operation.

As previously reported, we identified a material weakness in the effectiveness of our internal controls over financial reporting, a factor that could affect our liquidity and capital resources. At present, management believes that the recent improvement of the processes for granting equity awards to certain employees and service providers will ultimately correct the material weakness.

Common Stock

During the nine months ended July 31, 2018, certain employees exercised their options at a weighted-average exercise price of $3.87 in exchange for the Company's common stock for an aggregated amount of 30,417 shares.

Off-Balance Sheet Arrangements

As of July 31, 2018, we had no off-balance sheet arrangements.

Inflation

Our management currently believes that inflation has not had, and does not currently have, a material impact on continuing operations.

Cash Flows

Cash and cash equivalents and working capital were approximately $84.8 million and $81.5 million, respectively, as of July 31, 2018 compared to cash and cash equivalents and working capital of approximately $17.7 million and $2.5 million at October 31, 2017, respectively.

Operating Cash Flows. Cash used in continuing operating activities in the nine months ended July 31, 2018 amounted to approximately $17.0 million compared to approximately $4.7 million for the 2017 period. The increase in net cash used in continuing operating activities mostly relates to the increases in both research and development and general and administrative expenses.

Cash used in discontinued operating activities in the nine months ended July 31, 2018 amounted to $0 compared to approximately $33,000 for the same period in 2017.

Investing Cash Flows. Cash used in continuing investing activities in the nine months ended July 31, 2018 amounted to approximately $8.7 million compared to $2.3 million for the 2017 period. For the nine months ended July 31, 2018, the activity relates to the acquisition of IBEX and the purchase of property and equipment. For the nine months ended July 31, 2017, the activity only relates to the purchase of property and equipment.

Financing Cash Flows. Net cash provided by financing activities for the nine months ended July 31, 2018 amounted to approximately $92.8 million compared to approximately $3.4 million for the 2017 period. The $92.7 million in net proceeds from the sale of common stock in the nine months ended July 31, 2018, accounts for the majority of that period's financing activity and accounts for the majority of the increase in net cash proved by financing activities as compared to the comparable prior year period.

Recent Accounting Pronouncements

Refer to our discussion of recent accounting pronouncements in Note 2 - Summary of Significant Accounting Policies to the accompanying condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Not applicable.

Item 4. Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as defined in the Securities Exchange Act of 1934 Rule 13a-15(e) and 15d-15(e), as of the end of the period covered by this report. In designing and evaluating our disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

A material weakness is a deficiency, or a combination of deficiencies, within the meaning of Public Company Accounting Oversight Board ("PCOAB") Audit Standard No. 5, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Under the caption “Item 4. Controls and Procedures” of our report on Form 10-Q for the quarter ended January 31, 2018, filed with the Securities and Exchange Commission on March 19, 2018, we reported a material weakness in our internal control over financial reporting. Specifically, due to a lack of processes in place to address personnel changes, controls over the Company’s process of accounting for stock-based compensation failed to ensure the completeness of stock options and restricted stock grants in the Company’s calculation of stock-based compensation expense. In addition, due to a lack of adequate review and reconciliation control procedures, the Company’s internal control over financial reporting failed to prevent adjustments to the Company’s financial statements in the quarter ended January 31, 2018, with respect to certain costs not material in amount that we expensed, which should have been capitalized and classified as fixed assets.

During the quarter ended January 31, 2018, we started the process to mitigate the material weakness in our process of accounting for stock-based compensation, and we expect it to be remediated during fiscal year 2018. At the end of April 2018, we engaged the services of a third party accounting advisory firm to provide assistance in developing more effective processes and controls in recording and classifying expenditures, and reviewing and making appropriate period-end adjustments.

Based on the evaluation of the effectiveness of our disclosure controls and procedures and the material weaknesses identified above that have not yet been remediated, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) were not effective at a reasonable assurance level at July 31, 2018.

Changes in Internal Control Over Financial Reporting

At the end of April 2018, we obtained from a third-party accounting advisory firm assistance in developing more effective processes and controls in recording and classifying expenditures, and reviewing and making appropriate period-end adjustments. In addition, we implemented a phased approach of a company-wide enterprise resource planning system during the quarter ended July 31, 2018, to further enhance our internal control environment. To effectuate these systems we added three additional people to our accounting staff beginning in April 2018.We continue to monitor the impact of this implementation on our processes as well as the impact to the internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On June 26, 2018, a class action complaint alleging violations of the Federal securities laws was filed in the United States District Court, District of Utah, by Jose Moreno against the Company and two directors of the Company, Case No. 2:18-cv-00510-JNP (the “Moreno Complaint”). On July 6, 2018, a similar complaint was filed in the same court against the same defendants by Yedid Lawi, Case No. 2:18-cv-00541-PMW (the “Lawi Complaint”). Both the Moreno Complaint and Lawi Complaint allege that the defendants made or were responsible for, disseminating information to the public through reports filed with the Securities and Exchange Commission and other channels that contained material misstatements or omissions in violation of Sections 10 and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 adopted thereunder. Specifically, both complaints allege that the defendants misrepresented the status of one of the Company’s patent applications while touting the unique nature of the Company’s technology and its effectiveness. Plaintiffs are seeking damages suffered by them and the class consisting of the persons who acquired the publicly-traded securities of the Company between March 31, 2017, and June 22, 2018. Plaintiffs have filed motions to consolidate and for appointment as lead plaintiff, which are pending, so that defendants have not filed any responsive pleadings to the complaints. The Company believes the allegations in the Moreno Complaint and Lawi Complaint are without merit, and intends to defend the litigation, vigorously. At this early stage of the proceedings the Company is unable to make any prediction regarding the outcome of the litigation.

On February 26, 2015, a complaint for patent infringement was filed in the United States District Court for the Eastern District of Texas by Richard Baker, an individual residing in Australia, against Microsoft, Nintendo, Majesco Sub, and a number of other game publisher defendants. The complaint alleged that the Zumba Fitness Kinect game infringed plaintiff’s patents in motion tracking technology. The plaintiff is representing himself pro se in the litigation and is seeking monetary damages in the amount of $1.3 million. The case was subsequently transferred to the Western District of Washington. On June 16, 2017, final judgment was entered in favor of the defendants finding that the accused products did not literally infringe the asserted patent and that plaintiff was barred from pursing infringement under the doctrine of equivalents due to prosecution history estoppel. The plaintiff appealed that decision to the Court of Appeals for the Federal Circuit. On April 9, 2018, the Court of Appeals for the Federal Circuit affirmed the judgment of the District Court for the Western District of Washington. On May 7, 2018, the plaintiff filed a petition for panel rehearing and rehearing en banc by the Court of Appeals. The petition for rehearing was denied on June 8, 2018. The plaintiff subsequently filed a petition for a writ of certiorari with the Supreme Court of the United States. That petition was placed on the docket September 4, 2018 as No. 18-276 and is currently pending. On June 23, 2017, as part of a purchase agreement, liabilities and claims relating to this litigation were assumed by Zift. The Company cannot be certain about the outcome of the appeal, or whether litigation regarding the assumption of liabilities by Zift may occur.

The Company at times may be a party to claims and suits in the ordinary course of business. We record a liability when it is both probable that a liability has been incurred and the amount of the loss or range of loss can be reasonably estimated. The Company has not recorded a liability with respect to the matters above. Given the uncertainty surrounding litigation and our inability to assess the likelihood of a favorable or unfavorable outcome, it is possible that the resolution of either or both matters could have a material adverse effect on our consolidated financial position, cash flows or results of operations.

Item 1A. Risk Factors

The following updates certain risk factors set forth in our Annual Report on Form 10-K, for the year ended October 31, 2017, as amended and restated in our Quarterly Reports on Form 10-Q for the period ended January 31, 2018, filed with the Securities and Exchange Commission (SEC) on March 19, 2018, and for the period ended April 30, 2018, filed with the SEC on June 14, 2018, and should be read in conjunction with the risk factors presented in those reports under the caption "Risk Factors."

We have a history of operating losses and may never achieve or sustain profitability.

We have to date incurred, and may continue to incur, significant operating losses over the next several years. We have incurred significant net losses in each year since our inceptions, and have a net loss of $130.8 million for the year ended October 31, 2017, and $43.0 million for the nine months ended July 31, 2018. Our ability to achieve profitable operations in the future will depend in large part upon the successful development and commercialization of our product candidates and technologies. Factors impacting our ability to successfully develop and commercialize our product candidates include:

- approvals by and/or registrations with the FDA and other US and foreign government agencies;
- our ability to educate and train physicians and hospitals on the benefits of our product candidates;
- the rate at which providers adopt our technology and product candidates;
- our ability to scale up our global commercialization, including our selling and manufacturing activities;
- our ability to complete the development of our product candidates in a timely manner;
- our ability to obtain adequate reimbursement from third parties for our products and product candidates; and
- other activities generally necessary in order to introduce and bring new products and medical technologies to market.

The likelihood of the long-term success of our company must be considered in light of the expenses, difficulties and delays frequently encountered in the development and commercialization of new and innovative medical techniques and technologies, unknown and uncertain regulatory hurdles for a new and novel technology or technique, competitive factors and competition, as well as the uncertain nature of new business development and ongoing capital requirements.

If we are not able to integrate acquisitions successfully, our operating results and prospects could be harmed.

In May 2018, we acquired from the Ibex Group, L.L.C., and Ibex Preclinical Research, Inc., certain assets and rights to their preclinical research and veterinary sciences business and related real estate. We will continue to look for opportunities to acquire technologies or operations that we believe will contribute to our growth and development. The success of our present and future acquisitions will depend on our ability to identify, negotiate, complete and integrate acquisitions. Acquisitions are inherently risky, and any acquisitions we complete may not be successful. Any acquisitions we pursue would involve numerous risks, including the following:

- difficulties in integrating and managing the operations and technologies of the businesses we acquire;
- diversion of our management's attention from normal daily operations of our business;
- our inability to maintain the customers, the key employees, the key business relationships and the reputations of the businesses we acquire;
- our inability to generate sufficient revenue from acquisitions to offset our increased expenses associated with acquisitions;
- our responsibility for the liabilities of the businesses we acquire, including, without limitation, liabilities arising out of their failure to maintain effective data security, data integrity, disaster recovery and privacy controls prior to the acquisition, or their infringement or alleged infringement of third party intellectual property, contract or data access rights prior to the acquisition;
- difficulties in complying with new markets or regulatory standards to which we were not previously subject;
- delays in our ability to implement internal standards, controls, procedures and policies in the businesses we acquire; and
- adverse effects of acquisition activity on the key performance indicators we use to monitor our performance as a business.

Unanticipated events and circumstances may occur in future periods which may affect the realizability of our intangibles assets recognized through acquisitions. The events and circumstances that we consider include significant under-performance relative to projected future operating results and significant changes in our overall business and/or product strategies. These events and circumstances may cause us to revise our estimates and assumptions used in analyzing the value of our other intangible assets with indefinite lives, the revision could result in a non-cash impairment charge that could have a material impact on our financial results.

If we fail to maintain proper and effective internal control over financial reporting in the future, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results.

