POLARITYTE, INC.
Form 424B3
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Under the Securities Act of 1933, as amended

Registration No. 333-215816

759,333 Shares of Common Stock

PROSPECTUS

We are registering an aggregate of 759,333 shares (the "Resale Shares") of common stock, $0.001 par value per share (the "Common Stock") of PolarityTE, Inc. (referred to herein as "we", "us", "our", "Polarity", "Registrant", or the "Company" resale by certain of our stockholders identified in this prospectus (the "Selling Stockholders"). Please see "Selling Stockholders" beginning at page 52.

The Resale Shares may be sold by the Selling Stockholders to or through underwriters or dealers, directly to purchasers or through agents designated from time to time. For additional information regarding the methods of sale you should refer to the section entitled "Plan of Distribution" in this Prospectus.

Our Common Stock is presently quoted on The NASDAQ Capital Market ("NASDAQ") under the symbol "COOL". On April 12, 2017, the last reported sale price of our Common Stock as reported on NASDAQ was $13.89 per share.

Our business and an investment in our securities involve a high degree of risk. See "Risk Factors" beginning on page 8 of this prospectus for a discussion of information that you should consider before investing in our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is April 14, 2017

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You should rely only on the information contained in this prospectus or in any free writing prospectus that we may specifically authorize to be delivered or made available to you. We have not authorized anyone to provide you with any information other than that contained in this prospectus or in any free writing prospectus we may authorize to be delivered or made available to you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus may only be used where it is legal to offer and sell our securities. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our securities. Our business, financial condition, results of operations and prospects may have changed since that date. We are not making an offer of these securities in any jurisdiction where the offer is not permitted.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our Common Stock, you should carefully read this entire prospectus, including our financial statements and the related notes and the information set forth under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in each case included elsewhere in this prospectus.

Unless the context otherwise requires, references to "we," "our," "us," "Polarity" or the "Company" in this prospectus mean PolarityTE, Inc., f/k/a Majesco Entertainment Company, a Delaware corporation, on a consolidated basis with its wholly-owned subsidiaries, as applicable.

POLARITYTE, INC.

Corporate Background

The Company was incorporated in 2004 in the state of Delaware. Effective January 11, 2017, the Company changed its name to PolarityTE, Inc. from "Majesco Entertainment Company."

Our principal executive offices are located at 4041-T Hadley Road, South Plainfield, NJ 07080 and our telephone number is (732) 225-8910. Our web site address is www.Polarityte.com.

Overview

We are a technology company which has developed, marketed, published and distributed software through online platforms. We develop applications for gaming on computers, handheld devices and game consoles. We have had commercial successes (Zumba Fitness) which have not been replicated and in furtherance of seeking to diversify, on December 1, 2016 we entered into an Agreement and Plan of Reorganization to acquire the patents, know-how and trade secrets of PolarityTE, Inc. ("PolarityTE NV"). PolarityTE NV is the owner of patent applications and know-how related to regenerative medicine and tissue engineering, as well as software applications used in diagnosis and treatment related to regenerative medicine developed by our Chief Executive Officer, Chief Technology Officer and Chairman of our Board of Directors, Dr. Denver Lough. PolarityTE NV seeks to develop and obtain regulatory approval for technology that will utilize a patient's own tissue substrates for the regeneration of skin, bone, muscle, cartilage, fat, blood vessels and nerves.

With the foregoing goals and operational strategy in mind, we have directed resources towards building the operational base of the regenerative medicine business following the execution of the Agreement. The Company leased office and research and development space in Salt Lake City, Utah and acquired equipment necessary to perform high end tissue engineering development research, including single and multiphoton microscopes and tissue culture and base equipment together with obtaining certification for the use of all laboratory equipment. The Company is also building a research and development team suitable for pursuing its regenerative medicine and tissue engineering goals.

Agreement and Plan of Reorganization

On December 1, 2016 we entered into the Agreement and Plan of Reorganization, as amended on December 16, 2016 (collectively, the "Agreement"), with Majesco Acquisition Corp., our wholly-owned subsidiary, PolarityTE NV and Dr. Denver Lough, the owner of 100% of the issued and outstanding shares of capital stock of PolarityTE NV (the "Seller") pursuant to which, upon the effective time, we will acquire certain intellectual property rights owned by the Seller (the "Intellectual Property") through the merger of Merger Sub with and into PolarityTE NV (the "Merger") with PolarityTE NV surviving as our wholly-owned subsidiary.

Upon closing of the transactions contemplated under the Agreement, including the Intellectual Property acquisition, which closing occurred on April 5, 2017, as a result of the Merger, among other effects, 100% of the issued and outstanding shares of capital stock of PolarityTE NV, or 10,000 shares of common stock, owned by the Seller were cancelled and exchanged for 7,050 shares of our newly designated Series E Preferred Stock convertible into an aggregate of 7,050,000 shares of our Common Stock (the "Merger Consideration"). So long as the Series E Preferred Stock is outstanding, each share is entitled to two votes for every one share of Common Stock into which such shares of Series E Preferred Stock are convertible). Based on 5,132,515 shares of Common Stock outstanding at closing, Dr. Lough beneficially owns approximately 59% of the issued and outstanding Common Stock (or 41.1% of the

outstanding Common Stock on a fully diluted basis) and approximately 65.83% of the outstanding voting power (without regard to any ownership limitations with regards to holders of outstanding shares of Series A, B and C Convertible Preferred Stock).

Summary of the Offering

Resale Shares	759,333 shares of Common Stock, all of which were issued in a private placement on December 16, 2016 (the "Resale Shares")
Common Stock Outstanding Before and After this Offering	5,132,515 (1) and 5,132,515 (2)
Risk factors	See "Risk Factors" beginning on page 8 of this prospectus and the other information included in this prospectus for a discussion of factors you should carefully consider before investing in our securities.
NASDAQ trading symbol	COOL

(1) The number of outstanding shares before the offering is based upon 5,132,515 shares outstanding as of April 12, 2017, and excludes:

9,137,189 shares of our Common Stock issuable upon conversion of outstanding shares of our Series A Convertible Preferred Stock, Series B Convertible Preferred Stock, Series C Convertible Preferred Stock, Series D Convertible Preferred Stock and Series E Convertible Preferred Stock;

797,412 shares of our Common Stock issuable upon exercise of outstanding vested options at a weighted average exercise price of $4.55 per share as of April 12, 2017 and 2,510,417 shares of our Common Stock issuable upon exercise of outstanding unvested options at a weighted average exercise price of $3.68 per share as of April 12, 2017; and

173,667 shares of our Common Stock issuable upon vesting of restricted stock units issued and outstanding as of April 12, 2017.

(2) The number of outstanding shares after the offering includes the 759,333 shares of the Resale Shares already issued and outstanding.

December Private Placement

On December 16, 2016, we completed a private placement (the "Private Placement") of securities pursuant to which we sold the Resale Shares to the Selling Stockholders at a price of $3.00 per share for total gross proceeds to us of $2,278,001.

In connection with the Private Placement, we entered into a Registration Rights Agreement with the Selling Stockholders pursuant to which we have agreed to file a registration statement on Form S-1 with the Securities and Exchange Commission (the "SEC") covering the Resale Shares no later than 45 calendar days from the date of the final closing of the Private Placement. We have agreed to use commercially reasonable efforts to ensure that such registration statement is declared effective within 120 calendar days after the final closing of the Private Placement.

Throughout this Prospectus, when we refer to the shares of our Common Stock, the offer and sale of which are being registered on behalf of the Selling Stockholders, we are referring to the Resale Shares that we agreed to register pursuant to the Registration Rights Agreement. When we refer to the Selling Stockholders in this Prospectus, we are referring to the holders of the Resale Shares and, as applicable, any donees, pledgees, transferees or other successors-in-interest selling shares received after the date of this Prospectus from the holders of the Resale Securities as a gift or other transfer for no consideration.

RISK FACTORS

Any investment in our Common Stock involves a high degree of risk. Investors should carefully consider the risks described below and all of the information contained in this prospectus before deciding whether to purchase our Common Stock. Our business, financial condition and results of operations could be materially adversely affected by these risks if any of them actually occur. This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks we face as described below and elsewhere in this prospectus.

Risk Related to Our Business

Risks Related to Our Gaming Business

Our financial resources are limited and we will need to raise additional capital in the future to continue our business.

We do not expect to generate the level of revenues going forward that we have achieved in prior years from our video game business. This significantly reduced revenue will impact our needs for future capital. We cannot ensure that additional funding will be available or, if it is available, that it can be obtained on terms and conditions we will deem acceptable. Any additional funding derived from the sale of equity securities is likely to result in significant dilution to our existing stockholders. These matters involve risks and uncertainties that may prevent us from raising additional capital or may cause the terms upon which we raise additional capital, if additional capital is available, to be less favorable to us than would otherwise be the case. If we reach a point where we are unable to raise needed additional funds to continue as a going concern, we will be forced to cease our business activities and dissolve the Company. In such an event, we will need to satisfy various severances, contract termination, and other dissolution-related obligations.

We have experienced recent net losses and we may incur future net losses, which may cause a decrease in our stock price.

We incurred net losses of $4.6 million in fiscal 2016 and $3.8 million in fiscal 2015. We may not be able to generate revenues sufficient to offset our costs and may sustain net losses in future periods. Any such losses may have an adverse effect on our future operating prospects, liquidity and stock price.

A decrease in the popularity of our licensed brands and, correspondingly, the video games we publish based on those brands could negatively impact our revenues and financial position.

Certain games released in 2014 and 2015 were based upon popular licensed brands. A decrease in the popularity of our licensed properties would negatively impact our ability to sell games based upon such licenses and could lead to lower net sales, profitability, and/or an impairment of our licenses, which would negatively impact our profitability.

A weak global economic environment could result in increased volatility in our stock price.

Current uncertainty in global economic conditions poses a risk to the overall economy as consumers and retailers may defer or choose not to make purchases in response to tighter credit and negative financial news, which could negatively affect demand for our products. Additionally, due to the weak economic conditions and tightened credit environment, some of our retailers and customers may not have the same purchasing power, leading to lower purchases of our games for placement into distribution channels. Reduced consumer demand for our products could materially impact our operating results.

Termination or modification of our agreements with platform hardware manufacturers may adversely affect our business.

We are required to obtain a license in order to develop and distribute software for each of the manufacturers of video game hardware. We currently have licenses from: (i) Sony to develop products for PlayStation, PlayStation 2, PlayStation 3 and PlayStation 4; (ii) from Nintendo to develop products for the DS, DSi, 3DS, Wii and WiiU; and (iii) from Microsoft to develop products for the Xbox, Xbox 360 and Xbox One. These licenses must be periodically renewed, and if they are not, or if any of our licenses are terminated or adversely modified, we may not be able to distribute any of our games on that platform or we may be required to do so on less attractive terms.

Our platform licensors control the fee structures for online distribution of our games on their platforms.

Pursuant to the terms of certain publisher license agreements, platform licensors retain sole discretion to determine the fees to be charged for both base level and premium online services available via their online platforms. Each licensor's ability to set royalty rates makes it challenging for us to predict our costs, and increased costs may negatively impact our operating margins. As a result of such varying fee structures, we may be unable to distribute our games in a cost-effective manner through such distribution channels.

Intellectual property claims may increase our costs or require us to cease selling affected products, which could adversely affect our financial condition and results of operations.

Development of original content, including publication and distribution, sometimes results in claims of intellectual property infringement. Although we make efforts to ensure our products do not violate the intellectual property rights of others, it is possible that third parties may still allege infringement. These claims and any litigation resulting from these claims may result in damage awards payable by us; could prevent us from selling the affected product; or require us to redesign the affected product to avoid infringement or obtain a license for future sales of the affected product.

Any of the foregoing could have an adverse effect on our financial condition and results of operations. Any litigation resulting from these claims could require us to incur substantial costs.

A reduced workforce presents additional risk to the effectiveness of our internal controls.

We have significantly reduced our workforce. A smaller workforce impacts our ability to continue to undertake our historic business which could have an impact on our ability to maintain internal controls including over financial reporting, and can affect the adequacy of our controls. We cannot be certain that our internal controls over financial reporting are or will remain effective. If we cannot adequately maintain the effectiveness of our internal controls over financial reporting, we may be subject to liability and/or sanctions or investigation by regulatory authorities, such as the SEC. Any such action could adversely affect our financial results and the market price of Common Stock.

Our reputation with consumers is critical to our success. Negative consumer perceptions about our brands, games, services and/or business practices may damage our business and any costs incurred in addressing consumer concerns may increase our operating expenses.