We identified certain material weaknesses in our internal control over financial reporting that were reported in our quarterly report on Form 10-Q for the quarter ended January 31, 2018. Specifically, due to a lack of processes in place to address personnel changes, controls over our process of accounting for stock-based compensation failed to ensure the completeness of stock options and restricted stock grants in our calculation of stock-based compensation expense. In addition, due to a lack of adequate review and reconciliation control procedures, our internal control over financial reporting failed to prevent adjustments to our financial statements in the quarter ended January 31, 2018, with respect to certain costs not material in amount that we expensed, which should have been capitalized and classified as fixed assets. We have taken steps to remediate these material weaknesses and we expect them to be remediated during fiscal year 2018. At the end of April 2018, we obtained from a third-party accounting advisory firm assistance in developing more effective processes and controls in recording and classifying expenditures, and reviewing and making appropriate period-end adjustments. In addition, we implemented a phased approach of a company-wide enterprise resource planning system during the quarter ended July 31, 2018, and added three additional people to our accounting staff to further enhance our internal control environment. Nevertheless, by the end of the current fiscal year these changes may not be in operation long enough for us to adequately test and evaluate whether the processes and controls we have added are effective period over period. If our remedial measures prove to be insufficient to address the material weakness, or if we otherwise fail to establish and maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results, timely file our periodic reports, maintain our reporting status or prevent fraud, any of which could adversely affect our business and operating results, investor confidence in our reported financial information, and the trading price of our common stock.

As of October 31, 2018, we will be an "accelerated filer" and are therefore subject to the auditor attestation requirement in the assessment of our internal control over financial reporting.

Because the worldwide market value of our common stock held by non-affiliates exceeded $75 million (but was less than $700 million), as of the last business day of our fiscal quarter ended April 30, 2018, we are an "accelerated filer" as defined by SEC rule as of October 31, 2018. Therefore, we are now subject to the requirement that we include in our annual report on Form 10-K for the fiscal year ending October 31, 2018, the auditor's attestation report on its assessment of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. We identified certain material weaknesses in our internal control over financial reporting that were reported in our quarterly report on Form 10-Q for the quarter ended January 31, 2018, and are described in the preceding risk factor. If we do not have a sufficient history for us and our independent registered public accounting firm to test and evaluate our new processes and controls, we may be unable to obtain an unqualified attestation report from our independent registered public accounting firm required under Section 404 of the Sarbanes-Oxley Act. If our independent registered public accounting firm is not able to render an unqualified attestation, it could result in lost investor confidence in the accuracy, reliability, and completeness of our financial reports. We expect that our status as an accelerated filer and compliance with these increased requirements will require management to expend additional time while also condensing the time frame available to comply with certain requirements, which may further increase our legal and financial compliance costs.

Our October 31, 2017 financial statements were prepared on a going concern basis.

In its report dated January 29, 2018, related to our October 31, 2017 consolidated financial statements, EisnerAmper LLP, our independent registered public accounting firm, expressed substantial doubt about our ability to continue as a going concern as we had suffered recurring losses from operations and had insufficient liquidity to fund our future operations.

On June 7, 2018, the Company completed an underwritten offering with Cantor Fitzgerald & Co., as underwriter, providing for the issuance and sale of 2,455,882 shares of the Company's common stock, par value $0.001 per share, at an offering price of $23.65 per share, for net proceeds of approximately $58.0 million, after deducting offering expenses payable by the Company. As a result, as of July 31, 2018, we had $84.8 million in cash. We anticipate that our principal sources of liquidity will be sufficient to fund our activities through for at least the next 12 months from the date of filing.

Nevertheless, we anticipate we will need additional cash in order to have sufficient cash to fund our operations in future periods, and we will need to continue to raise additional equity or debt capital and we cannot provide any assurance that we will be successful in doing so.

We may not be able to raise the required capital to conduct our operations and develop and commercialize our product candidates.

We incurred net losses of $130.8 million in fiscal 2017, and additional net losses of $43.0 for the nine months ended July 31, 2018. We will require substantial additional capital resources in order to complete our product development programs, complete clinical trials, and market and commercialize our product candidates. In order to grow and expand our business, and to introduce our new product candidates into the marketplace, we will need to raise a significant amount of additional funds. We will also need significant additional funds or a collaborative partner, or both, to finance the research and development activities. Accordingly, we are continuing to pursue additional sources of financing.

Our future capital requirements will depend on numerous factors, including:

- our ability to generate future revenues;
- costs and timing of our product development activities;
- timing of conducting pre-clinical and clinical trials and seeking regulatory approvals and/or registrations;
- our ability to commercialize our product candidates;
- our ability to avoid infringement and misappropriation of third-party intellectual property;
- our ability to obtain valid and enforceable patents;
- competing technological and market developments;
- our ability to establish collaborative relationships;
- market acceptance of our product candidates;
- the development of an infrastructure to support or business;
- our need to remediate material weaknesses and implement and maintain additional internal systems, processes and infrastructure, to have an effective system of internal control over financial reporting;
- our ability to scale up our production capabilities for larger quantities of our products; and
- our ability to control costs.

We expect to devote substantial capital resources to, among other things, fund operations, continue development programs, and to build out and increase our portfolio of product candidates. If we are unable to secure such additional financing, it will have a material adverse effect on our business and we may have to limit operations in a manner inconsistent with our development and commercialization plans. If additional funds are raised through the issuance of equity securities or convertible debt securities, it will be dilutive to our stockholders and could result in a decrease in our stock price.

We have funded our operations primarily with proceeds from public and private offerings of our common stock. Our history of operating losses and cash uses, our projections of the level of cash that will be required for our operations to reach profitability, and the restricted availability of credit for emerging industries, may impair our ability to raise capital on terms that we consider reasonable and at the levels that we will require over the coming months. We cannot provide any assurances that we will be able to secure additional funding from public or private offerings on terms acceptable to us, if at all. If we are unable to obtain the requisite amount of financing needed to fund our planned operations, it would have a material adverse effect on our business and ability to continue as a going concern.

If adequate funds are not available in the future, we may not be able to develop or enhance our product candidates, take advantage of future opportunities, or respond to competitive pressures or unanticipated requirements and we may be required to delay or terminate research and development programs, curtail capital expenditures, and reduce business development and other operating activities. Should the financing we require to sustain our working capital needs be unavailable or prohibitively expensive when we require it, the consequences could have a material adverse effect on our business, operating results, financial condition and prospects.

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

During the fiscal quarter ended July 31, 2018, we issued to eight employees options to purchase 125,500 shares of common stock at a weighted-average exercise price of $20.60 per share. We also issued to one of those employees a restricted share award for 10,000 shares of common stock with a fair market value on the date of grant equal to $22.53. The options and restricted share award were issued in reliance on the exemption from registration set forth in Section 4(a)(2) of the Securities Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Our trading symbol on the Nasdaq Stock Market is scheduled to change from “COOL” to “PTE” on September 17, 2018.

Item 6. Exhibits

Except as otherwise noted, the following exhibits are included in this filing:

2.1	Asset Purchase Agreement dated March 2, 2018 (1)
2.2	Purchase and Sale Agreement dated March 2, 2018 (1)
2.3	First Amendment to Asset Purchase Agreement dated April 9, 2018 (1)
2.4	First Amendment to Purchase and Sale Agreement dated April 9, 2018 (1)
10.1	Executive Employment Agreement with Paul Mann dated May 12, 2018, with addendum dated June 3, 2018, and confirmation dated June 20, 2018
10.2	Stock Option Agreement with Paul Mann dated June 20, 2018
10.3	Restricted Stock Unit Agreement with Paul Mann dated June 20, 2018
10.4	Restricted Stock Unit Agreement with Peter A. Cohen dated June 29, 2018
10.5	Restricted Stock Unit Agreement with Willie C. Bogan dated July 3, 2018
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Schema Document.
101.CAL	XBRL Calculation Linkbase Document.
101.DEF	XBRL Definition Linkbase Document.
101.LAB	XBRL Label Linkbase Document.
101.PRE	XBRL Presentation Linkbase Document.

(1) These documents were filed as exhibits to the current report on Form 8-K filed by the Company with the SEC on May 8, 2018, and are incorporated herein by this reference.

SIGNATURES

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

POLARITYTE, INC.

/s/ Denver Lough
Denver Lough
Chief Executive Officer
(Principal Executive Officer)

Date: September 14, 2018

/s/ Paul Mann
Paul Mann
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: September 14, 2018

EXECUTIVE EMPLOYMENT AGREEMENT

This EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") is made and entered into as of the 12th day of May, 2018 by and between PolarityTE, Inc., a Delaware corporation headquartered at 1960 S 4250 W, Salt Lake City, UT 84104 ("Parent") and Paul Mann, an individual ("Executive"). As used herein, the "Effective Date" of this Agreement shall mean the date as written above and signed below.

W I T N E S S E T H:

WHEREAS, the Executive desires to be employed by the Parent as its Chief Financial Officer and the Parent wishes to employ the Executive in such capacities, in each case, commencing on and as of the Effective Date.

NOW, THEREFORE, in consideration of the foregoing and their respective covenants and agreements contained in this document, the Parent and the Executive hereby agree as follows:

1. Employment and Duties. The Parent agrees to employ and the Executive agrees to serve as the Parent's Chief Financial Officer. The duties and responsibilities of the Executive shall include the duties and responsibilities as the Parent's Board of Directors ("Board") and Chief Executive Officer may from time to time assign to the Executive.

The Executive shall devote his full-time efforts and services to the business and affairs of the Parent and its subsidiaries. Nothing in this Section 1 shall prohibit the Executive from: (A) serving as a director or member of any other board, committee thereof of any other entity or organization; (B) delivering lectures, fulfilling speaking engagements, and any writing or publication relating to his area of expertise; (C) serving as a director or trustee of any governmental, charitable or educational organization; (D) engaging in additional activities in connection with personal investments and community affairs, including, without limitation, professional or charitable or similar organization committees, boards, memberships or similar associations or affiliations, or (E) performing advisory activities, provided, however, such activities are not in competition with the business and affairs of the Parent or would tend to cast executive of Parent in a negative light in the reasonable judgment of the Board.

2. Term. The term of this Agreement shall commence on the Effective Date and shall continue for a period of one (1) year following the Effective Date and shall be automatically renewed for successive one (1) year periods thereafter unless either party provides the other party with written notice of his or its intention not to renew this Agreement at least three (3) months prior to the expiration of the initial term or any renewal term of this Agreement. "Employment Period" shall mean the initial one (1) year term plus one (1) year renewals, if any.

3. Place of Employment. The Executive's services shall be performed at such location or locations as the Executive shall determine, in his sole discretion.

4. Base Salary and Board Fees. The Parent agrees to pay the Executive a base salary ("Base Salary") of $400,000 per annum for the position(s) of Chief Financial Officer. Annual adjustments after the first year of the Employment Period shall be determined by the Board. The Base Salary shall be paid in periodic installments in accordance with the Parent's regular payroll practices. Executive shall, subject to policies and procedures of the Parent's Board of Directors, be eligible to additional fees for service on the Parent's Board.

5. Incentive Compensation and Bonuses.

(a) Annual Bonus: For each fiscal year during the term of employment, the Executive shall be eligible to receive a bonus in the amount of 100% of annual salary, if any, as may be determined from time to time by the Board in its discretion. The Annual Bonus shall be paid by the Parent to the Executive promptly after determination that the relevant targets, if any, have been met, it being understood that the attainment of any financial targets associated with any bonus shall not be determined until following the completion of the Parent's annual audit and public announcement of such results and shall be paid promptly following the Parent's announcement of earnings. In the event that the Compensation Committee is unable to act or if there shall be no such Compensation Committee, then all references herein to the Compensation Committee (except in the proviso to this sentence) shall be deemed to be references to the Board. Upon his termination from employment, the Executive shall be entitled to receive a pro-rata portion of the Annual Bonus calculated based upon his final day of employment, regardless of whether he is employed by the Parent through the conclusion of the fiscal quarter or year, as the case may be, on which the Annual Bonus is based.

(b) Equity Awards and Incentive Compensation: During the term of employment, the Executive shall be eligible to participate in any equity-based incentive compensation plan or program adopted by the Parent (such awards under such plan or program, the "Share Awards") as the Compensation Committee or Board may from time to time determine. Share Awards shall be subject to applicable plan terms and conditions. And any additional terms and conditions as determined by the Compensation Committee or the Board. On the Effective Date, the Board of Directors of the Company shall award and reserve for issuance (i) 10-year options to purchase 350,000 shares of common stock which shall vest (provided Employee is still employed by the Company) in twenty-four equal monthly installments beginning on the one-month anniversary of the Effective Date and (ii) a restricted stock award equal to 100,000 shares of common stock which shall vest (provided Employee is still employed by the Company) in equal installments on the six-, twelve-, eighteen-, and twenty-four-month anniversary of the Effective Date, and each of which shall be issued pursuant to the Company's Incentive Stock and Option Plan at the fair market value thereof (as determined by NASDAQ) to Employee.

6. Severance Compensation:

Upon termination of employment for any reason, the Executive shall be entitled to: (A) the sum of his annual Base Salary from the date of termination to be paid according to Section 4; (B) any and all reasonable expenses paid or incurred by the Executive in connection with and related to the performance of his duties and responsibilities for the Parent during the period ending on the termination date to be paid according to Section 8; (C) any accrued but unused vacation time through the termination date in accordance with Parent policy; and (D) the sum of his annual Bonus from the date of termination to be paid according to Section 5(a); and (E) all Share Awards earned and vested prior to termination. With respect to any Share Awards held by the Executive as of his death that are not vested and exercisable as of such date, the Parent shall fully accelerate the vesting and exercisability of such Share Awards, so that all such Share Awards shall be fully vested and exercisable as of the Executive's death, such options (as well as any Share Awards that previously became vested and exercisable) to remain exercisable, notwithstanding anything in any other agreement governing such options, until the earlier of (A) a period of one (1) year after the Executive's death or (B) the original term of the option, if such Share Awards is an option.

The Executive may continue coverage with respect to the Parent's group health plans as permitted by the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") for himself and each of his "Qualified Beneficiaries" as defined by COBRA ("COBRA Coverage"). The Parent shall reimburse the amount of any COBRA premium paid for COBRA Coverage timely elected by and for the Executive and any Qualified Beneficiary of the Executive, and not otherwise reimbursed, during the period that ends on the earliest of (x) the date the Executive or the Qualified Beneficiary, as the case may be, ceases to be eligible for COBRA Coverage, (y) the last day of the consecutive eighteen (18) month period following the date of the Executive's termination of employment and (z) the date the Executive or the Qualified Beneficiary, as the case may be, is covered by another group health plan. To reimburse any COBRA premium payment under this paragraph, the Parent must receive documentation of the COBRA premium payment within ninety (90) days of its payment.

7. Clawback Rights. The Annual Bonus, and any and all stock based compensation (such as options and equity awards) (collectively, the "Clawback Benefits") shall be subject to "Clawback Rights" as follows: during the period that the Executive is employed by the Parent and upon the termination of the Executive's employment and for a period of three (3) years thereafter, if there is a restatement of any financial results from which any Clawback Benefits to the Executive shall have been determined, the Executive agrees to repay any amounts which were determined by reference to any Parent financial results which were later restated (as defined below), to the extent the Clawback Benefits amounts paid exceed the Clawback Benefits amounts that would have been paid, based on the restatement of the Parent's financial information. All Clawback Benefits amounts resulting from such restated financial results shall be retroactively adjusted by the Compensation Committee to take into account the restated results, and any excess portion of the Clawback Benefits resulting from such restated results shall be immediately surrendered to the Parent and if not so surrendered within ninety (90) days of the revised calculation being provided to the Executive by the Compensation Committee following a publicly announced restatement, the Parent shall have the right to take any and all action to effectuate such adjustment. The calculation of the revised Clawback Benefits amount shall be determined by the Compensation Committee in good faith and in accordance with applicable law, rules and regulations. All determinations by the Compensation Committee with respect to the Clawback Rights shall be final and binding on the Parent and the Executive. The Clawback Rights shall terminate following a Change of Control as defined in Section 11(f), subject to applicable law, rules and regulations. For purposes of this Section 7, a restatement of financial results that requires a repayment of a portion of the Clawback Benefits amounts shall mean a restatement resulting from material non-compliance of the Parent with any financial reporting requirement under the federal securities laws and shall not include a restatement of financial results resulting from subsequent changes in accounting pronouncements or requirements which were not in effect on the date the financial statements were originally prepared ("Restatements"). The parties acknowledge it is their intention that the foregoing Clawback Rights as relates to Restatements conform in all respects to the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act") and require recovery of all "incentive-based" compensation, pursuant to the provisions of the Dodd-Frank Act and any and all rules and regulations promulgated thereunder from time to time in effect. Accordingly, the terms and provisions of this Agreement shall be deemed automatically amended from time to time to assure compliance with the Dodd-Frank Act and such rules and regulations as hereafter may be adopted and in effect.

8. Expenses. The Executive shall be entitled to prompt reimbursement by the Parent for all reasonable ordinary and necessary travel, entertainment, and other expenses incurred by the Executive while employed (in accordance with the policies and procedures established by the Parent for its senior executive officers) in the performance of his duties and responsibilities under this Agreement; provided, that the Executive shall properly account for such expenses in accordance with Parent policies and procedures.

9. Other Benefits. During the term of this Agreement, the Executive shall be eligible to participate in incentive, stock purchase, savings, retirement (401(k)), and welfare benefit plans, including, without limitation, health, medical, dental, vision, life (including accidental death and dismemberment) and disability insurance plans (collectively, "Benefit Plans"), in substantially the same manner and at substantially the same levels as the Parent makes such opportunities available to the Parent's managerial or salaried executive employees and/or its senior executives.

The Parent shall pay one hundred percent (100%) of the cost for any group medical, vision and/or dental coverage elected by and for the Executive and one hundred (100%) of the additional incremental cost for any group medical, vision and/or dental coverage elected by the Executive for the Executive's family.

The Executive shall be entitled to air travel, including travel by business and/or first class, as is reasonable and necessary for the performance of his duties and responsibilities, in accordance with the Parent's policies as approved by the Board.

10. Vacation. During the term of this Agreement, the Executive shall be entitled to accrue, on a pro rata basis, twenty (20) paid vacation days per year. Vacation shall be taken at such times as are mutually convenient to the Executive and the Parent and no more than ten (10) consecutive days shall be taken at any one time without Parent approval in advance.

11. Termination of Employment:

(a) Death. If the Executive dies during the Employment Period, this Agreement and the Executive's employment with the Parent shall automatically terminate and the Parent's obligations to the Executive's estate and to the Executive's Qualified Beneficiaries shall be those set forth in Section 6 regarding severance compensation.

(b) Disability. In the event that, during the term of this Agreement the Executive shall be prevented from performing his essential functions hereunder to the full extent required by the Parent by reason of Disability (as defined below), this Agreement and the Executive's employment with the Parent shall automatically terminate. The Parent's obligation to the Executive under such circumstances shall be those set forth in Section 6 regarding severance compensation. For purposes of this Agreement, "Disability" shall mean a physical or mental disability that prevents the performance by the Executive, with or without reasonable accommodation, of his essential functions hereunder for an aggregate of ninety (90) days or longer during any twelve (12) consecutive months. The determination of the Executive's Disability shall be made by an independent physician who is reasonably acceptable to the Parent and the Executive (or his representative), be final and binding on the parties hereto and be made taking into account such competent medical evidence as shall be presented to such independent physician by the Executive and/or the Parent or by any physician or group of physicians or other competent medical experts employed by the Executive and/or the Parent to advise such independent physician.

(c) Cause.

(1) At any time during the Employment Period, the Parent may terminate this Agreement and the Executive's employment hereunder for Cause. For purposes of this Agreement, "Cause" shall mean: (a) the willful and continued failure of the Executive to perform substantially his duties and responsibilities for the Parent (other than any such failure resulting from the Executive's death or Disability) after a written demand by the Board for substantial performance is delivered to the Executive by the Parent, which specifically identifies the manner in which the Board believes that the Executive has not substantially performed his duties and responsibilities, which willful and continued failure is not cured by the Executive within thirty (30) days following his receipt of such written demand; (b) the conviction of, or plea of guilty or *nolo contendere* to, a felony, or (c) fraud, dishonesty or gross misconduct which is materially and demonstratively injurious to the Parent. Termination under clauses (b) or (c) of this Section 11(c)(1) shall not be subject to cure.

(2) For purposes of this Section 11(c), no act, or failure to act, on the part of the Executive shall be considered "willful" unless done, or omitted to be done, by him in bad faith and without reasonable belief that his action or omission was in, or not opposed to, the best interest of the Parent. Between the time the Executive receives written demand regarding substantial performance, as set forth in subparagraph (1) above, and prior to an actual termination for Cause, the Executive will be entitled to appear (with counsel) before the full Board to present information regarding his views on the Cause event. After such hearing, termination for Cause must be approved by a majority vote of the full Board (other than the Executive). After providing the written demand regarding substantial performance, the Board may suspend the Executive with full pay and benefits until a final determination by the full Board has been made.

(3) Upon termination of this Agreement for Cause, the Parent shall have no further obligations or liability to the Executive or his heirs, administrators or executors with respect to compensation and benefits thereafter, except for the obligation to pay the Executive any Base Salary earned through the date of termination to be paid according to Section 4; any unpaid Annual Bonus to be paid according to Section 5; reimbursement of any and all reasonable expenses paid or incurred by the Executive in connection with and related to the performance of his duties and responsibilities for the Parent during the period ending on the termination date to be paid according to Section 8; and any accrued but unused vacation time through the termination date in accordance with Parent policy. The Parent shall deduct, from all payments made hereunder, all applicable taxes, including income tax, FICA and FUTA, and other appropriate deductions.

(d) For Good Reason or a Change of Control or Without Cause.

(1) At any time during the term of this Agreement and subject to the conditions set forth in Section 12(d)(2) below the Executive may terminate this Agreement and the Executive's employment with the Parent for "Good Reason" or for a "Change of Control" (as defined in Section 12(f)). For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following events without Executive's consent: (A) the assignment to the Executive of duties that are significantly different from, and/or that result in a substantial diminution of, the duties that he assumed on the Effective Date (including reporting to anyone other than solely and directly to the Board); (B) the assignment to the Executive of a title that is different from and subordinate to the title Chief Financial Officer of the Parent; provided, however, for the absence of doubt following a Change of Control, should the Executive be required to serve in a diminished capacity in a division or unit of another entity (including the acquiring entity), such event shall constitute Good Reason regardless of the title of the Executive in such acquiring company, division or unit; or (C) material breach by the Parent of this Agreement.