Individual consumers form our ultimate customer base, and consumer expectations regarding the quality, performance and integrity of our products and services are high. Consumers may be critical of our brands, games, services and/or business practices for a wide variety of reasons. These negative consumer reactions may not be foreseeable or within our control to manage effectively. Actions we take to address consumer concerns may be costly and, in any case, may not be successful. In addition, negative consumer sentiment about our business practices may result in inquiries or investigations from regulatory agencies and consumer groups, as well as litigation, which, regardless of their outcome, may be damaging to our reputation. Any of these may have a negative impact on our business.

If our games and services do not function as consumers expect, it may have a negative impact on our business.

If our games and services do not function as consumers expect, whether because they fail to function as advertised or otherwise, our sales may suffer. If our games and services do not function as consumers expect, it may negatively impact our business.

If we are unable to sustain traditional pricing levels for our titles, our business, financial condition, results of operations, profitability, cash flows or liquidity could suffer materially.

If we are unable to sustain traditional pricing levels for our titles, whether due to competitive pressure, because retailers elect to price these products at a lower price or otherwise, it could have a negative impact on our business. Further, we make provisions for retail inventory price protection based upon certain assumed lowest prices and if competitive pressures force us to lower our prices below those levels, it could similarly have a negative impact on our business.

Our industry is subject to rapid technological change, and if we do not adapt to, and appropriately allocate our new resources among, emerging technologies and business models, our business may be negatively impacted.

Technology changes rapidly in the interactive entertainment industry. We must continually anticipate and adapt our products to emerging technologies, delivery platforms and business models in order to stay competitive. When we choose to incorporate a new technology into a product or to develop a product for a new platform, operating system or media format, we often are required to make a substantial investment prior to the introduction of the product. If we invest in the development of interactive entertainment products incorporating a new technology or for a new platform that does not achieve significant commercial success, our revenues from those products likely will be lower than we anticipated and may not cover our development costs. Further, our competitors may adapt to an emerging technology or business model more quickly or effectively than we do, creating products that are technologically superior to ours, more appealing to consumers, or both. If, on the other hand, we elect not to pursue the development of products incorporating a new technology or for new platforms, or otherwise elect not to pursue a new business model, that achieves significant commercial success, it may have adverse consequences. It may take significant time and resources to shift product development resources to that technology, platform or business model, as the case may be, and may be more difficult to compete against existing products incorporating that technology or for that platform or against companies using that business model. Any failure to successfully adapt to, and appropriately allocate resources among, emerging technologies could negatively impact our business.

Competition within, and to, the interactive entertainment industry is intense, and competitors may succeed in reducing our sales.

Within the interactive entertainment industry, we compete with other publishers of interactive entertainment software developed for use on the PC, video game consoles and handheld, mobile and tablet devices or social networking sites, both within the United States and, increasingly, in international jurisdictions. Our competitors include very large corporations with significantly greater financial, marketing and product development resources than we have. A relatively small number of titles account for a significant portion of net revenues, and an even greater portion of net profit, in the interactive entertainment industry, and the availability of significant financial resources is a major competitive factor in the production of high-quality products and in the marketing of products that are ultimately

well-received. Our larger competitors may be able to leverage their greater financial, technical, personnel and other resources to finance larger budgets for development and marketing and make higher offers to licensors and developers for commercially desirable properties as well as adopt more aggressive pricing policies to develop more commercially successful products for the PC or video game platforms than we do. In addition, competitors with large product lines and popular titles typically have greater leverage with retailers, distributors and other customers, who may be willing to promote titles with less consumer appeal in return for access to those competitors' more popular titles.

Increased consumer acceptance and availability of interactive entertainment developed for use by consumers on handheld, mobile and tablet devices or social networking sites or other online games, consumer acceptance and availability of technology which allows users to play games on televisions without consoles, or technological advances in online game software or the Internet could result in a decline in sales of our platform-based software.

Additionally, we compete with other forms of entertainment and leisure activities. For example, the overall growth in the use of the Internet and online services such as social networking sites by consumers may pose a competitive threat if consumers and potential consumers spend less of their available time using interactive entertainment software and more using the Internet, including those online services. Further, it is difficult to predict and prepare for rapid changes in consumer demand that could materially alter public preferences for different forms of entertainment and leisure activities. Failure to adequately identify and adapt to the competitive pressures described herein could negatively impact our business.

We may be involved in legal proceedings that may result in material adverse outcomes.

From time to time, we may be involved in claims, suits, government investigations, audits and proceedings arising from the ordinary course of our business, including actions with respect to intellectual property, competition and antitrust matters, privacy matters, tax matters, labor and employment matters, unclaimed property matters, compliance and commercial claims. Such claims, suits, government investigations, audits and proceedings are inherently uncertain and their results cannot be predicted with certainty. Regardless of the outcome, such legal proceedings can have an adverse impact on us because of legal costs, diversion of management resources and other factors. In addition, it is possible that a resolution of one or more such proceedings could result in substantial fines and penalties, criminal sanctions, consent decrees or orders preventing us from offering certain features, functionalities, products or services, requiring us to change our development process or other business practices.

Our products are subject to ratings by the Entertainment Software Rating Board in the U.S. and similar agencies in international jurisdictions. Our failure to obtain our target ratings for our products could negatively impact our business.

The Entertainment Software Rating Board (the "ESRB") is a self-regulatory body based in the United States that provides consumers of interactive entertainment software with ratings information, including information on the content in such software, such as violence, nudity or sexual content contained in software titles. The ESRB rating categories are "Early Childhood" (i.e., content is intended for young children), "Everyone" (i.e., content is generally suitable for all ages), "Everyone 10+" (i.e., content is generally suitable for ages 10 and up), "Teen" (i.e., content is generally suitable for ages 13 and up), "Mature" (i.e., content is generally suitable for ages 17 and up) and "Adults Only" (i.e., content is suitable for adults ages 18 and up). Certain countries other than the United States have also established content rating systems as prerequisites for product sales in those countries. In some countries, a company may be required to modify its products to comply with the requirements of the rating systems, which could delay or disrupt the release of any given product, or may prevent its sale altogether in certain territories. Further, if an agency re-rates one of our games for any reason, retailers could refuse to sell it and demand that we accept the return of any unsold or returned copies or consumers could demand a refund for copies purchased. If we are unable to obtain the ratings we have targeted for our products as a result of changes in a content rating organization's ratings standards or for other reasons, it could have a negative impact on our business.

Our business, products, and distribution are subject to increasing regulation of content in key territories. If we do not successfully respond to these regulations, our business, financial condition, results of operations, profitability, cash flows or liquidity could be materially adversely affected.

Legislation is continually being introduced, and litigation and regulatory enforcement actions are taking place, that may affect the way in which we, and other industry participants, may offer content and features, and distribute and advertise our products. For example, privacy laws and regulatory guidance in many countries impose various

restrictions on online and mobile advertising, as well as the collection, storage and use of personally identifiable information. We may be required to modify certain of our product development processes or alter our marketing strategies to comply with such regulations, which could be costly or delay the release of our products. In addition, many foreign countries, such as China and Germany, have laws that permit governmental entities to restrict the content and/or advertising of interactive entertainment software or prohibit certain types of content. Further, legislation which attempts to restrict marketing or distribution of such products because of the content therein has been introduced at one time or another at the federal and state levels in the United States. There is on-going risk of enhanced regulation of interactive entertainment marketing, content or sales. These laws and regulations vary by territory and may be inconsistent with one another, imposing conflicting or uncertain restrictions. The adoption and enforcement of legislation which restricts the marketing, content or sales of our products in countries in which we do business may harm the sales of our products, as the products we are able to offer to our customers and the size of the potential market for our products may be limited. Failure to comply with any applicable legislation may also result in government-imposed fines or other penalties. Moreover, the increased public dialogue concerning interactive entertainment may have an adverse impact on our reputation and consumers' willingness to purchase our products.

Risks Relating to Our Regenerative Medicine Business

Rapid technological change could cause our regenerative medicine platform to become obsolete.

The technologies underlying our regenerative medicine platform are subject to rapid and profound technological change. Competition intensifies as technical advances in each field are made and become more widely known. We can give no assurance that others will not develop processes with significant advantages over the processes that we offer or are seeking to develop. Any such occurrence could have a material and adverse effect on our business, results of operations and financial condition.

Our revenues from our regenerative medicine business will depend upon adequate reimbursement from public and private insurers and health systems.

Our success will depend on the extent to which reimbursement for the costs of its treatments will be available from third party payers, such as public and private insurers and health systems. Government and other third party payers attempt to contain healthcare costs by limiting both coverage and the level of reimbursement of new treatments. Therefore, significant uncertainty usually exists as to the reimbursement status of new healthcare treatments. If we are not successful in obtaining adequate reimbursement for our treatment from these third party payers, the market's acceptance of our treatment could be adversely affected. Inadequate reimbursement levels also likely would create downward price pressure on our treatment. Even if we succeed in obtaining widespread reimbursement for our treatment, future changes in reimbursement policies could have a negative impact on our business, financial condition and results of operations.

To be commercially successful, we must convince physicians that our treatments are safe and effective alternatives to existing treatments and that our treatments should be used.

We believe physicians will only adopt our treatment if they determine, based on experience, clinical data and published peer reviewed journal articles, that the use of our treatment is a favorable alternative to conventional methods, including skin grafting. Physicians may be slow to change their medical treatment practices for the following reasons, among others:

- Lack of evidence supporting additional patient benefits and our treatments over conventional methods;

Perceived liability risks generally associated with the use of new procedures; and

Limited availability of reimbursement from third party payers.

In addition, we believe that recommendations for and support of our treatments by influential physicians are essential for market acceptance and adoption. If we do not receive this support or are unable to demonstrate favorable long-term clinical data, physicians and hospitals may not use our treatment, which would significantly reduce our ability to achieve revenue and would prevent us from sustaining profitability.

Our ability to protect our intellectual property and proprietary technology through patents and other means is uncertain and may be inadequate, which could have a material and adverse effect on us.

Our success depends significantly on our ability to protect our proprietary rights to the technologies used in our treatment. We rely on patent protection, as well as a combination of copyright, trade secret and trademark laws and nondisclosure, confidentiality and other contractual restrictions to protect our proprietary technology. These legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep any competitive advantage. In addition, the pending patent applications we intend to acquire from the Seller pursuant to the Agreement include claims to material aspects of the Seller's procedures that are not currently protected by issued patents. The patent application process can be time consuming and expensive. We cannot ensure that any of the pending patent applications we acquire will result in issued patents. Competitors may be able to design around our patents or develop procedures that provide outcomes that are comparable or even superior to ours. Furthermore, the laws of foreign countries may not protect our intellectual property rights to the same extent as do the laws of the United States.

The failure to obtain and maintain patents and/or protect our intellectual property rights could have a material and adverse effect on our business, results of operations, and financial condition. Whether a patent is valid is a complex matter of science and law, and therefore we cannot be certain that, if challenged, our patents or the ones we acquire from the Seller would be upheld. If one or more of those patents are invalidated, that could reduce or eliminate any competitive advantage we might otherwise have had.

In the event a competitor infringes upon the pending patent we intend to acquire or other intellectual property rights, enforcing those rights may be costly, uncertain, difficult and time consuming. Even if successful, litigation to enforce or defend our intellectual property rights could be expensive and time consuming and could divert our management's attention. Further, bringing litigation to enforce our patents subjects us to the potential for counterclaims. In the event that one or more of our patents are challenged, a court or the United States Patent and Trademark Office ("USPTO") may invalidate the patent(s) or determine that the patent(s) is not enforceable, which could harm our competitive position. If the USPTO ultimately cancels or narrows the claim in any of our patents through these proceedings, it could prevent or hinder us from being able to enforce them against competitors. Such adverse decisions could negatively affect our future, expected revenue.

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We may become subject to claims of infringement of the intellectual property rights of others, which could prohibit us from developing our treatment, require us to obtain licenses from third parties or to develop non-infringing alternatives, and subject us to substantial monetary damages.

Third parties could assert that our procedures infringe their patents or other intellectual property rights. Whether a product infringes a patent or other intellectual property involves complex legal and factual issues, the determination of which is often uncertain. Therefore, we cannot be certain that we have not infringed the intellectual property rights of others. Because patent applications may take years to issue, there also may be applications now pending of which we are unaware that may later result in issued patents that our procedure or processes infringe. There also may be existing patents or pending patent applications of which we are unaware that our procedures or processes may inadvertently infringe.