(2) The Executive shall not be entitled to terminate this Agreement for Good Reason unless and until he shall have delivered written notice to the Parent within ninety (90) days of the date upon which the facts giving rise to Good Reason occurred of his intention to terminate this Agreement and his employment with the Parent for Good Reason, which notice specifies in reasonable detail the circumstances claimed to provide the basis for such termination for Good Reason, and the Parent shall not have eliminated the circumstances constituting Good Reason within thirty (30) days of its receipt from the Executive of such written notice. In the event the Executive elects to terminate this Agreement for Good Reason in accordance with Section 11(d)(1), such election must be made within the twenty-four (24) months following the initial existence of one or more of the conditions constituting Good Reason as provided in Section 11(d)(1). In the event the Executive elects to terminate this Agreement for a Change in Control in accordance with Section 11(d)(1), such election must be made within one hundred eighty (180) days of the occurrence of the Change of Control.

(3) In the event that the Executive terminates this Agreement and his employment with the Parent for Good Reason or for a Change of Control or the Parent terminates this Agreement and the Executive's employment with the Parent without Cause, the Parent shall pay or provide to the Executive (or, following his death, to the Executive's heirs, administrators or executors) the severance compensation set forth in Section 6 above. The Parent shall deduct, from all payments made hereunder, all applicable taxes, including income tax, FICA and FUTA, and other appropriate deductions.

(4) The Executive shall not be required to mitigate the amount of any payment provided for in this Section 11(d) by seeking other employment or otherwise, nor shall the amount of any payment provided for in this Section 11(d) be reduced by any compensation earned by the Executive as the result of employment by another employer or business or by profits earned by the Executive from any other source at any time before and after the termination date. The Parent's obligation to make any payment pursuant to, and otherwise to perform its obligations under, this Agreement shall not be affected by any offset, counterclaim or other right that the Parent may have against the Executive for any reason.

(e) Without "Good Reason" by the Executive. At any time during the term of this Agreement, the Executive shall be entitled to terminate this Agreement and the Executive's employment with the Parent without Good Reason and other than for a Change of Control by providing prior written notice of at least thirty (30) days to the Parent. Upon termination by the Executive of this Agreement or the Executive's employment with the Parent without Good Reason and other than for a Change of Control, the Parent shall have no further obligations or liability to the Executive or his heirs, administrators or executors with respect to compensation and benefits thereafter, except for the obligation to pay the Executive any Base Salary earned through the date of termination to be paid according to Section 4; any unpaid Annual Bonus to be paid according to Section 5; reimbursement of any and all reasonable expenses paid or incurred by the Executive in connection with and related to the performance of his duties and responsibilities for the Parent during the period ending on the termination date to be paid according to Section 8; and any accrued but unused vacation time through the termination date in accordance with Parent policy. The Parent shall deduct, from all payments made hereunder, all applicable taxes, including income tax, FICA and FUTA, and other appropriate deductions.

(f) Change of Control. For purposes of this Agreement, "Change of Control" shall mean the occurrence of any one or more of the following: (i) the accumulation (if over time, in any consecutive twelve (12) month period), whether directly, indirectly, beneficially or of record, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended) of more than fifty percent (50%) or more of the shares of the outstanding Common Stock of the Parent, whether by merger, consolidation, sale or other transfer of shares of Common Stock (other than a merger or consolidation where the stockholders of the Parent prior to the merger or consolidation are the holders of a majority of the voting securities of the entity that survives such merger or consolidation), (ii) a sale of all or substantially all of the assets of the Parent or (iii) during any period of twelve (12) consecutive months, the individuals who, at the beginning of such period, constitute the Board, and any new director whose election by the Board or nomination for election by the Parent's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the twelve (12) month period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board; provided that the following acquisitions shall not constitute a Change of Control for the purposes of this Agreement: any acquisition of Common Stock or securities convertible into Common Stock by any employee benefit plan (or related trust) sponsored by or maintained by the Parent.

(g) Any termination of the Executive's employment by the Parent or by the Executive (other than termination by reason of the Executive's death) shall be communicated by written Notice of Termination to the other party of this Agreement. For purposes of this Agreement, a "Notice of Termination" shall mean a written notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, provided, however, failure to provide timely notification shall not affect the employment status of the Executive.

12. Confidential Information.

(a) Disclosure of Confidential Information. The Executive recognizes, acknowledges and agrees that he has had and will continue to have access to secret and confidential information regarding the Parent, its subsidiaries and their respective businesses ("Confidential Information"), including but not limited to, its products, methods, formulas, software code, patents, sources of supply, customer dealings, data, know-how, trade secrets and business plans, provided such information is not in or does not hereafter become part of the public domain, or become known to others through no fault of the Executive. The Executive acknowledges that such information is of great value to the Parent, is the sole property of the Parent, and has been and will be acquired by him in confidence. In consideration of the obligations undertaken by the Parent herein, the Executive will not, at any time, during or after his employment hereunder, reveal, divulge or make known to any person, any information acquired by the Executive during the course of his employment, which is treated as confidential by the Parent, and not otherwise in the public domain. The provisions of this Section 12 shall survive the termination of the Executive's employment hereunder. The Executive affirms that he does not possess and will not rely upon the protected trade secrets or confidential or proprietary information of any prior employer(s) in providing services to the Parent or its subsidiaries.

(b) In the event that the Executive's employment with the Parent terminates for any reason, the Executive shall deliver forthwith to the Parent any and all originals and copies, including those in electronic or digital formats, of Confidential Information; provided, however, the Executive shall be entitled to retain (i) papers and other materials of a personal nature, including, but not limited to, photographs, correspondence, personal diaries, calendars and rolodexes, personal files and phone books, (ii) information showing his compensation or relating to reimbursement of expenses, (iii) information that he reasonably believes may be needed for tax purposes and (iv) copies of plans, programs and agreements relating to his employment, or termination thereof, with the Parent. The covenants and agreements in this Section 12 shall exclude excludes information (A) which is in the public domain through no unauthorized act or omission of Executive or (B) which becomes available to Executive on a non-confidential basis from a source other than Parent or its affiliates without breach of such source's confidentiality or non-disclosure obligations to Parent or any of its affiliates.

13. Non-Competition and Non-Solicitation.

(a) The Executive agrees and acknowledges that the Confidential Information that the Executive has already received and will receive is valuable to the Parent and that its protection and maintenance constitutes a legitimate business interest of the Parent, to be protected by the non-competition restrictions set forth herein. The Executive agrees and acknowledges that the non-competition restrictions set forth herein are reasonable and necessary and do not impose undue hardship or burdens on the Executive. The Executive also acknowledges that the Parent's Business (as defined in Section 13(b) (1) below) is conducted worldwide (the "Territory"), and that the Territory, scope of prohibited competition, and time duration set forth in the non-competition restrictions set forth below are reasonable and necessary to maintain the value of the Confidential Information of, and to protect the goodwill and other legitimate business interests of, the Parent, its affiliates and/or its clients or customers. The provisions of this Section 13 shall survive the termination of the Executive's employment hereunder for the time periods specified below.

(b) The Executive hereby agrees and covenants that he shall not without the prior written consent of the Parent, directly or indirectly, in any capacity whatsoever, including, without limitation, as an employee, employer, consultant, principal, partner, shareholder, officer, director or any other individual or representative capacity (other than (i) as a holder of less than two (2%) percent of the outstanding securities of a company whose shares are traded on any national securities exchange or (ii) as a limited partner, passive minority interest holder in a venture capital fund, private equity fund or similar investment entity which holds or may hold an equity or debt position in portfolio companies that are competitive with the Parent; provided however, that the Executive shall be precluded from serving as an operating partner, general partner, manager or governing board designee with respect to such portfolio companies), or whether on the Executive's own behalf or on behalf of any other person or entity or otherwise howsoever, during the Term and thereafter to the extent described below, within the Territory:

(1) Engage, own, manage, operate, control, be employed by, consult for, participate in, or be connected in any manner with the ownership, management, operation or control of any business in competition with the Business of the Parent, as defined in the next sentence. For purposes hereof, the Parent's "Business" shall mean research, development, techniques and technology in any manner involving or related to regeneration of functionally polarized tissue by use of Leucine-rich repeat-containing G- protein coupled Receptor (LGR) expressing cells and any and all inventions, technology and trade secrets related thereto or a result of the services of Employee hereunder, as well as all activities that involve the making, use or licensing thereof;

(2) Recruit, solicit or hire, or attempt to recruit, solicit or hire, any employee, or independent contractor of the Parent to leave the employment (or independent contractor relationship) thereof, whether or not any such employee or independent contractor is party to an employment agreement, for the purpose of competing with the Business of the Parent;

(3) Attempt in any manner to solicit or accept from any customer of the Parent, with whom Executive had significant contact during Executive's employment by the Parent (whether under this Agreement or otherwise), business of the kind or competitive with the business done by the Parent with such customer or to persuade or attempt to persuade any such customer to cease to do business or to reduce the amount of business which such customer has customarily done or might do with the Parent, or if any such customer elects to move its business to a person other than the Parent, provide any services of the kind or competitive with the business of the Parent for such customer, or have any discussions regarding any such service with such customer, on behalf of such other person for the purpose of competing with the Business of the Parent; or

(4) Interfere with any relationship, contractual or otherwise, between the Parent and any other party, including, without limitation, any supplier, distributor, co-venturer or joint venturer of the Parent, for the purpose of soliciting such other party to discontinue or reduce its business with the Parent for the purpose of competing with the Business of the Parent.

With respect to the activities described in Paragraphs (1), (2), (3) and (4) above, the restrictions of this Section 13(b) shall continue during the Term of this Agreement and for a period of one (1) year thereafter.

14. Section 409A.

The provisions of this Agreement are intended to comply with or are exempt from Section 409A of the Code ("Section 409A") and the related Treasury Regulations and shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. The Parent and the Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions necessary, appropriate or desirable to avoid imposition of any additional tax under Section 409A or income recognition prior to actual payment to the Executive under this Agreement.

It is intended that any expense reimbursement made under this Agreement shall be exempt from Section 409A. Notwithstanding the foregoing, if any expense reimbursement made under this Agreement shall be determined to be "deferred compensation" subject to Section 409A ("Deferred Compensation"), then (a) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit, (b) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year (provided that this clause (b) shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect) and (c) such payments shall be made on or before the last day of the taxable year following the taxable year in which the expense was incurred.

With respect to the time of payments of any amount under this Agreement that is Deferred Compensation, references in the Agreement to "termination of employment" and substantially similar phrases, including a termination of employment due to the Executive's Disability, shall mean "Separation from Service" from the Parent within the meaning of Section 409A (determined after applying the presumptions set forth in Treasury Regulation Section 1.409A-1(h)(1)). Each installment payable hereunder shall constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b), including Treasury Regulation Section 1.409A-2(b)(2)(iii). Each payment that is made within the terms of the "short-term deferral" rule set forth in Treasury Regulation Section 1.409A-1(b)(4) is intended to meet the "short-term deferral" rule. Each other payment is intended to be a payment upon an involuntary termination from service and payable pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii), et. seq., to the maximum extent permitted by that regulation, with any amount that is not exempt from Code Section 409A being subject to Code Section 409A.

Notwithstanding anything to the contrary in this Agreement, if the Executive is a "specified employee" within the meaning of Section 409A at the time of the Executive's termination, then only that portion of the severance and benefits payable to the Executive pursuant to this Agreement, if any, and any other severance payments or separation benefits which may be considered Deferred Compensation (together, the "Deferred Separation Benefits"), which (when considered together) do not exceed the Section 409A Limit (as defined herein) may be made within the first six (6) months following the Executive's termination of employment in accordance with the payment schedule applicable to each payment or benefit. Any portion of the Deferred Separation Benefits in excess of the Section 409A Limit otherwise due to the Executive on or within the six (6) month period following the Executive's termination will accrue during such six (6) month period and will become payable in one lump sum cash payment on the date six (6) months and one (1) day following the date of the Executive's termination of employment. All subsequent Deferred Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if the Executive dies following termination but prior to the six (6) month anniversary of the Executive's termination date, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of the Executive's death and all other Deferred Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit.