Any infringement claim could cause us to incur significant costs, place significant strain on our financial resources, divert management's attention from our business and harm our reputation. If the relevant patents in such claim were upheld as valid and enforceable and we were found to infringe, we could be prohibited from utilizing any procedure that is found to infringe, obtains licenses to use the technology covered by the patent or other intellectual property or design around the patent or other intellectual property. We may be unable to obtain such a license on terms acceptable to it, if at all, and we may not be able to redesign its processes to avoid infringement. A court could also order us to pay compensatory damages for such infringement, plus prejudgment interest and could, in addition, treble the compensatory damages and award attorney fees. These damages could be substantial and could harm our reputation, business, financial condition and operating results.

Our business is subject to continuing regulatory compliance by the U.S. Food and Drug Administration (the "FDA") and other authorities, which is costly and our failure to comply could result in negative effects on our business.

The FDA has specific regulations governing tissue-based products, or HCT/Ps. The FDA has broad post-market and regulatory and enforcement powers. The FDA's regulation of HCT/Ps includes requirements for registration and listing of products, donor screening and testing, processing and distribution ("Current Good Tissue Practices"), labeling, record keeping and adverse-reaction reporting, and inspection and enforcement.

Even if pre-market clearance or approval is obtained, the approval or clearance may place substantial restrictions on the indications for which the product may be marketed or to whom it may be marketed, may require warnings to accompany the product or impose additional restrictions on the sale and/or use of the product. In addition, regulatory approval is subject to continuing compliance with regulatory standards, including the FDA's quality system regulations.

If we fail to comply with the FDA regulations regarding our tissue regeneration processes, the FDA could take enforcement action, including, without limitation, any of the following sanctions:

Untitled letters, warning letters, fines, injunctions, and civil penalties;
Operating restrictions, partial suspension or total shutdown of procedure;
Refusing requests for clearance or approval of new procedures;
Withdrawing or suspending current applications for approval or approvals already granted; and
Criminal prosecution.

It is likely that the FDA's regulation of HCT/Ps will continue to evolve in the future. Complying with any such new regulatory requirements may entail significant time delays and expense, which could have a material adverse effect on our business.

We face significant uncertainty in the industry due to government healthcare reform.

There have been and continue to be proposals by the Federal Government, State Governments, regulators and third party payers to control healthcare costs, and generally, to reform the healthcare system in the United States. There are many programs and requirements for which the details have not yet been fully established or the consequences are not fully understood. These proposals may affect aspects of our business. We also cannot predict what further reform proposals, if any, will be adopted, when they will be adopted, or what impact they may have on us.

Oversight in the industry might affect the manner in which we may compete in the marketplace.

There are laws and regulations that govern the means by which companies in the healthcare industry may market their treatments to healthcare professionals and may compete by discounting the prices of their treatments, including for example, the federal Anti-Kickback Statute, the federal False Claims Act, the federal Health Insurance Portability and Accountability Act of 1996, state law equivalents to these federal laws that are meant to protect against fraud and abuse and analogous laws in foreign countries. Violations of these laws are punishable by criminal and civil sanctions, including, but not limited to, in some instances civil and criminal penalties, damages, fines, exclusion from participation in federal and state healthcare programs, including Medicare and Medicaid. In addition, federal and state laws are also sometimes open to interpretation, and from time to time we may find ourselves at a competitive disadvantage if our interpretation differs from that of our competitors.

We may have significant liability exposure and our insurance may not cover all potential claims.

We are exposed to liability and other claims in the event that our treatment is alleged to have caused harm. We may not be able to obtain insurance for the potential liability on acceptable terms with adequate coverage or at reasonable costs. Any potential product liability claims could exceed the amount of our insurance coverage or may be excluded from coverage under the terms of the policy. Our insurance may not be renewed at a cost and level of coverage comparable to that then in effect.

Risks Related to our Common Stock

Our Restated Certificate of Incorporation, our Restated Bylaws and Delaware law could deter a change of our management which could discourage or delay offers to acquire us.

Certain provisions of Delaware law and of our Restated Certificate of Incorporation, as amended, and Restated by-laws, could discourage or make it more difficult to accomplish a proxy contest or other change in our management or the acquisition of control by a holder of a substantial amount of our voting stock. It is possible that these provisions could make it more difficult to accomplish, or could deter, transactions that stockholders may otherwise consider to be in their best interests or in our best interests. These provisions include:

- establishing a classified Board requiring that members of the Board be elected in different years, which lengthens the time needed to elect a new majority of the Board;
- authorizing the issuance of "blank check" preferred stock that could be issued by our Board to increase the number of outstanding shares or change the balance of voting control and thwart a takeover attempt;
- prohibiting cumulative voting in the election of directors, which would otherwise allow for less than a majority of stockholders to elect director candidates; and
- prohibiting stockholder action by written consent and requiring all stockholder actions to be taken at a meeting of our stockholders.

We have experienced volatility in the price of our stock and are subject to volatility in the future.

The price of our Common Stock has experienced significant volatility. The high and low bid quotations for our Common Stock, as reported by The NASDAQ Capital Market, ranged between a high of $14.22 and a low of $2.61 during the past 24 months. The historic market price of our Common Stock may be higher or lower than the price paid for our shares and may not be indicative of future market prices, depending on many factors, some of which are beyond our control. In addition, as we have significantly reduced our video game operations, and are seeking strategic alternatives, we cannot predict the performance of our stock. The price of our stock may change dramatically in response to our success or failure to consummate a strategic transaction.

Substantial future sales of our Common Stock by us or by our existing stockholders could cause our stock price to fall.

Additional equity financings or other share issuances by us, including shares issued in connection with strategic alliances and corporate partnering transactions, could adversely affect the market price of our common stock. Sales by existing stockholders of a large number of shares of our Common Stock in the public market or the perception that additional sales could occur could cause the market price of our Common Stock to drop.

We may not be able to maintain our listing on The NASDAQ Capital Market.

Our Common Stock currently trades on The NASDAQ Capital Market. This market has continued listing requirements that we must continue to maintain to avoid delisting. The standards include, among others, a minimum bid price requirement of $1.00 per share and any of: (i) a minimum stockholders' equity of $2.5 million; (ii) a market value of listed securities of $35 million; or (iii) net income from continuing operations of $500,000 in the most recently completed fiscal year or in the two of the last three fiscal years. Our results of operations and our fluctuating stock price directly impact our ability to satisfy these listing standards. In the event we are unable to maintain these listing standards, we may be subject to delisting.

A delisting from NASDAQ would result in our Common Stock being eligible for quotation on the Over-The-Counter market which is generally considered to be a less efficient system than listing on markets such as NASDAQ or other national exchanges because of lower trading volumes, transaction delays and reduced security analyst and news media coverage. These factors could contribute to lower prices and larger spreads in the bid and ask prices for our Common Stock. Additionally, trading of our Common Stock on the OTCBB may make us less desirable to institutional investors and may, therefore, limit our future equity funding options and could negatively affect the liquidity of our stock.

The rights of our common stockholders are limited by and subordinate to the rights of the holders of Series A Convertible Preferred Stock, Series B Convertible Preferred Stock, Series C Convertible Preferred Stock and Series D Convertible Preferred Stock; these rights may have a negative effect on the value of shares of our Common Stock.

The holders of our outstanding shares of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock have rights and preferences generally superior to those of the holders of Common Stock. The existence of these superior rights and preferences may have a negative effect on the value of shares of our Common Stock. These rights are more fully set forth in the certificates of designations governing these instruments, and include, but are not limited to:

- the right to receive a liquidation preference, prior to any distribution of our assets to the holders of our Common Stock; and
- the right to convert into shares of our Common Stock at the conversion price set forth in the certificates of designations governing the respective preferred stock, which may be adjusted as set forth therein.

The number of shares of issued and outstanding Common Stock represents approximately 28.91% of our fully diluted shares of Common Stock. Additional issuances of shares of Common Stock upon conversion and/or exercise of preferred stock, options to purchase Common Stock and warrants to purchase Common Stock will cause substantial dilution to existing stockholders.

At April 12, 2017, we had 5,132,515 shares of Common Stock issued and outstanding. Up to an additional 9,137,189 shares may be issued upon conversion of our Series A, Series B, Series C Series D Convertible Preferred Stock and Series E Convertible Preferred Stock; 797,412 shares upon exercise of all outstanding vested options to purchase our Common Stock at an weighted average price of $4.55; 2,510,417 shares upon exercise of all outstanding unvested options to purchase our Common Stock at an weighted average price of $3.68; and 173,667 shares issuable upon vesting of restricted stock units granted, which amounts includes all reserves, resulting in a total of up to 17,751,200 shares that may be issued and outstanding, assuming conversion of all outstanding convertible preferred stock, and exercise of all outstanding option and warrants to purchase our Common Stock. The issuance of any and all of the 12,618,685 shares issuable upon exercise or conversion of our outstanding convertible securities will cause substantial dilution to existing stockholders and may depress the market price of our Common Stock.

You will experience future dilution as a result of future equity offerings

We may in the future offer additional shares of our Common Stock or other securities convertible into or exchangeable for our Common Stock. Although no assurances can be given that we will consummate a financing, in

the event we do, or in the event we sell shares of Common Stock or other securities convertible into shares of our Common Stock in the future, additional and substantial dilution will occur. In addition, investors purchasing shares or other securities in the future could have rights superior to investors in this offering.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This prospectus contains forward-looking statements. Such forward-looking statements include those that express plans, anticipation, intent, contingency, goals, targets or future development and/or otherwise are not statements of historical fact. These forward-looking statements are based on our current expectations and projections about future events and they are subject to risks and uncertainties known and unknown that could cause actual results and developments to differ materially from those expressed or implied in such statements.

In some cases, you can identify forward-looking statements by terminology, such as “expects”, “anticipates”, “intends”, “estimates”, “plans”, “potential”, “possible”, “probable”, “believes”, “seeks”, “may”, “will”, “should”, “could” or the negative or other similar expressions. Accordingly, these statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this prospectus.

You should read this prospectus and the documents that we reference herein and therein and have filed as exhibits to the registration statement, of which this prospectus is part, completely and with the understanding that our actual future results may be materially different from what we expect. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only. Because the risk factors referred to above could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any forward-looking statements. These risks and uncertainties, along with others, are described above under the heading “Risk Factors” beginning on page 8 of this prospectus. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of the information presented in this prospectus, and particularly our forward-looking statements, by these cautionary statements.

This prospectus also includes estimates of market size and industry data that we obtained from industry publications and surveys and internal company sources. The industry publications and surveys used by management to determine market size and industry data contained in this prospectus have been obtained from sources believed to be reliable.

PRICE RANGE OF COMMON STOCK

Our common stock trades on The NASDAQ Capital Market under the symbol “COOL”. The following table sets forth the high and low sales prices for our Common Stock for each quarterly period within the two most recent fiscal years. All stock prices included in the following table are retroactively adjusted for the 1 for 6 reverse stock split effective as of the open of business on August 1, 2016.

2017	**High**	**Low**
Second quarter (through April 12, 2017)	$18.90	$3.80
First quarter	6.22	$2.61

2016	High	Low
Fourth quarter	$4.50	$3.03
Third quarter	6.30	3.66
Second quarter	5.94	4.20
First quarter	13.68	3.66

2015	High	Low
Fourth quarter	$11.52	$6.48
Third quarter	10.38	6.54
Second quarter	14.22	5.64
First quarter	9.54	3.30

As of April 12, 2017, there were 132 stockholders of record of our Common Stock, one of which is Cede & Co., a nominee for Depository Trust Company, or DTC. Shares of Common Stock that are held by financial institutions as nominees for beneficial owners are deposited into participant accounts at DTC, and are considered to be held of record by Cede & Co. as one stockholder.

DIVIDEND POLICY

Prior to October 31, 2015, we had never declared or paid any dividends on our Common Stock.

On January 4, 2016, we declared a special cash dividend of an aggregate of $10,000,000 to be paid to holders of record on January 14, 2016 of our outstanding shares of: (i) Common Stock (ii) Series A Convertible Preferred Stock; (iii) Series B Convertible Preferred Stock; (iv) Series C Convertible Preferred Stock and (v) Series D Convertible

Preferred Stock. The holders of record of our outstanding preferred stock participated in receiving their pro rata portion of the dividend on an “as converted” basis. The dividend was paid January 15, 2016.