For purposes of this Agreement, "Section 409A Limit" shall mean a sum equal to (x) the amounts payable within the terms of the "short-term deferral" rule under Treasury Regulation Section 1.409A-1(b)(4) plus (y) the amount payable as "separation pay due to involuntary separation from service" under Treasury Regulation Section 1.409A-1(b)(9)(iii) equal to the lesser of two (2) times: (i) the Executive's annualized compensation from the Parent based upon his annual rate of pay during the Executive's taxable year preceding his taxable year when his employment terminated, as determined under Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1); and (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which the Executive's employment is terminated.

15. Miscellaneous.

(a) Neither the Executive nor the Parent may assign or delegate any of their rights or duties under this Agreement without the express written consent of the other; provided, however, that the Parent shall have the right to delegate its obligation of payment of all sums due to the Executive hereunder, provided that such delegation shall not relieve the Parent of any of its obligations hereunder.

(b) During the term of this Agreement, the Parent (i) shall indemnify and hold harmless the Executive and his heirs and representatives to the maximum extent provided by the laws of the State of Delaware and by Parent's bylaws and (ii) shall cover the Executive under the Parent's directors' and officers' liability insurance on the same basis as it covers other senior executive officers and directors of the Parent.

(c) This Agreement constitutes and embodies the full and complete understanding and agreement of the parties with respect to the Executive's employment by the Parent, supersedes all prior understandings and agreements, whether oral or written, between the Executive and the Parent, and shall not be amended, modified or changed except by an instrument in writing executed by the party to be charged. If any provision of this Agreement, or the application thereof, shall for any reason and to any extent be invalid or unenforceable, then the remainder of this Agreement and the application of such provision to other persons or circumstances shall be interpreted so as reasonably to effect the intent of the parties hereto. The parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that shall achieve, to the extent possible, the economic, business and other purposes of the void or unenforceable provision. No waiver by either party of any provision or condition to be performed shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or any prior or subsequent time.

(d) This Agreement shall inure to the benefit of, be binding upon and enforceable against, the parties hereto and their respective successors, heirs, beneficiaries and permitted assigns.

(e) The headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

(f) All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when personally delivered, sent by registered or certified mail, return receipt requested, postage prepaid, or by reputable national overnight delivery service (e.g., Federal Express) for overnight delivery to the party at the address set forth in the preamble to this Agreement, or to such other address as either party may hereafter give the other party notice of in accordance with the provisions hereof. Notices shall be deemed given on the sooner of the date actually received or the third business day after deposited in the mail or one business day after deposited with an overnight delivery service for overnight delivery.

(g) This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, and each of the parties hereto irrevocably consents to the jurisdiction and venue of the federal and state courts located in the State of New York, County of New York, for any disputes arising out of this Agreement, or the Executive's employment with the Parent. The prevailing party in any dispute arising out of this Agreement shall be entitled to his or its reasonable attorney's fees and costs.

(h) This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one of the same instrument. The parties hereto have executed this Agreement as of the date set forth above.

(i) The Executive represents and warrants to the Parent, that he has the full power and authority to enter into this Agreement and to perform his obligations hereunder and that the execution and delivery of this Agreement and the performance of his obligations hereunder will not conflict with any agreement to which the Executive is a party.

(j) The Parent represents and warrants to the Executive that it has the full power and authority to enter into this Agreement and to perform its obligations hereunder and that the execution and delivery of this Agreement and the performance of its obligations hereunder will not conflict with any agreement to which the Parent is a party.

[Signature page follows immediately]

IN WITNESS WHEREOF, the Executive and the Parent have caused this Executive Employment Agreement to be executed as of the date first above written.

POLARITYTE, INC.

/s/ Denver Lough

Denver Lough, MD, PhD, Chairman and CEO
Date: May 12, 2018

EXECUTIVE

Signed: */s/ Paul Mann*
Name: Paul Mann
Date: May 12, 2018

ADDENDUM TO EMPLOYMENT AGREEMENT

This ADDENDEM TO EMPLOYMENT AGREEMENT (the "Addendum") is made and entered into this 3rd day of June 2018, by and between PolarityTE, Inc., a Delaware corporation headquartered at 1960 S 4250 West, Salt Lake City, UT 84104 ("Parent") and Paul Mann, an individual ("Executive").

This Addendum amends the Employment Agreement between the Parent and Executive dated May 12, 2018 (the "Agreement"). Due to delays in wrapping-up Executive's employment at Highbridge Capital and applying for a VISA in the United Sates, the Effective Date as defined in the Employment Agreement has been deferred. Accordingly, the parties agree to amend the Agreement to change the definition of Effective Date in the preamble to the Agreement to read as follows:

> As used herein, the "Effective Date" of this Agreement shall mean the date Executive will commence work hereunder after Executive's employment at Highbridge Capital terminates and Executive applies for a VISA in the United Sates, as such date is confirmed in writing by the Parent and Executive.

PolarityTE, Inc.

By: */s/ Cameron Hoyler*
Name: Cameron Hoyler
Title: Chief Legal Officer

/s/ Paul Mann
Paul Mann

EMPLOYMENT CONFIRMATION

This is the EMPLOYMENT CONFIRMATION contemplated by the Addendum to Employment Agreement dated June 3, 2018, to the Employment Agreement dated May 12, 2018 (collectively the "Agreement"), by and between PolarityTE, Inc., a Delaware corporation headquartered at 1960 S 4250 West**,** Salt Lake City, UT 84104 ("Parent") and Paul Mann, an individual ("Executive").

This will confirm the Effective Date of Executive's employment under the Agreement is June 20, 2018.

PolarityTE, Inc.

By: */s/ Denver Lough* June 20, 2018
Name: Denver Lough, MD, PhD
Title: Chief Executive Officer

/s/ Paul Mann June 20, 2018
Paul Mann

POLARITYTE, INC.
NOTICE OF GRANT OF STOCK OPTION

Notice is hereby given of the following stock option grant (the "Option") to purchase shares of the Common Stock of PolarityTE, Inc. (the "Company") under the Company's 2017 Equity Incentive Plan adopted by the Board of Directors on December 1, 2016, and as subsequently amended from time to time (the "Plan"). Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such terms in the Plan.

Optionee: Paul Mann
Grant Date: June 20, 2018
Expiration Date: June 20, 2028
Exercise Price: $31.88 per share
Number of Option Shares: 350,000
Type of Option: ____ Incentive Stock Option **X** Non-Statutory Option

Vesting Schedule: The Option shall vest in twenty-four (24) equal monthly installments commencing on the one (1) month anniversary of the Grant Date. The Optionee shall have the right to purchase Common Shares underlying the vested portion of the Option at any time until the Expiration Date, provided the Optionee's employment has not been terminated as of the applicable vesting date.

Optionee understands and agrees that the Option is granted subject to and in accordance with the express terms and conditions of the Plan. Optionee further agrees to be bound by the terms and conditions of the Plan and the terms and conditions of the Option as set forth in the Stock Option Agreement attached hereto as Exhibit A. The Company shall provide to Optionee a copy of the Plan upon written request to the Company.

Dated: June 20, 2018

PolarityTE, Inc.		**Optionee**	
By:	*/s/ Denver Lough*	Signature:	*/s/ Paul Mann*
Title:	Chief Executive Officer	Name:	Paul Mann

POLARITYTE, INC.
STOCK OPTION AGREEMENT

A. The Board of Directors (the "Board") and stockholders of PolarityTE, Inc. ("the Company") have adopted the 2017 Equity Incentive Plan, as amended from time to time (the "Plan") for the purpose of attracting and retaining the services of employees (including officers and directors), non-employee Board members and consultants and other independent advisors. Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such terms in the Plan.

B. Optionee is an individual who is to render valuable services to the Company or one or more Subsidiaries, and this Agreement is executed pursuant to, and is intending to carry out the purposes of, the Plan in connection with the grant of a stock option to purchase shares of the Company's common stock ("Common Stock") under the Plan.

NOW, THEREFORE, it is hereby agreed as follows:

1. Grant of Option. Subject to and upon the terms and conditions set forth in this Agreement, the Company hereby grants to Optionee, as of the grant date (the "Grant Date") specified in the accompanying Notice of Grant of Stock Option (the "Grant Notice"), a stock option to purchase up to that number of shares of the Company's Common Stock (the "Option Shares") as is specified in the Grant Notice. Such Option Shares shall be purchased from time to time during the option term at the exercise price (the "Exercise Price") specified in the Grant Notice.

2. Option Term. This option shall expire at the close of business on the earlier of the expiration date specified in the Grant Notice, the date specified in Section 6.1 of the Plan, Section 7.3 of the Plan, or the date specified by modification or amendment of this stock option under the terms of the Plan (any such date the "Expiration Date").

3. Limited Transferability. This option shall be exercisable only by Optionee during Optionee's lifetime and shall not be transferable or assigned by Optionee other than by will or by the laws of descent and distribution following Optionee's death.

4. Exercisability. This option shall become exercisable for the Option Shares in accordance with the vesting schedule specified in the Grant Notice. As the option becomes exercisable for one or more installments of Option Shares, those installments shall accumulate, and the option shall remain exercisable for the accumulated installments until the Expiration Date. This option shall not become exercisable for any additional Option Shares following Optionee's cessation of service to the Company or a Subsidiary.

5. Privilege of Stock Ownership. The holder of this option shall not have any of the rights of a stockholder with respect to the Option Shares until such individual shall have exercised the option and paid the Exercise Price for the purchased Option Shares.

6. Exercising Option. In order to exercise this option with respect to all or any part of the Option Shares for which this option is at the time exercisable, Optionee (or in the case of exercise after Optionee's death, Optionee's executor, administrator, heir or legatee, as the case may be) must take the following actions and otherwise comply with the requirements of the Plan:

(a) Deliver to the Corporate Secretary of the Company an executed notice of exercise in substantially the form of Exhibit I to this Agreement (the "Exercise Notice") in which there is specified the number of Option Shares that are to be purchased under the exercised option.

(b) Pay the aggregate Exercise Price for the purchased shares through one or more of the following alternatives, subject to any limitations or restrictions set forth in the Plan:

(1) full payment in cash or by check made payable to the Company's order;

(2) full payment in shares of Common Stock held for the requisite period necessary to avoid a charge to the Company's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date;

(3) full payment through a combination of shares of Common Stock held for the requisite period necessary to avoid a charge to the Company's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date and cash or check payable to the Company's order; or

(4) full payment effected through a broker-dealer sale and remittance procedure pursuant to which Optionee shall provide concurrent irrevocable written instructions (i) to a Company-designated brokerage firm to effect the immediate sale of the purchased shares and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate Exercise Price payable for the purchased shares plus all applicable Federal, state and local income and employment taxes required to be withheld in connection with such purchase and (ii) to the Company to deliver the certificates for the purchased shares directly to such brokerage firm in order to complete the sale transaction.

7. Governing Law. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the state of Delaware without resort to that State's conflict-of-laws provisions.

8. No Employment/Service Contracts. Nothing in this Agreement or in the Plan shall confer upon Optionee any right to continue in the service of the Company (or any Subsidiary employing or retaining Optionee) for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any such Subsidiary) or Optionee, which rights are hereby expressly reserved by each party, to terminate Optionee's service at any time for any reason whatsoever, with or without cause.

9. Notices. Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Company in care of the Company Chief Financial Officer at the Company's principal offices at 1960 S. 4250 West, Salt Lake City, UT 84104. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the address indicated on the Grant Notice. All notices shall be deemed to have been given or delivered upon personal delivery or upon deposit in the U. S. Mail, by registered or certified mail, postage prepaid and properly addressed to the party to be notified.

10. Construction. This Agreement and the option evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the express terms and provisions of the Plan, unless, in the specific instance, a provision in this Agreement states that it supersedes a provision in the Plan. All terms used herein that are defined in the Plan shall have the same meaning ascribed to such terms in the Plan. All decisions of the Administrator with respect to any question or issue arising under the Plan or this Agreement shall be conclusive and binding on all persons having an interest in this option.

11. Additional Terms Applicable to an Incentive Stock Option. In the event this option is designated an Incentive Stock Option in the Grant Notice, the following terms and conditions shall also apply to the grant:

(a) This option shall cease to qualify for favorable tax treatment as an Incentive Stock Option under the Federal tax laws if (and to the extent) this option is exercised for one or more Option Shares: (i) more than three months after the date Optionee ceases to be an Employee for any reason other than death or disability or (ii) more than one year after the date Optionee ceases to be an Employee because of death or disability. The term "disability" shall mean Grantee's inability to engage in any substantial gainful activity because of any medically determinable physical or mental impairment that can be expected to result in death or lasted, or can be expected to last, for a continuous period of not less than 12 months.

(b) If this option is to become exercisable in a series of installments as indicated in the Grant Notice, no such installment shall qualify for favorable tax treatment as an Incentive Stock Option under the Federal tax laws if (and to the extent) the aggregate Fair Market Value (determined at the Grant Date) of the shares of the Company's Common Stock for which such installment first becomes exercisable hereunder will, when added to the aggregate value (determined as of the respective date or dates of grant) of the Common Stock or other securities for which this option or one or more other Incentive Stock Options granted to Optionee prior to the Grant Date (whether under the Plan or any other option plan of the Company or any Subsidiary) first become exercisable during the same calendar year, exceed $100,000 in the aggregate. Should the number of shares of Common Stock for which this option first becomes exercisable in any calendar year exceeds the applicable $100,000 limitation, the option may nevertheless be exercised for those excess shares in such calendar year as a non-statutory option.

(c) Should the exercisability of this option be accelerated upon a Change in Control, then this option shall qualify for favorable tax treatment as an Incentive Stock Option under the Federal tax laws only to the extent the aggregate Fair Market Value (determined at the Grant Date) of the number of shares of the Company's Common Stock for which this option first becomes exercisable in the calendar year in which the Change in Control occurs does not, when added to the aggregate value (determined as of the respective date or dates of grant) of the shares of Common Stock or other securities for which this option or one or more other Incentive Stock Options granted to Optionee prior to the Grant Date (whether under the Plan or any other option plan of the Company or any Subsidiary) first become exercisable during the same calendar year, exceed $100,000 in the aggregate. Should the number of shares of Common Stock for which this option first becomes exercisable in the calendar year of such Change in Control exceed the applicable $100,000 limitation, the option may nevertheless be exercised for the excess shares in such calendar year as a non-statutory option.

(d) Should Optionee hold, in addition to this option, one or more other options to purchase shares of the Company's Common Stock that become exercisable for the first time in the same calendar year as this option, then the foregoing limitations on the exercisability of such options as Incentive Stock Options under the Federal tax laws shall be applied on the basis of the order in which such options are granted.

(e) To the extent this option should fail to qualify for Incentive Stock Option treatment under the Federal tax laws, Optionee shall recognize compensation income at the time the option is exercised in an amount equal to the Fair Market Value of the purchased Option Shares less the aggregate Exercise Price paid for those shares, and Optionee must make appropriate arrangements with the Company or any Subsidiary employing Optionee for the satisfaction of all Federal, state or local income and employment tax withholding requirements applicable to such compensation income.

12. Additional Terms Applicable to a Non-Statutory Stock Option . In the event this option is designated a non-statutory stock option in the Grant Notice, Optionee shall make appropriate arrangements with the Company or any Subsidiary employing Optionee for the satisfaction of all Federal, state or local income and employment tax withholding requirements applicable to the exercise of this option. Such arrangements will be made prior to or at the time of exercise.

Exhibit I

FORM OF PURCHASE
(to be signed only upon exercise of Option)

TO: PolarityTE, Inc.

The Optionee, holder of the attached option, hereby irrevocable elects to exercise the purchase rights represented by the option for, and to purchase thereunder, _________________________shares of Common Stock of PolarityTE, Inc., and herewith makes payment therefor, and requests that the certificate(s) for such shares be delivered to the Optionee at:

____

____

____

The Optionee agrees and acknowledges that this purported exercise of the option is conditioned on, and subject to, any compliance with requirements of applicable federal and state securities laws deemed necessary by the Company, and to Optionee's satisfaction of all Federal, state or local income and employment tax withholding requirements applicable to this exercise on terms acceptable to the Company.

DATED this ____________________day of_______________________, ___________________.

Signature

RESTRICTED STOCK UNIT AGREEMENT POLARITYTE, INC.

This RESTRICTED STOCK UNIT AGREEMENT (this **"Agreement")** is made and entered into effective June 20, 2018 (the **"Grant Date")** by and between PolarityTE, Inc., a Delaware corporation (the **"Company")** and the person whose name is listed as the **"Grantee"** on the signature page of this Agreement.

Recitals

A. This Agreement is made under the Company's 2017 Equity Incentive Plan and as subsequently amended from time to time (the **"Plan").** Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such terms in the Plan.

B. Grantee is an employee or consultant who is to render valuable services to the Company or one or more Subsidiaries, and this Agreement is executed pursuant to, and is intending to carry out the purposes of, the Plan in connection with the grant of a restricted stock unit award pursuant to which shares of the Company's common stock, par value $0.001 ("Common Stock"), may be issued to Grantee under the Plan.

Agreement

NOW, THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

1. <u>Grant of Restricted Stock Units.</u>

1.1 The Company hereby issues to the Grantee on the Grant Date an award consisting of, in the aggregate, 100,000 Restricted Stock Units (the **"Restricted Stock Units").** Each Restricted Stock Unit represents the right to receive one share of Common Stock, subject to the terms and conditions set forth in this Agreement.

1.2 The Restricted Stock Units shall be credited to a separate account maintained for the Grantee on the books and records of the Company, and all amounts credited to the said account shall continue for all purposes to be part of the general assets of the Company.

2. <u>Consideration</u>. The grant of the Restricted Stock Units is made in consideration of the services to be rendered by the Grantee to the Company.

3. <u>Vesting.</u>

3.1 Except as otherwise stated herein, provided that the Grantee remains as an employee of the Company through the applicable vesting date, the right to receive Common Stock on the basis of the Restricted Stock Units will vest in accordance with the schedule set forth below. The period during which a Restricted Stock Unit is not vested is the **"Restricted Period".**

Number of Shares That Vest	Vesting Date/ Conditions
25,000	12/20/18
25,000	6/20/19
25,000	12/20/19
25,000	6/20/20

3.2 The foregoing vesting schedule notwithstanding and subject to the provisions set forth below in this Section 3.2, if the Grantee's employment terminates for any reason at any time before all of Grantee's Restricted Stock Units have vested, the Grantee's unvested Restricted Stock Units shall be automatically forfeited upon such termination of employment and neither the Company nor any Affiliate shall have any further obligations to the Grantee under this Agreement.

(a) During any authorized leave of absence, the running of Restriction Periods that have not lapsed within 90 days following the first day of the leave of absence shall be suspended after the leave of absence exceeds a period of 90 days. Restriction Periods that are suspended due to a leave of absence shall resume upon the Grantee's termination of the leave of absence and return to service, and the end date of the Restriction Periods shall be extended by the length of the suspension.

(b) In the event the Grantee's employment with the Company terminates due to death or disability, Restriction Periods that have not previously lapsed will accelerate and lapse immediately prior to such termination of service. The term **"disability"** shall mean Grantee's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or lasted, or can be expected to last, for a continuous period of not less than 12 months.

(c) In the event there is a Change in Control, Restriction Periods that have not previously lapsed will accelerate and lapse immediately prior to the Change in Control event.

4. Restrictions. Subject to any exceptions set forth in this Agreement, during the Restricted Period and until such time as the Restricted Stock Units are settled in accordance with Section 6, below, Restricted Stock Units or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the Restricted Stock Units or the rights relating thereto shall be wholly ineffective and, if any such attempt is made, the Restricted Stock Units will be forfeited by the Grantee and all of the Grantee's rights to such units shall immediately terminate without any payment or consideration by the Company.

5. Rights as Shareholder; Dividend Equivalents.

5.1 The Grantee shall not have any rights of a shareholder with respect to the shares of Common Stock underlying the Restricted Stock Units unless and until the Restricted Stock Units vest and are settled by the issuance of such shares of Common Stock.

5.2 Upon and following the settlement of the Restricted Stock Units, the Grantee shall be the record owner of the shares of Common Stock underlying the Restricted Stock Units unless and until such shares are sold or otherwise disposed of, and as record owner shall be entitled to all rights of a shareholder of the Company (including voting rights).

5.3 Until such time as the Restricted Stock Units vest; the Grantee's Account shall be credited with an amount equal to all cash and stock dividends **("Dividend Equivalents")** that would have been paid to the Grantee if one share of Common Stock had been issued on the Grant Date for each Restricted Stock Unit granted to the Grantee as set forth in this Agreement. Dividend Equivalents shall be subject to the same vesting restrictions as the Restricted Stock Units to which they are attributable and shall be paid on the same date that the Restricted Stock Units to which they are attributable are settled in accordance with Section 6 hereof. Dividend Equivalents credited to a Grantee's Account shall be distributed in cash or, at the discretion of the Board, in shares of Common Stock having a Fair Market Value equal to the amount of the Dividend Equivalents and interest, if any.

6. Settlement of Restricted Stock Units. Subject to Section 9 hereof, promptly following the vesting date, and in any event no later than March 15 of the calendar year following the calendar year in which such vesting occurs, the Company shall (a) issue and deliver to the Grantee the number of shares of Common Stock that have vested pursuant to the terms of this Agreement and cash equal to any Dividend Equivalents credited with respect to such vested units and the interest thereon or, at the discretion of the Board, shares of Common Stock having a Fair Market Value equal to such Dividend Equivalents and the interest thereon; and (b) enter the Grantee's name on the books of the Company as the shareholder of record with respect to the shares of Common Stock delivered to the Grantee.

7. No Right to Continued Service. This Agreement shall not be construed under any circumstance to confer upon the Grantee any right to be retained in any position, as an employee or consultant of the Company. Further, nothing in the Plan or this Agreement shall be construed to limit the discretion of the Company to terminate the Grantee's employment at any time, with or without cause.

8. Adjustments. If any change is made to the outstanding Common Stock or the capital. structure of the Company, if required, the Restricted Stock Units shall be adjusted or terminated in any manner as contemplated by the Plan.