We do not anticipate paying future dividends at the present time. We currently intend to retain earnings, if any, for use in our business.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides certain information with respect to all of the Company’s equity compensation plans in effect as of October 31, 2016.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)
Equity compensation plans approved by security holders	390,525 (1)	$ 6.02	0
Equity compensation plans not approved by security holders	0	0	0
Total	390,525 (1)	$ 6.02	0

(1) 18,947 securities are pursuant to the 2004 Plan, 11,490 securities are pursuant to the 2014 Plan, 30,924 securities are issued pursuant to the 2015 Plan and 329,164 securities are issued pursuant to the 2016 Plan.

2017 Equity Incentive Plan

On December 1, 2016, the Board of Directors (the “Board”) approved our 2017 Equity Incentive Plan (the “2017 Plan”) and on March 10, 2017, stockholders approved the 2017 Plan. The purpose of the 2017 Plan is to promote the success of the Company and to increase stockholder value by providing an additional means through the grant of awards to attract, motivate, retain and reward selected employees, consultants and other eligible persons. The 2017 Plan provides for the grant of incentive stock options, nonqualified stock options, restricted stock, restricted stock units,

stock appreciation rights and other types of stock-based awards to the our employees, officers, directors and consultants. The 2017 Plan will be administered by the Board or by one or more committees of directors appointed by the Board or another committee, including determining which eligible participants will receive awards, the number of shares of common stock subject to the awards and the terms and conditions of such awards. Up to 3,450,000 shares of Common Stock are issuable pursuant to awards under the 2017 Plan. Unless earlier terminated by the Board, the 2017 Plan shall terminate at the close of business on December 1, 2026.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations should be read together with our financial statements and accompanying notes appearing elsewhere in this Prospectus. This Management's Discussion and Analysis contains forward-looking statements that involve risks and uncertainties. Please see "Forward-Looking Statements" set forth in the beginning of this Prospectus, and see "Risk Factors" beginning on page 8 for a discussion of certain risk factors applicable to our business, financial condition, and results of operations. Operating results are not necessarily indicative of results that may occur in future periods.

Overview

We are a technology company which has developed, marketed, published and distributed software through online platforms. We develop applications for gaming on computers, handheld devices and game consoles. We have had commercial successes (Zumba Fitness) which have not been replicated and in furtherance of seeking to diversify, on December 1, 2016 we entered into an Agreement and Plan of Reorganization to acquire the patents, know-how and trade secrets of PolarityTE, Inc. ("PolarityTE NV"). PolarityTE NV is the owner of patent applications and know-how related to regenerative medicine and tissue engineering, as well as software applications used in diagnosis and treatment related to regenerative medicine developed by our Chief Executive Officer, Chief Technology Officer and Chairman of our Board of Directors, Dr. Denver Lough. PolarityTE NV seeks to develop and obtain regulatory approval for technology that will utilize a patient's own tissue substrates for the regeneration of skin, bone, muscle, cartilage, fat, blood vessels and nerves.

With the foregoing goals and operational strategy in mind, we have directed resources towards building the operational base of the regenerative medicine business following the execution of the Agreement (defined below). The Company leased office and research and development space in Salt Lake City, Utah and acquired equipment necessary to perform high end tissue engineering development research, including single and multiphoton microscopes and tissue culture and base equipment together with obtaining certification for the use of all laboratory equipment. The Company is also building a research and development team suitable for pursuing its regenerative medicine and tissue engineering goals.

On December 1, 2016, we entered into an Agreement and Plan of Reorganization (the "Agreement") with Majesco Acquisition Corp., our wholly-owned subsidiary, PolarityTE NV and Dr. Denver Lough, the owner of 100% of the issued and outstanding shares of capital stock of PolarityTE NV (the "Seller") pursuant to which, on April 5, 2017, we acquired certain intellectual property rights owned by the Seller (the "Intellectual Property") through the merger of Merger Sub with and into PolarityTE NV with PolarityTE NV surviving as our wholly-owned subsidiary.

Video Game Products

Net Revenues. Our revenues are principally derived from sales of our video games.

Cost of Sales. Cost of sales includes amortization and impairment of capitalized software development costs and license fees. Commencing upon the related product's release, capitalized software development and intellectual property license costs are amortized to cost of sales.

Gross Profit. Gross profit is the excess of net revenues over product costs and amortization and impairment of software development and license fees. Development and license fees incurred to produce video games are generally incurred up front and amortized to cost of sales. The recovery of these costs and total gross profit is dependent upon achieving a certain sales volume, which varies by title.

Product Research and Development Expenses. Ongoing research and development activities have been substantially reduced since fiscal 2014.

Selling and Marketing Expenses. Since July 2015, these activities are now limited to online and in social media.

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.

Interest and Financing Costs. Interest and financing costs were directly attributable to our factoring and our purchase-order financing arrangements. Such costs included commitment fees and fees based upon the value of customer invoices factored.

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 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.

Revenue Recognition. Our software products are sold exclusively as downloads of digital content for which the consumer takes possession of the digital content for a fee. Revenue from product downloads is generally recognized when the download is made available (assuming all other recognition criteria are met).

When we enter into license or distribution agreements that provide for multiple copies of games in exchange for guaranteed amounts, revenue is recognized in accordance with the terms of the agreements, generally upon delivery of a master copy, assuming our performance obligations are complete and all other recognition criteria are met, or as per-copy royalties are earned on sales of games.

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. In addition, judgment is also required in estimating the amount of stock-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, stock-based compensation expense and our results of operations could be materially impacted.

Accounting for 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 commitments and contingencies when the amount is both probable and reasonably estimable. We record associated legal fees as incurred. We accrued contingent liabilities for certain potential licensor and customer liabilities and claims that were transferred to Zift but may not be extinguished by such transaction.

Results of Operations

Year ended October 31, 2016 versus the year ended October 31, 2015

Net Revenues. Net revenues for the year ended October 31, 2016 decreased 77% to approximately $1.5 million from $6.7 million for the year ended October 31, 2015. The decrease was due to lower sales of Zumba titles. Additionally, there were no retail sales due to the transfer of the retail distribution channel to Zift in July 2015.

Gross Profit. Gross profit for the year ended October 30, 2016 decreased 62% to approximately $1.3 million compared to a gross profit of approximately $3.3 million for the year ended October 31, 2015. The decrease in gross profit reflects lower Zumba and other sales as discussed above, as well as the Company’s withdrawal from the packaged software business. Gross profit as a percentage of net revenues was 81% for the year ended October 31, 2016, compared to 49% for the year ended October 31, 2015. The increase in gross profit is due to the dramatically lower cost of sales associated with a digitally sold product.

Product Research and Development Expenses. Product research and development expenses for the year ended October 31, 2016 was approximately $90,000 compared to $174,000 for the year ended October 31, 2015. The decrease reflects the general reduction in this activity.

Selling and Marketing Expenses. Total selling and marketing expenses for the year ended October 31, 2016 decreased 98% to approximately $14,000 compared to approximately $771,000 for the year ended October 31, 2015. The decrease is primarily due to lower personnel costs and other marketing and distribution activities related to our switch to digital.

General and Administrative Expenses. For the year ended October 31, 2016, general and administrative expenses increased 13% to approximately $6.0 million compared to $5.4 million for the year ended October 31, 2015. The increase reflects a $1.7 million increase in stock based compensation partially offset by lower non-stock based compensation costs, consulting and professional fees and related support expenses. Stock based compensation increased, because during the third quarter of fiscal 2016, a total of 356,666 restricted shares and 347,010 stock options were granted, of which 177,084 restricted stock shares were granted with immediate vesting.

Workforce Reduction. For the year ended October 31, 2015, we incurred workforce reduction costs of $0.8 million pertaining to severance costs, including primarily severance costs for finance and legal executives and other personnel.

Operating loss. Operating loss for the year ended October 31, 2016 increased 26% to approximately $4.9 million, compared to an operating loss of approximately $3.9 million for the year ended October 31, 2015, primarily reflecting a greater decrease in net revenues and gross profit than the expense reductions in development and marketing activities plus an increase in stock based compensation.

Extinguishment of liabilities. During the year ended October 31, 2015, we recognized a gain on extinguishment of liabilities of approximately $1.5 million. We determined that certain accounts payable balances and claims for license fees and services would never be paid because they were no longer being pursued for payment and had passed the statute of limitations.

Net gains on asset sales and other nonoperating gains. During the year ended October 31, 2015, we recognized approximately $198,000 in net gain from the sale of certain game rights and from the sale of office furniture and equipment upon the move to a smaller office. Additionally, we recognized $50,000 from the transfer of retail distribution activities to Zift, a company owned by our former chief executive officer.

Change in fair value of warrant liability. In our December 2014 private placement of units consisting of preferred stock and warrants, we issued warrants containing certain contingent settlement terms not indexed to our own stock. We accounted for the warrants as derivative liabilities and measured their fair value on a quarterly basis and recognized on a current basis any gains or losses. In the year ended October 31, 2015, we recognized a loss of approximately $1.5 million reflecting an increase in our stock price from the previous measurement date. In our April 19, 2016, equity offering, we issued warrants. We accounted for the warrants as derivative liabilities and measure their fair value on a quarterly basis and recognize on a current basis any gains or losses. In the year ended October 31, 2016, we recognized a gain of approximately $248,000 reflecting a decrease in our stock price from the previous measurement date.

Income Taxes. In the year ended October 31, 2016, our income tax expense was not significant, representing primarily minimum state income taxes.

Three months ended January 31, 2017 versus three months ended January 31, 2016

In July 2015, the Company transferred to Zift Interactive LLC (“Zift”), a newly-formed subsidiary, certain rights under certain of its publishing licenses related to developing, publishing and distributing video game products through retail distribution for a term of one year. The Company transferred Zift to its former chief executive officer, Jesse Sutton. In exchange, the Company received Mr. Sutton’s resignation from the position of chief executive officer of the Company, including waiver of any severance payments and the execution of a separation agreement, together with his agreement to serve as a consultant to the Company. In addition, Zift will pay the Company a specified percent of its net revenue from retail sales on a quarterly basis. Approximately $133,000 was paid to Zift during the quarter ended January 31, 2016 for consideration under the conveyance agreement with Zift.

Net Revenues. Net revenues for the three months ended January 31, 2017 decreased 74% to approximately $156,000 from $591,000 in the comparable quarter last year. The decrease was due to lower sales of Zumba and other titles.

Gross Profit. Gross profit for the three months ended January 31, 2017 decreased 71% to approximately $156,000 compared to a gross profit of approximately $533,000 in the same period last year. The decrease in gross profit reflects lower Zumba and other sales as discussed above. Gross profit as a percentage of net sales was 100% for the three months ended January 31, 2017, compared to 90% for the three months ended January 31, 2016. The increase in gross profit percentage is due to the lower cost of sales associated with a digitally sold product.

Product Research and Development Expenses. Product research and development expenses for the three months ended January 31, 2017 decreased 43% to approximately $20,000 compared to $35,000 in the same period last year. The decrease reflects the continued reduction in this activity.

Selling and Marketing Expenses. Total selling and marketing expenses for the three months ended January 31, 2017 increased 35% to approximately $31,000 compared to approximately $23,000 for the three months ended January 31, 2016. The increase is due to increase of public relations expense.

General and Administrative Expenses. For the three-month period ended January 31, 2017, general and administrative expenses increased 406% to approximately $5.7 million compared to $1.1 million for the three months ended January 31, 2016. The increase is primarily due to increased stock-based compensation of $3.9 million and increased headcount related to the Company's new medical activities.

Operating loss. Operating loss for the three months ended January 31, 2017 increased 765% to approximately $5.7 million, compared to an operating loss of approximately $654,000 in the comparable period in 2016, primarily reflecting both lower revenues and higher stock-based compensation expenses.

Other income. In the three months ended January 31, 2017 and 2016, our other income was not significant.

Income Taxes. In the three months ended January 31, 2017 and 2016, our income tax expense was not significant, representing primarily minimum state income taxes.

Liquidity and Capital Resources

As of January 31, 2017, our cash and cash equivalents balance was $6.9 million and our working capital was approximately $5.0 million, compared to cash and equivalents of $6.5 million and working capital of $5.4 million at October 31, 2016.

From fiscal 2013 through the present, we have experienced net cash outflows from operations, generally to fund operating losses due to declining revenues which we attribute to three factors: 1) the introduction of competing "freemium" games on competing handheld devices such as the Apple iPhone or iTouch, and Android powered devices; 2) a shift in game distribution from retail to digital downloads; and 3) a decline in the popularity of motion based fitness games including games we publish under the Zumba fitness brand. As a result of these factors we have reduced our operating expenses, including the reduction of game production and marketing personnel, and have eliminated substantially all of our new game development activities. In 2015, we transferred our retail distribution activities to Zift and transferred related assets and liabilities, including accounts receivable, inventory, customer credits and certain other liabilities.