9. Tax Liability and Withholding.

9.1 The Grantee shall be required to pay to the Company, and the Company shall have the right to deduct from any compensation paid to the Grantee pursuant to this Agreement or otherwise, the amount of any required withholding taxes in respect of the Restricted Stock Units and to take all such other action as the Company deems necessary to satisfy all obligations for the payment of such withholding taxes. The Company may, at its discretion, permit the Grantee to satisfy any federal, state or local tax withholding obligation by any of the following means, or by a combination of such means:

(a) tendering a cash payment;

(b) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable or deliverable to the Grantee as a result of the vesting of the Restricted Stock Units; *provided, however,* that no shares of Common Stock shall be withheld with a value exceeding the minimum amount of tax required to be withheld by law; or

(c) delivering to the Company previously owned and unencumbered shares of Common Stock.

9.2 Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding **("Tax-Related Items"),** the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and the Company (a) makes no representation or undertakings regarding the treatment of any Tax- Related Items in connection with the grant, vesting or settlement of the Restricted Stock Units or the subsequent sale of any shares; and (b) does not commit to structure the Restricted Stock Units to reduce or eliminate the Grantee's liability for Tax-Related Items.

10. Compliance with Law. The issuance and transfer of shares of Common Stock shall be subject to compliance by the Company and the Grantee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's shares of Common Stock may be listed. No shares of Common Stock shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel.

11. Notices. Any notice required to be delivered to the Company under this Agreement shall be in writing and addressed to the Corporate Secretary of the Company at the Company's principal corporate offices. Any notice required to be delivered to the Grantee under this Agreement shall be in writing and addressed to the Grantee at the Grantee's address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

12. Governing Law. This Agreement will be construed and interpreted in accordance with the laws of the State of Delaware without regard to conflict of law principles.

13. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement will be binding upon the Grantee and the Grantee's beneficiaries, executors, administrators and the person(s) to whom the Restricted Stock Units may be transferred by will or the laws of descent or distribution.

14. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each provision of this Agreement shall be severable and enforceable to the extent permitted by law.

15. Discretionary Nature of Award. The grant of the Restricted Stock Units in this Agreement does not create any contractual right or other right to receive any Restricted Stock Units or other awards in the future. Future awards, if any, will be at the sole discretion of the Company.

16. Amendment. This Agreement may be amended only through a written instrument signed by the parties hereto.

17. Section 409A. This Agreement is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Grantee on account of non-compliance with Section 409A of the Code.

18. No Impact on Other Benefits. The value of the Grantee's Restricted Stock Units is not part of Grantee's normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit.

19. Counterparts. This Agreement may be executed in counterparts, each of which, shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in "pdf" or "jpeg" format, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

20. Acceptance. The Grantee has read and understands the terms and provisions hereof, and accepts the Restricted Stock Units subject to all of the terms and conditions of this Agreement. The Grantee acknowledges that there may be adverse tax consequences upon the vesting or settlement of the Restricted Stock Units or disposition of the underlying shares and that the Grantee has been advised to consult a tax advisor prior to such vesting, settlement or disposition.

[Signatures on following page.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

POLARITYTE, INC.

By: */s/ Denver Lough*
Name: Denver Lough
Title: Chief Executive Officer

Paul Mann
Print Name of Grantee

Paul Mann
Signature of Grantee

Grantee' s Address

300 W. 55th Street, Apt. 4W

New York, NY 10019

Email: paul_mann@xxxxxxxx

RESTRICTED STOCK UNIT AGREEMENT
POLARITYTE, INC.

This RESTRICTED STOCK UNIT AGREEMENT (this **"Agreement"**) is made and entered into effective June 29, 2018 (the **"Grant Date"**) by and between PolarityTE, Inc., a Delaware corporation (the **"Company"**) and the person whose name is listed as the **"Grantee"** on the signature page of this Agreement.

Recitals

A. This Agreement is made under the Company's 2017 Equity Incentive Plan and as subsequently amended from time to time (the "**Plan**"). Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such terms in the Plan.

B. Grantee is an employee or consultant who is to render valuable services to the Company or one or more Subsidiaries, and this Agreement is executed pursuant to, and is intending to carry out the purposes of, the Plan in connection with the grant of a restricted stock unit award pursuant to which shares of the Company's common stock, par value $0.001 ("Common Stock"), may be issued to Grantee under the Plan.

Agreement

NOW, THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

1. Grant of Restricted Stock Units.

1.1 The Company hereby issues to the Grantee on the Grant Date an award consisting of, in the aggregate, **30,000** Restricted Stock Units (the **"Restricted Stock Units"**). Each Restricted Stock Unit represents the right to receive one share of Common Stock, subject to the terms and conditions set forth in this Agreement.

1.2 The Restricted Stock Units shall be credited to a separate account maintained for the Grantee on the books and records of the Company, and all amounts credited to the said account shall continue for all purposes to be part of the general assets of the Company.

2. Consideration. The grant of the Restricted Stock Units is made in consideration of the services to be rendered by the Grantee to the Company.

3. Vesting.

3.1 Except as otherwise stated herein, provided that the Grantee remains as an employee of the Company through the applicable vesting date, the right to receive Common Stock on the basis of the Restricted Stock Units will vest in accordance with the schedule set forth below. The period during which a Restricted Stock Unit is not vested is the **"Restricted Period".**

Number of Shares That Vest	Vesting Date/ Conditions
7,500	12/29/18
7,500	6/29/19
7,500	12/29/19
7,500	6/29/20

3.2 The foregoing vesting schedule notwithstanding and subject to the provisions set forth below in this Section 3.2, if the Grantee's employment terminates for any reason at any time before all of Grantee's Restricted Stock Units have vested, the Grantee's unvested Restricted Stock Units shall be automatically forfeited upon such termination of employment and neither the Company nor any Affiliate shall have any further obligations to the Grantee under this Agreement.

(a) During any authorized leave of absence, the running of Restriction Periods that have not lapsed within 90 days following the first day of the leave of absence shall be suspended after the leave of absence exceeds a period of 90 days. Restriction Periods that are suspended due to a leave of absence shall resume upon the Grantee's termination of the leave of absence and return to service, and the end date of the Restriction Periods shall be extended by the length of the suspension.

(b) In the event the Grantee's employment with the Company terminates due to death or disability, Restriction Periods that have not previously lapsed will accelerate and lapse immediately prior to such termination of service. The term "**disability**" shall mean Grantee's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or lasted, or can be expected to last, for a continuous period of not less than 12 months.

(c) In the event there is a Change in Control, Restriction Periods that have not previously lapsed will accelerate and lapse immediately prior to the Change in Control event.

4. <u>Restrictions</u>. Subject to any exceptions set forth in this Agreement, during the Restricted Period and until such time as the Restricted Stock Units are settled in accordance with Section 6, below, Restricted Stock Units or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the Restricted Stock Units or the rights relating thereto shall be wholly ineffective and, if any such attempt is made, the Restricted Stock Units will be forfeited by the Grantee and all of the Grantee's rights to such units shall immediately terminate without any payment or consideration by the Company.

5. Rights as Shareholder; Dividend Equivalents.

5.1 The Grantee shall not have any rights of a shareholder with respect to the shares of Common Stock underlying the Restricted Stock Units unless and until the Restricted Stock Units vest and are settled by the issuance of such shares of Common Stock.

5.2 Upon and following the settlement of the Restricted Stock Units, the Grantee shall be the record owner of the shares of Common Stock underlying the Restricted Stock Units unless and until such shares are sold or otherwise disposed of, and as record owner shall be entitled to all rights of a shareholder of the Company (including voting rights).

5.3 Until such time as the Restricted Stock Units vest, the Grantee's Account shall be credited with an amount equal to all cash and stock dividends ("**Dividend Equivalents**") that would have been paid to the Grantee if one share of Common Stock had been issued on the Grant Date for each Restricted Stock Unit granted to the Grantee as set forth in this Agreement. Dividend Equivalents shall be subject to the same vesting restrictions as the Restricted Stock Units to which they are attributable and shall be paid on the same date that the Restricted Stock Units to which they are attributable are settled in accordance with Section 6 hereof. Dividend Equivalents credited to a Grantee's Account shall be distributed in cash or, at the discretion of the Board, in shares of Common Stock having a Fair Market Value equal to the amount of the Dividend Equivalents and interest, if any.

6. Settlement of Restricted Stock Units. Subject to Section 9 hereof, promptly following the vesting date, and in any event no later than March 15 of the calendar year following the calendar year in which such vesting occurs, the Company shall (a) issue and deliver to the Grantee the number of shares of Common Stock that have vested pursuant to the terms of this Agreement and cash equal to any Dividend Equivalents credited with respect to such vested units and the interest thereon or, at the discretion of the Board, shares of Common Stock having a Fair Market Value equal to such Dividend Equivalents and the interest thereon; and (b) enter the Grantee's name on the books of the Company as the shareholder of record with respect to the shares of Common Stock delivered to the Grantee.

7. No Right to Continued Service. This Agreement shall not be construed under any circumstance to confer upon the Grantee any right to be retained in any position, as an employee or consultant of the Company. Further, nothing in the Plan or this Agreement shall be construed to limit the discretion of the Company to terminate the Grantee's employment at any time, with or without cause.

8. Adjustments. If any change is made to the outstanding Common Stock or the capital structure of the Company, if required, the Restricted Stock Units shall be adjusted or terminated in any manner as contemplated by the Plan.

9. Tax Liability and Withholding.

9.1 The Grantee shall be required to pay to the Company, and the Company shall have the right to deduct from any compensation paid to the Grantee pursuant to this Agreement or otherwise, the amount of any required withholding taxes in respect of the Restricted Stock Units and to take all such other action as the Company deems necessary to satisfy all obligations for the payment of such withholding taxes. The Company may, at its discretion, permit the Grantee to satisfy any federal, state or local tax withholding obligation by any of the following means, or by a combination of such means:

(a) tendering a cash payment;

(b) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable or deliverable to the Grantee as a result of the vesting of the Restricted Stock Units; *provided, however*, that no shares of Common Stock shall be withheld with a value exceeding the minimum amount of tax required to be withheld by law; or

(c) delivering to the Company previously owned and unencumbered shares of Common Stock.

9.2 Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding (**"Tax-Related Items"**), the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and the Company (a) makes no representation or undertakings regarding the treatment of any Tax-Related Items in connection with the grant, vesting or settlement of the Restricted Stock Units or the subsequent sale of any shares; and (b) does not commit to structure the Restricted Stock Units to reduce or eliminate the Grantee's liability for Tax-Related Items.

10. Compliance with Law. The issuance and transfer of shares of Common Stock shall be subject to compliance by the Company and the Grantee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's shares of Common Stock may be listed. No shares of Common Stock shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel.

11. Notices. Any notice required to be delivered to the Company under this Agreement shall be in writing and addressed to the Corporate Secretary of the Company at the Company's principal corporate offices. Any notice required to be delivered to the Grantee under this Agreement shall be in writing and addressed to the Grantee at the Grantee's address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

12. Governing Law. This Agreement will be construed and interpreted in accordance with the laws of the State of Delaware without regard to conflict of law principles.

13. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement will be binding upon the Grantee and the Grantee's beneficiaries, executors, administrators and the person(s) to whom the Restricted Stock Units may be transferred by will or the laws of descent or distribution.

14. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each provision of this Agreement shall be severable and enforceable to the extent permitted by law.

15. Discretionary Nature of Award. The grant of the Restricted Stock Units in this Agreement does not create any contractual right or other right to receive any Restricted Stock Units or other awards in the future. Future awards, if any, will be at the sole discretion of the Company.

16. Amendment. This Agreement may be amended only through a written instrument signed by the parties hereto.

17. Section 409A. This Agreement is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Grantee on account of non-compliance with Section 409A of the Code.

18. No Impact on Other Benefits. The value of the Grantee's Restricted Stock Units is not part of Grantee's normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit.

19. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in "pdf" or "jpeg" format, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

20. Acceptance. The Grantee has read and understands the terms and provisions hereof, and accepts the Restricted Stock Units subject to all of the terms and conditions of this Agreement. The Grantee acknowledges that there may be adverse tax consequences upon the vesting or settlement of the Restricted Stock Units or disposition of the underlying shares and that the Grantee has been advised to consult a tax advisor prior to such vesting, settlement or disposition.

[Signatures on following page.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

POLARITYTE, INC.

By: */s/ Denver Lough*
Name: Denver Lough, MD, PhD
Title: Chairman and Chief Executive Officer

PETER A. COHEN
Print Name of Grantee

/s/ Peter Cohen
Signature of Grantee

Grantee's Address

Peter Cohen

1120 Park Avenue, #10A

New York, NY 10128

Email: peter@xxxxxxxx

RESTRICTED STOCK UNIT AGREEMENT
POLARITYTE, INC.

This RESTRICTED STOCK UNIT AGREEMENT (this **"Agreement"**) is made and entered into effective July 3, 2018 (the **"Grant Date"**) by and between PolarityTE, Inc., a Delaware corporation (the **"Company"**) and the person whose name is listed as the **"Grantee"** on the signature page of this Agreement.

Recitals

A. This Agreement is made under the Company's 2017 Equity Incentive Plan and as subsequently amended from time to time (the "**Plan**"). Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such terms in the Plan.

B. Grantee is an employee or consultant or director who is to render valuable services to the Company or one or more Subsidiaries, and this Agreement is executed pursuant to, and is intending to carry out the purposes of, the Plan in connection with the grant of a restricted stock unit award pursuant to which shares of the Company's common stock, par value $0.001 ("Common Stock"), may be issued to Grantee under the Plan.

Agreement

NOW, THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

1. <u>Grant of Restricted Stock Units</u>.

1.1 The Company hereby issues to the Grantee on the Grant Date an award consisting of, in the aggregate, **30,000** Restricted Stock Units (the **"Restricted Stock Units"**). Each Restricted Stock Unit represents the right to receive one share of Common Stock, subject to the terms and conditions set forth in this Agreement.

1.2 The Restricted Stock Units shall be credited to a separate account maintained for the Grantee on the books and records of the Company, and all amounts credited to the said account shall continue for all purposes to be part of the general assets of the Company.

2. <u>Consideration</u>. The grant of the Restricted Stock Units is made in consideration of the services to be rendered by the Grantee to the Company.

3. <u>Vesting</u>.

3.1 Except as otherwise stated herein, provided that the Grantee remains as an employee, consultant, or director of the Company through the applicable vesting date, the right to receive Common Stock on the basis of the Restricted Stock Units will vest in accordance with the schedule set forth below. The period during which a Restricted Stock Unit is not vested is the **"Restriction Period".**

Number of Shares That Vest	Vesting Date/ Conditions
7,500	12/29/18
7,500	6/29/19
7,500	12/29/19
7,500	6/29/20

3.2 The foregoing vesting schedule notwithstanding and subject to the provisions set forth below in this Section 3.2, if the Grantee's employment, consultancy, or Board service terminates for any reason at any time before all of Grantee's Restricted Stock Units have vested, the Grantee's unvested Restricted Stock Units shall be automatically forfeited upon such termination and neither the Company nor any Affiliate shall have any further obligations to the Grantee under this Agreement.

(a) During any authorized leave of absence, the running of Restriction Periods that have not lapsed within 90 days following the first day of the leave of absence shall be suspended after the leave of absence exceeds a period of 90 days. Restriction Periods that are suspended due to a leave of absence shall resume upon the Grantee's termination of the leave of absence and return to service, and the end date of the Restriction Periods shall be extended by the length of the suspension.

(b) In the event the Grantee's employment with or service to the Company terminates due to death or disability, Restriction Periods that have not previously lapsed will accelerate and lapse immediately prior to such termination of service. The term "**disability**" shall mean Grantee's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death, or can be expected to last for a continuous period of not less than 12 months.

(c) In the event there is a Change in Control, Restriction Periods that have not previously lapsed will accelerate and lapse immediately prior to the Change in Control event.

4. Restrictions. Subject to any exceptions set forth in this Agreement, during the Restriction Period and until such time as the Restricted Stock Units are settled in accordance with Section 6, below, Restricted Stock Units or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the Restricted Stock Units or the rights relating thereto shall be wholly ineffective and, if any such attempt is made, the Restricted Stock Units will be forfeited by the Grantee and all of the Grantee's rights to such units shall immediately terminate without any payment or consideration by the Company.

5. Rights as Shareholder; Dividend Equivalents.

5.1 The Grantee shall not have any rights of a shareholder with respect to the shares of Common Stock underlying the Restricted Stock Units unless and until the Restricted Stock Units vest and are settled by the issuance of such shares of Common Stock.

5.2 Upon and following the settlement of the Restricted Stock Units, the Grantee shall be the record owner of the shares of Common Stock underlying the Restricted Stock Units unless and until such shares are sold or otherwise disposed of, and as record owner shall be entitled to all rights of a shareholder of the Company (including voting rights).

5.3 Until such time as the Restricted Stock Units vest, the Grantee's Account shall be credited with an amount equal to all cash and stock dividends ("**Dividend Equivalents**") that would have been paid to the Grantee if one share of Common Stock had been issued on the Grant Date for each Restricted Stock Unit granted to the Grantee as set forth in this Agreement. Dividend Equivalents shall be subject to the same vesting restrictions as the Restricted Stock Units to which they are attributable and shall be paid on the same date that the Restricted Stock Units to which they are attributable are settled in accordance with Section 6 hereof. Dividend Equivalents credited to a Grantee's Account shall be distributed in cash or, at the discretion of the Board, in shares of Common Stock having a Fair Market Value equal to the amount of the Dividend Equivalents and interest, if any.

6. Settlement of Restricted Stock Units. Subject to Section 9 hereof, promptly following the vesting date, and in any event no later than March 15 of the calendar year following the calendar year in which such vesting occurs, the Company shall (a) issue and deliver to the Grantee the number of shares of Common Stock that have vested pursuant to the terms of this Agreement and cash equal to any Dividend Equivalents credited with respect to such vested units and the interest thereon or, at the discretion of the Board, shares of Common Stock having a Fair Market Value equal to such Dividend Equivalents and the interest thereon; and (b) enter the Grantee's name on the books of the Company as the shareholder of record with respect to the shares of Common Stock delivered to the Grantee.

7. No Right to Continued Service. This Agreement shall not be construed under any circumstance to confer upon the Grantee any right to be retained in any position, as an employee or consultant or director of the Company. Further, nothing in the Plan or this Agreement shall be construed to limit the discretion of the Company to terminate the Grantee's employment at any time, with or without cause, or to take such action with respect to a consultant or director as would otherwise be permissible under any other applicable agreements or the Company's bylaws.

8. Adjustments. If any change is made to the outstanding Common Stock or the capital structure of the Company, if required, the Restricted Stock Units shall be adjusted or terminated in any manner as contemplated by the Plan.

9. Tax Liability and Withholding.

9.1 The Grantee shall be required to pay to the Company, and the Company shall have the right to deduct from any compensation paid to the Grantee pursuant to this Agreement or otherwise, the amount of any required withholding taxes in respect of the Restricted Stock Units and to take all such other action as the Company deems necessary to satisfy all obligations for the payment of such withholding taxes. The Company may, at its discretion, permit the Grantee to satisfy any federal, state or local tax withholding obligation by any of the following means, or by a combination of such means:

(a) tendering a cash payment;

(b) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable or deliverable to the Grantee as a result of the vesting of the Restricted Stock Units; *provided, however*, that no shares of Common Stock shall be withheld with a value exceeding the minimum amount of tax required to be withheld by law; or

(c) delivering to the Company previously owned and unencumbered shares of Common Stock.

9.2 Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding (**"Tax-Related Items"**), the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and the Company (a) makes no representation or undertakings regarding the treatment of any Tax-Related Items in connection with the grant, vesting or settlement of the Restricted Stock Units or the subsequent sale of any shares; and (b) does not commit to structure the Restricted Stock Units to reduce or eliminate the Grantee's liability for Tax-Related Items.

10. Compliance with Law. The issuance and transfer of shares of Common Stock shall be subject to compliance by the Company and the Grantee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's shares of Common Stock may be listed. No shares of Common Stock shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel.

11. Notices. Any notice required to be delivered to the Company under this Agreement shall be in writing and addressed to the Corporate Secretary of the Company at the Company's principal corporate offices. Any notice required to be delivered to the Grantee under this Agreement shall be in writing and addressed to the Grantee at the Grantee's address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

12. Governing Law. This Agreement will be construed and interpreted in accordance with the laws of the State of Delaware without regard to conflict of law principles.

13. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement will be binding upon the Grantee and the Grantee's beneficiaries, executors, administrators and the person(s) to whom the Restricted Stock Units may be transferred by will or the laws of descent or distribution.

14. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each provision of this Agreement shall be severable and enforceable to the extent permitted by law.

15. Discretionary Nature of Award. The grant of the Restricted Stock Units in this Agreement does not create any contractual right or other right to receive any Restricted Stock Units or other awards in the future. Future awards, if any, will be at the sole discretion of the Company.

16. Amendment. This Agreement may be amended only through a written instrument signed by the parties hereto.

17. Section 409A. This Agreement is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Grantee on account of non-compliance with Section 409A of the Code.

18. No Impact on Other Benefits. The value of the Grantee's Restricted Stock Units is not part of Grantee's normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar benefit.

19. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in "pdf" or "jpeg" format, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

20. Acceptance. The Grantee has read and understands the terms and provisions hereof, and accepts the Restricted Stock Units subject to all of the terms and conditions of this Agreement. The Grantee acknowledges that there may be adverse tax consequences upon the vesting or settlement of the Restricted Stock Units or disposition of the underlying shares and that the Grantee has been advised to consult a tax advisor prior to such vesting, settlement or disposition.

[Signatures on following page.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

POLARITYTE, INC.

By: */s/ Denver Lough*
Name: Denver Lough, MD, PhD
Title: Chairman and Chief Executive Officer

WILLIE BOGAN
Print Name of Grantee

/s/ Willie C. Bogan
Signature of Grantee

Grantee's Address

1943 Rosecrest Drive

Oakland, CA 94602

415-xxx-xxxx

Email: willie_bogan@xxxxxx

EXHIBIT 31.1

CERTIFICATION

I, Denver Lough, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PolarityTE, Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15(d)-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

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

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

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

Date: September 14, 2018

/s/ Denver Lough

Denver Lough
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Paul Mann, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PolarityTE, Inc.:

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15(d)-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

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

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

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

Date: September 14, 2018

/s/ Paul Mann

Paul Mann
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32

Certification
Pursuant To Section 906 of the Sarbanes-Oxley Act Of 2002
(Subsections (A) And (B) Of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officers of PolarityTE, Inc. (the "Company"), do hereby certify, to such officers' knowledge, that:

The Quarterly Report on Form 10-Q for the period ending July 31, 2018 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 14, 2018

/s/ Denver Lough
Denver Lough
Chief Executive Officer
(Principal Executive Officer)

/s/ Paul Mann
Paul Mann
Chief Financial Officer
(Principal Financial and Accounting Officer)