On December 1, 2016, we entered into an Agreement and Plan of Reorganization (the "Agreement") with Majesco Acquisition Corp., a Nevada corporation and wholly-owned subsidiary of the Company, PolarityTE, Inc., a Nevada corporation ("Polarity NV") and Dr. Denver Lough, the owner of 100% of the issued and outstanding shares of capital stock of Polarity NV (the "Seller"). The closing is subject to various closing conditions. We believe we have sufficient cash on hand to fund operations through the next twelve months.

The Company will continue to pursue fundraising opportunities that meet its long-term objectives, however, the Company believes that it has sufficient cash to fund its operations for the next twelve months from the issuance of these financial statements.

Dividends

On January 4, 2016, we declared a special cash dividend of an aggregate of $10.0 million to holders of record on January 14, 2016 of its outstanding shares of: (i) common stock (ii) Series A Preferred Shares; (iii) Series B Preferred Shares; (iv) Series C Preferred Shares and (v) Series D Preferred Shares. The holders of record of the Company's outstanding preferred stock participated in the dividend on an "as converted" basis.

April 2016 Registered Common Stock and Warrant Offering

On April 13, 2016, the Company entered into a Securities Purchase Agreement with certain institutional investors providing for the issuance and sale by the Company of 250,000 shares of the Company's common stock, par value $0.001 per share at an offering price of $6.00 per share, for net proceeds of $1.4 million after deducting placement agent fees and expenses. In addition, the Company sold to purchasers of common stock in this offering, warrants to purchase 187,500 shares of its common stock. The common shares and the Warrant Shares were offered by the Company pursuant to an effective shelf registration statement on Form S-3, which was initially filed with the Securities and Exchange Commission on October 22, 2015 and declared effective on December 7, 2015. The closing of the offering occurred on April 19, 2016.

Each Warrant is immediately exercisable for two years, but not thereafter, at an exercise price of $6.90 per share. Subject to limited exceptions, a holder of warrants will not have the right to exercise any portion of its warrants if the holder, together with its affiliates, would beneficially own in excess of 4.99% of the number of shares of our common stock outstanding immediately after giving effect to such exercise. The exercise price and number of warrants are subject to adjustment in the event of any stock dividends and splits, reverse stock split, stock dividend, recapitalization, reorganization or similar transaction.

Preferred Share Conversion Activity

During the quarter ended January 31, 2017, 1,213,851 shares of Convertible Preferred Stock Series A, 6,092 shares of Convertible Preferred Stock Series B, 1,148 shares of Convertible Preferred Stock Series C and 61,666 shares of Convertible Preferred Stock Series D were converted into 425,770 shares of common stock.

During the quarter ended January 31, 2016, 529,903 shares of Convertible Preferred Stock Series A and 3,667 shares of Convertible Preferred Stock Series D were converted into 566,573 shares of common stock.

Common Stock

On January 4, 2016, the Company declared a special cash dividend of an aggregate of $10.0 million to holders of record on January 14, 2016 of its outstanding shares of: (i) common stock (ii) Series A Convertible Preferred Stock; (iii) Series B Convertible Preferred Stock; (iv) Series C Convertible Preferred Stock and (v) Series D Convertible Preferred Stock. The holders of record of the Company's outstanding preferred stock participated in the dividend on an "as converted" basis.

On January 6, 2016, certain investors exercised their options at $4.08 in exchange for the Company's common stock for an aggregated amount of 31,656 shares.

On December 16, 2016, the Company sold an aggregate of 759,333 shares of its common stock to certain accredited investors pursuant to separate subscription agreements at a price of $3.00 per share for gross proceeds of $2.3 million.

On January 18, 2017, the Company entered into separate exchange agreements (each an "Exchange Agreement") with certain accredited investors (the "Investors") who purchased warrants to purchase shares of the Company's common stock (the "Warrants") pursuant to the prospectus dated April 13, 2016. Pursuant to the Offering, the Company issued 250,000 shares of the Company's common stock and Warrants to purchase 187,500 shares of common stock (taking into account the reverse split of the Company's common stock on a 1 for 6 basis effective with The NASDAQ Stock Market LLC on August 1, 2016). The common stock and Warrants were offered by the Company pursuant to an effective shelf registration statement.

Under the terms of the Exchange Agreement, each Investor exchanged each Warrant it purchased in the Offering for 0.3 shares of common stock. Accordingly, the Company issued an aggregate of 56,250 shares of common stock in exchange for the return and cancellation of 187,500 Warrants.

Off-Balance Sheet Arrangements

As of January 31, 2017, 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 $6.9 million and $5.0 million, respectively, as of January 31, 2017 compared to approximately $6.5 million and $5.4 million at October 31, 2016, respectively.

Operating Cash Flows. Cash used in operating activities in the three months ended January 31, 2017 amounted to approximately $361,000 compared to approximately $398,000 for the 2016 period.

Investing Cash Flows. Cash used in investing activities in the three months ended January 31, 2017 amounted to approximately $1.5 million. The $1.5 million relates to the purchase of property and equipment (mostly medical equipment). There were no investing activities in the 2016 period.

Financing Cash Flows. Net cash provided by financing activities for the three months ended January 31, 2017 amounted to approximately $2.3 million compared to approximately $10.0 million used in 2016 period. For the three months ended January 31, 2017, the $2.3 million related to capital raising activities. For the three months ended January 31, 2016, the $10.0 million related to a payment of a $10.0 million special cash dividend.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

BUSINESS

Introduction

We are a technology company which has developed, marketed, published and distributed software through online platforms. We develop applications for gaming on computers, handheld devices and game consoles. We have had commercial successes (Zumba Fitness) which have not been replicated and in furtherance of seeking to diversify, on December 1, 2016 we entered into an Agreement and Plan of Reorganization to acquire the patents, know-how and trade secrets of PolarityTE NV. PolarityTE NV is the owner of patent applications and know-how related to regenerative medicine and tissue engineering, as well as software applications used in diagnosis and treatment related to regenerative medicine developed by our Chief Executive Officer, Chief Technology Officer and Chairman of our Board of Directors, Dr. Denver Lough. PolarityTE NV seeks to develop and obtain regulatory approval for technology that will utilize a patient's own tissue substrates for the regeneration of skin, bone, muscle, cartilage, fat, blood vessels and nerves.

With the foregoing goals and operational strategy in mind, we have directed resources towards building the operational base of the regenerative medicine business following the execution of the Agreement (defined below). In December 2016, the Company closed a private placement of its securities in which it received gross proceeds of approximately $2.2 million. There is no restriction on the use of proceeds of the private placement and the Company may apply the funds at the discretion of the Board of Directors and officers of the Company. The Company used $1.25 million of the proceeds of the financing to purchase lab equipment to support its research and development activities related to regenerative medicine and tissue engineering activities, as well as for general working capital and administrative expenses associated with its other businesses. In addition, the Company leased office and research and development space in Salt Lake City, Utah and acquired equipment necessary to perform high end tissue engineering development research, including single and multiphoton microscopes and tissue culture and base equipment together with obtaining certification for the use of all laboratory equipment. The Company is also building a research and development team suitable for pursuing its regenerative medicine and tissue engineering goals.

PolarityTE NV's product furthest in the development pipeline is an autologous (tissue from the patient themselves) skin regeneration construct, SkinTE^{TM} to regenerate fully functional skin with all of its layers, including epidermis, dermis, hypodermis, and all appendages including hair and glands. Projected timelines for development of the skin product, SkinTE^{TM}, include human pilot trials in the second quarter of 2017 and product registration with the FDA and commercial manufacturing anticipated to begin in the first quarter of 2018. Funds required to achieve the foregoing milestones and timelines for commercial manufacturing total less than $5 million based upon current estimates (including the initial $1.25 million already invested).

The Company currently has no plans or understandings to discontinue or divest its current existing software business although the Company has received inquiries from prospective purchasers of various assets and the business,

including from Jesse Sutton, the former founder of the Company and third parties. The Company may determine to dispose of such business in whole or in part, or discontinue such business, and may re-evaluate from time to time although presently 4 employees continue to be employed in direct activities related to such software business and administration and the Company is continuing to generate revenue from its sales of digital online games. The Company is diversifying its business model in an attempt to mitigate risk associated with focusing on one industry and increase the overall value of the Company for its shareholders.

Agreement and Plan of Reorganization

On December 1, 2016 we entered into the Agreement and Plan of Reorganization, as amended on December 16, 2016 (collectively, the "Agreement"), with Majesco Acquisition Corp., our wholly-owned subsidiary, PolarityTE NV and Dr. Denver Lough, the owner of 100% of the issued and outstanding shares of capital stock of PolarityTE NV (the "Seller") pursuant to which we will acquire certain intellectual property rights owned by the Seller (the "Intellectual Property") through the merger of Merger Sub with and into PolarityTE NV (the "Merger") with PolarityTE NV surviving as our wholly-owned subsidiary.

Upon closing of the transactions contemplated under the Agreement, including the Intellectual Property acquisition, which closing occurred on April 5, 2017, a result of the Merger, among other effects, 100% of the issued and outstanding shares of capital stock of PolarityTE NV, or 10,000 shares of common stock, owned by the Seller was cancelled and exchanged for 7,050 shares of our newly designated Series E Preferred Stock convertible into an aggregate of 7,050,000 shares of our Common Stock (the "Merger Consideration"). So long as the Series E Preferred Stock is outstanding, each share is entitled to two votes for every one share of Common Stock into which such shares of Series E Preferred Stock are convertible). Based on 5,132,515 shares of Common Stock outstanding, at closing, Dr. Lough beneficially owns approximately 59% of the issued and outstanding Common Stock (or 41.1% of the outstanding Common Stock on a fully diluted basis) and approximately 65.83% of the outstanding voting power (without regard to any ownership limitations with regards to holders of outstanding shares of Series A, B and C convertible preferred stock).

Corporate Background

The Company was incorporated in 2004 in the state of Delaware. Effective January 11, 2017, the Company changed its name to "PolarityTE, Inc." from "Majesco Entertainment Company."

Our principal executive offices are located at 4041-T Hadley Road, South Plainfield, NJ 07080 and our telephone number is (732) 225-8910. Our web site address is http://www.majescoent.com/.

Reverse Stock-Split

On July 27, 2016 the Company filed a certificate of amendment to its Restated Certificate of Incorporation with the Secretary of State of the State of Delaware in order to effectuate a reverse stock split of the Company's issued and outstanding Common Stock on a one for six basis. The reverse stock split became effective with NASDAQ at the open of business on August 1, 2016. The par value and other terms of the Company's Common Stock were not affected by the reverse stock split. The Company's post-reverse stock split Common Stock has a new CUSIP number, 560690 406. The Company's transfer agent, Equity Stock Transfer LLC, acted as exchange agent for the reverse stock split.

As a result of the reverse stock split, every six shares of the Company's pre-reverse stock split Common Stock were combined and reclassified into one share of the Company's Common Stock. No fractional shares of Common Stock were issued as a result of the reverse stock split.

All Common stock and per share amounts have been retroactively restated to give effect to the reverse stock split.

Industry Overview

The video game software market is comprised of the following two primary sectors: (i) dedicated console software for systems such as the Xbox, PlayStation, Wii, and handheld gaming systems, such as the Nintendo DS and Nintendo 3DS. The majority of software for these platforms has historically been purchased in packaged form through retail outlets. However, in recent years, an increasing amount of software has been made available digitally through online networks such as Microsoft's Xbox Live Arcade ("XBLA"), and Sony's PlayStation Network ("PSN"); and (ii) software for multipurpose devices such as personal computers and mobile devices such as smartphones and tablets.

Online and mobile digital games

We have released numerous games for digital distribution over various third party networks for dedicated game consoles or PC, such as XBLA, PSN and Steam. We have released titles for various mobile platforms, including Apple's iOS and Google's Android. We have published our own digital games and served as a distributor for other developer's products in return for a percentage of net revenues generated by the game. Some of the games are distributed under the label "Midnight City" which we established to provide services to the indie game development community.

Selected digital titles, their compatible platforms and launch dates included:

Selected Titles	Platform	Launch Date
Serious Sam	XBLA	March 2010
Bloodrayne Betrayal	Steam, XBLA, PSN	September 2011
Double Dragon:Neon	Steam, XBLA, PSN	September 2012
Bloodrayne	XBLA, PSN	July 2013
Greg Hastings Paintball	XBLA, PSN	July 2013
Zumba Dance	iOS	July 2013
Slender: The Arrival	Steam	October 2013

Blood of the Werewolf	Steam	October 2013
The Bridge	XBLA	November 2013
RBI Baseball	XBLA	April 2014
Slender: The Arrival	XBLA, PSN	September 2014
Costume Quest 2	Steam, XBLA, PSN	October 2014
Grapple	Steam	March 2015
Krautscape	Steam	April 2015
Avalanche 2: Super Avalanche	Steam	August 2015
Gone Home	Xbox 1, PSN	January 2016
A Boy and His Blob	Steam, XBLA, PSN, iOS,	January 2016

Retail distribution

Prior to July 2015, we derived the majority of revenues from the sale of games for dedicated game consoles through retail distribution. Specifically, we have generated a substantial amount of our revenues in this channel from two “hit” franchises, *Cooking Mama* and *Zumba Fitness*. These titles are late in their life cycle, and as a result, generated significantly reduced sales than early in their life cycle. We have also released a number of other titles, primarily for the casual game consumer on the Nintendo DS, Nintendo WII and Microsoft 360 Kinect. Retail distribution no longer constitutes any focus of our business.

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Product Development

We primarily use third party development studios to develop our games. However, we may employ game-production and quality-assurance personnel to manage the creation of the game and its ultimate approval by the first party hardware manufacturer. We carefully select third parties to develop video games based on their capabilities, suitability, availability and cost. We typically have broad rights to commercially utilize products created by the third party developers we work with. Development contracts are structured to provide developers with incentives to provide timely and satisfactory performance by associating payments with the achievement of substantive development milestones, and by providing for the payment of royalties to them based on sales of the developed product, only after we recoup development costs.

The process for producing video games also involves working with platform manufacturers from the initial game concept phase through approval of the final product. During this process, we work closely with the developers and manufacturers to ensure that the title undergoes careful quality assurance testing. Each platform manufacturer requires that the software and a prototype of each title, together with all related artwork and documentation, be submitted for its pre-publication approval. This approval is generally discretionary.

Intellectual Property

Our business is dependent upon intellectual property rights in numerous respects. We typically own the copyright to our software code and content and register copyrights and trademarks in the United States as appropriate.

Platform Licenses

Hardware platform manufacturers require that publishers obtain a license from them to publish titles for their platforms. We currently have non-exclusive licenses from Nintendo, Microsoft and Sony for each of the popular console and handheld platforms. Each license generally extends for a term of between two to four years and is terminable under a variety of circumstances. Each license allows us to create one or more products for the applicable system, and requires us to pay a per-unit license fee and/or royalty payment from the title produced and may include other compensation or payment terms. All of the hardware manufacturers approve each of the titles we submit for approval on a title-by-title basis, at their discretion. We are also dependent on approvals from distributors for our video game software for PCs and mobile devices.

Licenses from Third Parties

While we develop original titles, most of our titles are based on rights, licenses and properties, including copyrights and trademarks, owned by third parties. Even our original titles may require rights to properties from third parties, such as rights to music or content. License agreements with third parties generally extend for a term of between two to four years, are limited to specific territories or platforms and are terminable under a variety of circumstances. Several of our licenses are exclusive within particular territories or platforms. The licensors often have strict approval and quality control rights. Typically, we are obligated to make minimum guaranteed royalty payments over the term of these licenses and advance payments against these guarantees, but other compensation or payment terms, such as milestone payments, are also common. From time to time, we may also license other technologies from third party developers for use in our products, which also are subject to royalties and other types of payment.

Customers

Customers of our packaged software have historically been national and regional retailers, specialty retailers and video game rental outlets. Sony, Microsoft and Valve accounted for 47%, 37%, and 13%, respectively, of sales for the three months ended January 31, 2017. For the three months ended January 31, 2015, our top three accounts were Microsoft (digital), GameStop and Alliance Distributors, which accounted for approximately 13%, 10% and 10% of our revenue, respectively. In fiscal 2015, we transferred our distribution activities related to packaged software and reduced our headcount and working capital requirements dramatically in order to focus on the download business, where games are downloaded from servers maintained by game companies, such as Valve, Microsoft, Sony and Nintendo. Accordingly, currently our customers are substantially users of games on those platforms. We continue to explore new distribution channels for our games.

Competition

Gaming Business

We compete with many other first and third party publishers and developers within the video game industry.

Regenerative Medicine Business

Developing and commercializing regenerative medicine products is highly competitive requiring extensive research, both basic and clinical, to compete in an industry marked by rapid technological change. We face competition from both growing tissue engineering companies and major medical companies who produce or are developing a variety of products ranging from simple dressings to highly complex cellular and tissue based products. It may be difficult for us to respond to technological advances, especially from competitors with greater financial, marketing, sales, distribution, and manufacturing resources than us. In addition, such competitors may be in the process of seeking FDA approval and/or patent protection for newer products and technology that we are unaware of. Newer technology may enter the market in advance of our current products that are still in the development stage. In addition, we face competition from numerous existing products and procedures which currently are considered part of the standard of care.

Factors important for competing in our market include:

Outcomes achieved for treating various medical conditions;
Adoption by physicians and healthcare providers;
Ease of use of marketed products;
Technological superiority and ability to protect intellectual property;
Cost-benefit to the healthcare system, including ability to obtain reimbursement;
Marketing, manufacturing, and distribution; and
Path and speed to market entry.

We are aware of multiple competitors and competitive products within the regenerative medicine and wound care industries, including products such as Integra Bilayer Wound Matrix, EpiFix, Apligraf, Dermagraft, Grafix and Epicell. This list is only a small sampling of products produced by companies targeting the wound and burn care industry. In order to compete effectively with these and other products, we will aim to demonstrate superior outcomes while maintaining an acceptable safety profile to obtain adoption and adequate reimbursement from insurance carriers.

While there are numerous current technologies on the market and procedures used as standard of care, we are not aware of any technology that provides tissue regeneration in the same capacity of that developed by the Company. We are taking appropriate steps to fully protect our technology while pursuing the most streamlined path to the market. Nevertheless, the healthcare market is highly competitive and introducing a new product is difficult from both a time and cost standpoint.

Seasonality

The interactive entertainment business is highly seasonal, with sales typically higher during the peak holiday selling season during the fourth quarter of the calendar year. Traditionally, the majority of sales of our packaged software for this key selling period ship in our fiscal fourth and first quarters, which end on October 31 and January 31, respectively. Significant working capital was required to finance the manufacturing of inventory of products that shipped during these quarters. By contrast, our digital distribution activities are less subject to seasonality and do not require significant investments in inventory or accounts receivable during the holiday seasons.

Research and Development

For the three months ended January 31, 2017, the Company spent $30,000 on research and development which comprised of funds used for game development with Dinosaur Games, LLC. For the three months ended January 31, 2016, the Company did not spend any funds on research and development.

Government Regulation

Gaming Business

Our gaming business is subject to foreign and domestic government regulations including, but not limited to, user privacy, data collection and retention, content, advertising and information security. For example, the video game industry requires interactive entertainment software publishers to provide consumers with information about graphic violence and sexually explicit material contained in their interactive entertainment software products. This system requires publishers to identify particular products within defined rating categories and communicate such ratings to consumers through appropriate package labeling and through advertising and marketing presentations consistent with each product's rating.

Regenerative Medicine Business

Government authorities and/or laws in the United States and other countries regulate the manufacturing, approval, labeling, packaging, storage, record-keeping, and promotion of products such as those we are developing. Any product we are developing must comply with the standards required under which the product is classified by such government authorities and/or laws.

Regulation of Human Cells, Tissues, and Cellular and Tissue-Based Products (HCT/Ps)

In the United States, HCT/Ps are subject to varying degrees of regulation by the FDA, depending on if they fall within the scope of Section 361 of the Public Health Service Act (the "PHS Act") (42 U.S.C. 264) or if they are regulated as drugs, devices, and/or biological products under Section 351 of the PHS Act (42 U.S.C. 262) and/or the Federal Food, Drug, and Cosmetic Act (the "FD&C Act").

For HCT/Ps that meet all criteria of Title 21 CFR 1271.10(a) and are subject to regulation only under Section 361 of the PHS Act, those products are referred to as a "361 HCT/P" and no premarket approval is necessary. All establishments that manufacture 361 HCT/Ps must register and list their HCT/Ps with the Center for Biologics Evaluation and Research (CBER) within 5 days after commencing operations. In addition, establishments will be required to update their registration annually in December and submit changes in HCT/P listing within 6 months of such change. The establishment that manufacture 361 HCT/Ps will know that they are registered in compliance with 21 CFR 1271.10(a) when they receive a validated form with the registration number (FEI#) after submitting the Form FA 3356 (registration form). Current Good Tissue Practice (cGTP) requirements govern the methods used in recovery,

donor screening, donor testing, processing, storage, labeling, packing, and distribution of 361 HCT/Ps. FDA inspection and enforcement of establishments described in CFR 1271.10 includes inspection conducted, as deemed necessary, to determine compliance with the applicable provisions and may include, but is not limited to, an assessment of the establishment's facilities, equipment, finished and unfinished materials, containers, processes, HCT/Ps, procedures, labeling, records, files, papers, and controls required to be maintained under 21 CFR 1271. Such inspections can occur at any time with or without written notice at such frequency as is determined by the FDA in its sole discretion. For 361 HCT/Ps, advisory, administrative and judicial actions include: an untitled letter; warning letter; orders of retention, recall, destruction, and cessation of manufacturing; and prosecution.

Products considered 361 HCT/Ps are minimally manipulated, intended for homologous use only, and are not combined with another article with some exceptions. Examples include, but are not limited to, skin, epithelial cells on a synthetic matrix, manipulated autologous chondrocytes, amniotic membrane (when used alone or without added cells), bone, dura mater, cartilage, cornea, fascia, ligament, pericardium, peripheral umbilical cord blood stem calls, sclera, tendon, vascular grafts, heart valves, and reproductive cells and tissues (e.g. semen, oocytes, embryos).

For HCT/Ps that are regulated as drugs, devices, and/or biological products as "351 HCT/Ps", they must follow the appropriate regulations to obtain FDA approval according to their classification, which could include approval through a biologics license application (BLA), new drug application (NDA), premarket approval (PMA), or cleared through a premarket notification submission (501(k)). Such products are those that do not meet requirements to fall within 361 HCT/P regulations, including the requirements of minimal manipulation, homologous use, and/or combination with another article with some exceptions.

Given that the initial products we are developing, including our first product, which is an autologous skin regeneration product, SkinTE™, are HCT/P products, we will be required to comply with the regulations outlined above. Further classification and approach towards commercializing our products are underway and we are preparing for any pathway of manufacturing or regulation that is required. The manufacturer of our products has experience within these categories and has standardized manufacturing practices that to meet the requirements of cGTP manufacturing.

cGTP Requirements

cGTP manufacturing requirements govern the methods used in, and the facilities and controls used for, the manufacture of HCT/Ps, including but not limited to all steps in recovery, donor screening, donor testing, processing, storage, labeling, packing, and distribution. These requirements aim to prevent the introduction, transmission, or spread of communicable diseases by HCT/Ps by reducing the risk that they contain such agents and preventing contamination during manufacturing.

Effect of Government Regulations on Regenerative Medicine Business

The government's regulation of HCT/Ps includes requirements for registration and listing of products, donor screening and testing, processing and distribution, or cGTP, labeling, record keeping and adverse-reaction reporting, and inspection and enforcement.

Even if manufacturing cGTP requirements are met, pre-market clearance or approval is obtained, the manufacturing, approval or clearance may place substantial restrictions on the indications for which the product may be marketed or to whom it may be marketed, may require warnings to accompany the product or impose additional restrictions on the sale and/or use of the product. In addition, regulatory approval is subject to continuing compliance with regulatory standards, including the FDA's quality system regulations.

If the Company fails to comply with the FDA regulations regarding its tissue regeneration processes, the FDA could take enforcement action, including, without limitation, any of the following sanctions:

- Untitled letters, warning letters, fines, injunctions, and civil penalties;
- Operating restrictions, partial suspension or total shutdown of procedure;
- Refusing requests for clearance or approval of new procedures;
- Withdrawing or suspending current applications for approval or approvals already granted; and
- Criminal prosecution.

In addition to the above, it is likely that the regulation of HCT/Ps will continue to evolve in the future. Complying with any such new regulatory requirements may entail significant time delays and expense, which could have a material adverse effect on the Company's business.

Federal Anti-Kickback and False Claims Laws

There are laws and regulations that govern the means by which companies in the healthcare industry may market their treatments to healthcare professionals and may compete by discounting the prices of their treatments, including for example, the federal Anti-Kickback Statute, the federal False Claims Act, the federal Health Insurance Portability and Accountability Act of 1996, state law equivalents to these federal laws that are meant to protect against fraud and abuse and analogous laws in foreign countries. Violations of these laws are punishable by criminal and civil sanctions, including, but not limited to, civil and criminal penalties, damages, fines and exclusion from participation in federal and state healthcare programs, including Medicare and Medicaid. In addition, federal and state laws are also sometimes open to interpretation, and from time to time the Company may find itself at a competitive disadvantage if the Company's interpretation differs from that of its competitors.

Properties

The Company currently leases office space at 4041-T Hadley Road, South Plainfield, New Jersey at a cost of approximately $1,613 per month under a lease agreement that expires on March 31, 2017.

On December 1, 2016, the Company entered into a lease with Paradigm Resources, L.C. pursuant to which the Company will lease 5,331 square feet of office and lab space in Salt Lake City, Utah at a monthly lease rate of $12,439. The office and lab space is located at 615 Arapeen Drive, Salt Lake City, Utah 84108, and the lease commenced on January 1, 2017 and will terminate on December 31, 2017.

Legal Proceedings

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, the Company and a number of other game publisher defendants. The complaint alleged that the Company's Zumba Fitness Kinect game infringed plaintiff's patents in motion tracking technology and the plaintiff sought damages in the amount of $1.3 million. In August 2015, the defendants jointly moved to transfer the case to the Western District of Washington. On May 17, 2016, the Washington Court issued a scheduling order that provides that defendants leave to jointly file an early motion for summary judgement in June 2016. On June 17, 2016, the defendants jointly filed a motion for summary judgment that stated that none of the defendants, including the Company, infringed upon the asserted patent. On July 9, 2016, Mr. Baker opposed the motion. On January 3, 2017, the Court granted the defendants' motion for summary judgment and the case was dismissed.

In addition to the item 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.

Employees

We had ten full-time employees as of January 31, 2017.

PolarityTE NV

PolarityTE NV is the owner of a novel regenerative medicine and tissue engineering platform developed and patented by Dr. Denver Lough. This radical and proprietary technology employs a patient's own cells for the healing of full-thickness, functionally-polarized tissues. If clinically successful, the PolarityTE NV platform will be able to provide medical professionals with a truly new paradigm in wound healing and reconstructive surgery by utilizing a patient's own tissue substrates for the regeneration of skin, bone, muscle, cartilage, fat, blood vessels and nerves. It is because PolarityTE NV uses a natural and biologically sound platform technology, which is readily adaptable to a wide spectrum of organ and tissue systems that PolarityTE NV and its world-renowned clinical advisory board are poised to drastically change the field and future of translational regenerative medicine.

PolarityTE NV's launch product which is being prepared for clinical trials is the first ever truly autologous skin regeneration construct of its kind, which can regrow full-thickness and functional polarized skin, including all layers (dermis & epidermis), hair, and skin appendages. The PolarityTE NV constructs will offer patients a new option for wound healing—"where self regenerates self". In parallel with the clinical development of the functionally-polarized skin regenerative product, the PolarityTE NV platform provides a new and radical pipeline for expansion into numerous other tissues, including bone, muscle, cartilage, fat, blood vessels, nerves, solid organs and vascularized composite structures under a direct interface with practicing medical leaders, in order to provide patients and the market with truly practical answers to difficult wound and tissue voids.

Through its regenerative medicine efforts, the Company is developing the proprietary tissue engineering platform invented by Dr. Denver Lough to translate regenerative products into clinical application. Preliminarily, the technological platform has demonstrated the potential capacity to grow fully functional tissue across the entire spectrum of the musculoskeletal and integumentary systems, including skin, muscle, bone, cartilage, peripheral nerve,

fat, and fascia. Preliminary results indicate it has applications across solid organ and specialty tissue regeneration as well, including bowel, liver, kidney, and urethra. The product furthest in the development pipeline is an autologous (tissue from the patient themselves) skin regeneration construct, SkinTE™, to regenerate fully functional skin with all of its layers, including epidermis, dermis, hypodermis, and all appendages including hair and glands. SkinTE™ is preparing for clinical testing and market entry, and targeting a global wound care market of $40 billion. The platform provides a pipeline of products to follow in parallel, with plans for serial clinical and market entry, and each addressing separate and similarly sized potential markets. The Company's approach seeks to benefit from fewer regulatory and capital barriers to market entry, avoiding the long timelines associated with three phase trials and their associated costs seen with other competing technologies and therapeutics. The regenerative medicine business model being pursued takes advantage of the smaller regulatory hurdles, with streamlined product development from cell/tissue in vitro and ex vivo testing, to small and large animal preclinical models, manufacturing technology transfer, and ultimately clinical application and market entry occurring in a mapped out stepwise fashion for each product. Although skin regeneration and wound care is a robust market in and of itself, the platform technology provides a base that the Company believes will support a strategy to build a company that can diversify and grow continuously.

MANAGEMENT

EXECUTIVE OFFICERS

The following table sets forth information regarding the Company's executive officers and key personnel.

Executive Officers:

Name	**Position(s)**
Denver Lough	Chief Executive Officer, Chief Scientific Officer, Chairman and Class I Director
John Stetson	Chief Financial Officer, Executive Vice President and Class II Director
Edward Swanson	Chief Operating Officer and Class I Director
Michael Neumeister	Chief Medical Officer

The following is a brief summary of the background of each of our executive officers.

Dr. Denver Lough, 35*,* was appointed our Chairman, Chief Executive Officer and Chief Scientific Officer on December 1, 2016. From August 2009, Dr. Lough has served as Department of Surgery Faculty and Translational Research Director at Laboratory for Regenerative Medicine and Applied Sciences, Institute for Plastic Surgery Southern Illinois University School of Medicine, and from June 2013, he has served as Director of Biomedical Applications for Laboratory for Craniofacial Regenerative Medicine Johns Hopkins Hospital Department of Plastic and Reconstructive Surgery. In addition, Dr. Lough was a lead research associate in the Vascularized Composite Allotransplantation Laboratory at the Johns Hopkins Hospital Department of Plastic and Reconstructive Surgery and has been a research consultant to the Johns Hopkins Hendrix Burn Research Center. Dr. Lough was assembled as a member among other burn experts as a Taiwanese presidential disaster response team following the largest civilian burn disaster in 2015.

Since 2012 Dr. Lough has been a Plastic & Reconstructive Surgery House Staff Officer at Johns Hopkins University School of Medicine, Department of Plastic & Reconstructive Surgery. Dr. Lough also founded PolarityTE, LLC, PolarityTE NV and Lough & Associates LLC which are engaged in the business of developing intellectual property

related to regenerative medicine and related fields. Dr. Lough has received numerous accolades and awards by national societies related to basic and translational science applications in tissue engineering, regenerative medicine, and immunology as well as within solid organ and reconstructive transplantation. We believe that Dr. Lough is qualified to serve as a member of our Board because of his experience in clinical medicine and surgery as well as the development and innovation of technologies related to regenerative medicine and related patents and intellectual property which the Company has reviewed for potential development. Dr. Lough holds an M.D. and PhD in Biochemistry, Molecular and Cell Biology from Georgetown University which he earned in 2012.

John Stetson, 31**,** was appointed to our Board of Directors on December 1, 2016 and has served as our Chief Financial Officer, Executive Vice President and Secretary since September 25, 2015. Mr. Stetson has been the Managing Member of HS Contrarian Investments LLC, a private investment firm with a focus on early stage companies since 2010. In addition, Mr. Stetson served as Executive Vice President, Chief Financial Officer, and Director of Marathon Patent Group, Inc. (MARA), a NASDAQ listed patent monetization company from June 2012 to February 2015. Mr. Stetson was President & Co-Founder of Fidelity Property Group, Inc. from April 2010 to July 2014, a real estate development group focused on acquisition, rehabilitation, and short-term disposition of single family homes that completed 190 transactions, and generated over $46 million in sales. Mr. Stetson was an Investment Analyst from 2008 to 2009 for Heritage Investment Group and worked in the division of Corporate Finance of Toll Brothers from 2007 to 2008. Mr. Stetson received his BA in Economics from the University of Pennsylvania. We believe that Mr. Stetson is qualified to serve as a member of our Board because of his skills in finance and public company management and administration.

Dr. Edward Swanson, 31, was appointed as Chief Operating Officer and Director of the Company on December 1, 2016. Following completion of his undergraduate degree in Applied Sciences in Biomedical Sciences at the School of Engineering and Applied Sciences at the University of Pennsylvania, Dr. Swanson received his medical degree from Harvard Medical School, where he attended as a student from August 2008 to May 2012, graduating with honors for his thesis researching surgical outcomes within craniofacial and plastic surgery. From July 2012 until December 2016, Dr. Edward Swanson was a Surgical Resident in Plastic & Reconstructive Surgery in the Department of Plastic and Reconstructive Surgery at The Johns Hopkins University School of Medicine. During his time at Johns Hopkins, he served in a leadership role within the residency, sitting on the Program Evaluation Committee from July 2015 to December 2016 and The Johns Hopkins Hospital Housestaff Patient Safety and Quality Council from July 2014 to June 2015. Dr. Swanson has extensive experience in basic and translational biomedical research, including as a research associate in Wound Healing in the Division of Plastic Surgery at the Brigham and Women's Hospital and Harvard Medical School from May 2004 to August 2004, thesis student in Traumatic Brain Injury at the University of Pennsylvania from August 2006 to May 2007, research fellow in Pancreatic Cancer Cellular Biology at the Brigham and Women's Hospital and Harvard Medical School from July 2007 to July 2008, research fellow in Nanomedicine at Harvard Medical School and MIT from May 2008 to August 2008, and research fellow in Vascularized Composite Allotransplantation at the Massachusetts General Hospital and Harvard Medical School during his final year of medical school. In addition, Dr. Swanson directed the large animal translational research as a lead research associate in the Vascularized Composite Allotransplantation Laboratory in the Department of Plastic and Reconstructive Surgery at The Johns Hopkins University School of Medicine from July 2014 to June 2015, overseeing experimental projects funded by multimillion dollar grants. Furthermore, Dr. Swanson has demonstrated national and international leadership throughout the field of plastic and reconstructive surgery at a young age, with greater than 40 peer-reviewed publications, five book chapters, and 30 national/international conference presentations. We believe that Dr. Swanson is qualified to serve as a member of our Board because of his experience in technology related to regenerative medicine and related patents and technology and their clinical applications, which the Company has reviewed for potential development.

Dr. Michael Neumeister, 55, was appointed Chief Medical Officer in December 2016. Dr. Neumeister has been associated with the Southern Illinois University School of Medicine in various positions since 1997, to wit: Chairman of Department of Surgery (2012-present); Chairman of the Institute of Plastic Surgery (2006-present); Professor at the Institute of Plastic Surgery (2005-present); Elvin G. Zook Endowed Chair of the Institute of Plastic Surgery (2008-present); Director-Hand/Micro Surgery Fellowship Program at Institute of Plastic Surgery (2007-present); Chief, Microsurgery and Research at Institute of Plastic Surgery (1999-present); Director-Plastic Surgery Residency Program at Institute of Plastic Surgery (1998-2008); Associate Professor at Institute of Plastic Surgery (2000-2005); and Assistant Professor at Institute of Plastic Surgery (1997-2000). Dr. Neumeister began his residency at Dalhousie University in Halifax, Nova Scotia in general surgery and went on to complete his plastic surgery residency at the University of Manitoba. He continued his training as a microsurgery fellow at Harvard University's Brigham & Women's Hospital in Boston and completed a one year hand and microsurgery fellowship at Southern Illinois University School of Medicine. Dr. Neumeister is board certified in plastic surgery by the Royal College of Surgeons of Canada and the American Board of Plastic Surgery. He has also received his Certificate in (SOTH) Surgery of The Hand. Dr. Neumeister has received awards for presentations given regionally, nationally and internationally, has over 150 book chapters and articles, and has multiple research interests in tissue engineering and regenerative medicine. Dr. Neumeister is the Editor in Chief of the official AAHS journal HAND. He is the past President of the American Society of Reconstructive Microsurgery, American Association for Hand Surgery, The Plastic Surgery Foundation (The Research Body of The American Society of Plastic Surgeons), Plastic Surgery Research Council, and the Midwest Association of Plastic Surgeons. Dr. Neumeister received his Doctor of Medicine from the University of Toronto in 1988 and his Bachelor of Science (Physiology/Pharmacology) from the University of Western Ontario in

1984.

Board of Directors

We currently have a staggered Board comprised of three classes and each director serves until the annual meeting associated with their class. Class I Board members, or Denver Lough and Edward Swanson, will serve until our 2018 annual meeting, Class II Directors, or John Stetson and Steve Gorlin, will serve until our 2019 annual meeting and Class III Directors, or Jeff Dyer, Michael Beeghley and Jon Mogford, will serve until our 2017 annual meeting.

Board of Directors

Name	Age	Position
Denver Lough	35	Chairman, Chief Executive Officer, Chief Scientific Officer and Class I Director
John Stetson	31	Class II Director and Chief Financial Officer
Edward Swanson	31	Class I Director and Chief Operating Officer
Steve Gorlin	79	Class II Director (1)(2)(3)
Jeff Dyer	58	Class III Director (1)(2)(3)
Michael Beeghley	50	Class III Director (1)(2)(3)
Jon Mogford	49	Class III Director

(1) Member of our audit committee

(2) Member of our compensation committee

(3) Member of our nominating and corporate governance committee

Background Information

The following is a brief summary of the background of each of our directors.

Dr. Denver Lough – Chairman, Chief Executive Officer and Chief Scientific Officer

Biographical information regarding Dr. Lough is provided above under Executive Officers.

John Stetson – Chief Financial Officer, Executive Vice President, Secretary and Director

Biographical information regarding Mr. Stetson is provided above under Executive Officers.

Dr. Edward Swanson – Chief Operating Officer and Director

Biographical information regarding Dr. Swanson is provided above under Executive Officers.

Steve Gorlin– Director

Steve Gorlin has founded several biotechnology and pharmaceutical companies over the past 40 years, including Hycor Biomedical, Inc. (acquired by Agilent), Theragenics Corporation (NYSE: TGX), CytRx Corporation (NASDAQ: CYTR), Medicis Pharmaceutical Corporation (acquired by Valeant), EntreMed, Inc. (NASDAQ: ENMD), MRI Interventions, DARA BioSciences, Inc. (NASDAQ: DARA), MiMedx Group, Inc. (NASDAQ: MDXG), and Medivation, Inc. (NASDAQ: MDVN). Since December 2014, Mr. Gorlin has served as a director of Catasys, Inc. and Co-Chairman of the board of directors of Medovex, Inc., and since May 2011 he has served on the board of directors of NTC China, Inc. In addition, since 2011, Mr. Gorlin has served as a member of the board of directors of DemeRX, Inc. ("DemeRX") and from 2011 until 2012 he served as Chairman of the board of DemeRX. Since July 2015, he has also served as Vice Chairman of the board of NantKwest, Inc. and from July 2013 until May 2015 he served on various executive committees and the board of directors of Conkwest, Inc., a private company, which is now NantKwest, Inc. From November 2006 until June 2013, Mr. Gorlin served as a member of the board of directors of MiMedx Group, Inc. From 2010 until 2014 Mr. Gorlin served on the Business Advisory Council to the Johns Hopkins School of Medicine, from 2011 until 2013 he served on The Johns Hopkins BioMedical Engineering Advisory Board and from 2007 until 2011 he served on the Board of the Andrews Institute. He is presently a member of the Research Institute Advisory Committee (RIAC) of Massachusetts General Hospital. Mr. Gorlin founded a number of non-medical related companies, including Perma-Fix, Inc., Pretty Good Privacy, Inc. (sold to Network Associates), Judicial Correction Services, Inc. (sold to Correctional Healthcare) and NTC China, Inc. He started The Touch Foundation, a nonprofit organization for the blind and was a principal financial contributor to the founding of Camp Kudzu for diabetic children. Mr. Gorlin is qualified to serve as a member of the Company's Board because of his experience in regenerative medicine and pharmaceutical drug and medical device research and development.

Jeff Dyer – Director

Jeff Dyer was appointed to our Board of Directors on March 2, 2017. Mr. Dyer has served as the Horace Beesley Professor of Strategy at Brigham Young University since September 1999. From August 1993 until September 1999 he served as an Assistant Professor at Wharton School, University of Pennsylvania, and from July 1984 until September 1988 he served as Management Consultant and Manager of Bain & Company. Mr. Dyer received his Bachelor of Science degree in psychology and MBA from Brigham Young University and his PhD in management from University of California, Los Angeles. Mr. Dyer is qualified to serve as a member of the Company's Board because of his extensive business and management expertise and knowledge of capital markets.

Michael Beeghley – Director

Michael Beeghley was appointed to our Board of Directors on December 18, 2015. Mr. Beeghley has 25 years of financial industry experience, including 23 years specifically in corporate finance and financial advisory services. Mr. Beeghley has been serving as President of Applied Economics LLC ("Applied Economics"), a national corporate finance and financial advisory services firm for 18 years. As President of Applied Economics, Mr. Beeghley has initiated managed and closed over $1 billion in corporate finance transactions and has managed, completed and signed over 2,000 financial advisory engagements. Mr. Beeghley is a national expert on mergers & acquisitions and securities valuation, and has been quoted or interviewed for the Atlanta Journal-Constitution, Atlanta Business Chronicle, The Georgia Business Report (GPTV), Catalyst Magazine, and Reuters News Service (New York). He has spoken on financial topics throughout the United States and has been an instructor for the American Institute of Certified Public Accountants, teaching business valuation to societies in ten states. Additionally, Mr. Beeghley has testified as an expert and provided expert opinions on numerous economic, financial and securities issues. Prior to forming Applied Economics, Mr. Beeghley was a Manager in the Corporate Finance Group of Ernst & Young, LLP and a Senior Analyst in the Corporate Finance Group of PricewaterhouseCoopers. Mr. Beeghley is qualified to serve as a director due to his extensive corporate finance background.

Dr. Jon Mogford – Director

Dr. Jon Mogford has served in various capacities for the Texas A&M University System ("Texas A&M"). Since May 2013, Dr. Mogford has served as the Vice Chancellor for Research, from August 2012 until April 2013 he served as the Chief Research Officer and from November 2011 until August 2012 he served as Associate Vice Chancellor for Strategic Initiatives at Texas A&M. Prior to joining the Texas A&M in 2011, from February 2010 until October 2011, Dr. Mogford served as Deputy Director of the Defense Sciences Office (DSO) of the Defense Advanced Research Projects Agency (DARPA) in the U.S. Department of Defense. From July 2005 until January 2009, Dr. Mogford served as Program Manager of DSO of DARPA. In addition, since November 2016, Dr. Mogford has served as a member of the board of directors of Medovex Corp. Dr. Mogford is the recipient of the Secretary of Defense Medal for Outstanding Public Service. Dr. Mogford obtained his bachelor's degree in Zoology from Texas A&M University

and doctorate in Medical Physiology from the Texas A&M University Health Science Center, College Station, Texas. His research in vascular physiology continued at the University of Chicago as a Postdoctoral fellow from 1997 until 1998. Dr. Mogford transitioned his research focus to the field of wound healing at Northwestern University, both as a Research Associate and also as a Research Assistant Professor from 1998 until 2003. He then served as a Life Sciences Consultant to DARPA on the Revolutionizing Prosthetics program from December 2003 until June 2005. Dr. Mogford is qualified to serve as a member of the Company's Board because of his experience and research in regenerative medicine.

Independence of the Board of Directors

The Board has reviewed the materiality of any relationship that each of our directors has with PolarityTE NV, either directly or indirectly. Based upon this review, the Board has determined that the following members of the Board are "independent directors" as defined by the rules of The NASDAQ Stock Market: Michael Beeghley, Jeff Dyer, Steve Gorlin and Dr. Jon Mogford.

Arrangements between Officers and Directors

To our knowledge, there is no arrangement or understanding between any of our officers and any other person, including Directors, pursuant to which the officer was selected to serve as an officer.

Family Relationships

None of our Directors are related by blood, marriage, or adoption to any other Director, executive officer, or other key employee

Other Directorships

Other than as disclosed above, none of the Directors of the Company are also directors of issuers with a class of securities registered under Section 12 of the Exchange Act (or which otherwise are required to file periodic reports under the Exchange Act).

Legal Proceedings

We are not aware of any of our directors or officers being involved in any legal proceedings in the past ten years relating to any matters in bankruptcy, insolvency, criminal proceedings (other than traffic and other minor offenses) or being subject to any of the items set forth under Item 401(f) of Regulation S-K.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee has no interlocks with other companies.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following Summary Compensation Table sets forth summary information as to compensation paid or accrued during the last two fiscal years ended October 31, 2016 and October 31, 2015. During the last two fiscal years ended October 31, 2016 and October 31, 2015, none of our other executive officers earned compensation in excess of $100,000.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards (1) ($)	Option Awards (2) ($)	Non-Equity Incentive Plan Compensation (3) ($)	All Other Compensation (4) ($)	Total ($)
Barry Honig, Chief Executive Officer and Co-Chairman of the Board (5)	2016	55,385	-0-	451,500 (11)	293,125 (19)	-0-	-0-	800,010
	2015	8,308	-0-	496,000 (12)	-0-	-0-	-0-	504,308
John Stetson Chief Financial Officer (6)	2016	151,385	-0-	451,500 (11)	293,125 (19)	-0-	-0-	896,010
	2015	8,308	-0-	372,000 (13)	14,684 (20)	-0-	-0-	394,992
David Rector Former Chief Executive Officer (7)	2016	-0-	-0-	42,998 (14)	32,782 (20)	-0-	-0-	75,780
	2015	6,708	-0-	116,000 (15)	6,273 (21)	-0-	-0-	128,981
Jesse Sutton Former Chief Executive Officer (8)	2016	-0-	-0-	-0-		-0-	-0-	-0-
	2015	273,646	-0-	15,841 (16)	30,546 (22)	-0-	513,859 (24)	833,892
Michael Vessey Former Chief Financial Officer (9)	2016	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2015	140,770	-0-	46,560 (17)	14,684 (23)	-0-	305,900 (25)	507,914
Gary Anthony Former Chief Financial Officer (10)	2016	-0-	-0-	-0-		-0-	-0-	-0-
	2015	89,200	30,000	28,000 (18)		-0-	-0-	147,200

(1) Represents the aggregate grant date fair value for restricted stock awards granted during fiscal years 2015 and 2016, respectively, computed in accordance with FASB ASC Topic 718. See Note 9 to our consolidated financial statements reported in our Annual Report on Form 10-K for our fiscal year ended October 31, 2016 for details as to the assumptions used to determine the grant date fair value of the restricted stock awards.

(2) Represents the aggregate grant date fair value for option awards granted during fiscal years 2015 and 2016, respectively, computed in accordance with FASB ASC Topic 718. See Note 9 to our consolidated financial statements reported in our Annual Report on Form 10-K for our fiscal year ended October 31, 2016 for details as to the assumptions used to determine the grant date fair value of the option awards.

(3) Represents amounts paid to named executive officers in the applicable year pursuant to the Company's STI Plan.

(4) Represents health and dental insurance premiums in excess of coverage provided to other employees.

(5) Appointed on September 25, 2015. Resigned as Chief Executive Officer and Chairman on December 1, 2016.

(6) Appointed on September 25, 2015.

(7) Served as Chief Executive Officer from July 27, 2015 until September 25, 2015.

(8) Resigned on July 27, 2015.

(9) Resigned on March 17, 2015.

(10) Served as Chief Accounting Officer from April 1, 2015 to September 25, 2015, prior to this beginning May 2011, he served as the Company's Corporate Controller.

(11) Represents 87,500 shares at a grant date fair value of $5.16 per common share.

(12) Represents 66,666 shares at a grant date fair value of $7.44 per common share.

(13) Represents 50,000 shares at a grant date fair value of $7.44 per common share.

(14) Represents 8,333 shares at a grant date fair value of $5.16 per common share.

(15) Represents 16,667 shares at a grant date fair value of $6.96 per common share.

(16) Represents 3,882 shares at a grant date fair date value of $4.08 per common share.

(17) Represents 2,588 shares at a grant date fair value of $4.08 per common share and 5,000 shares at a grant date fair value of $7.20 per common share.

(18) Represents 3,333 shares at a grant date fair value of $8.04 per common share.

(19) Represents stock options to purchase 87,500 common shares at an exercise price of $4.80 per common share.

(20) Represents stock options to purchase 8,333 common shares at an exercise price of $4.80 per common share and to purchase 1,916 common shares at an exercise price of $5.22 per common share.

(21) Represents stock options to purchase 1,166 common shares at an exercise price of $8.58 per common share.

(22) Represents stock options to purchase 11,958 shares of common stock at an exercise price of $4.08 per common share.

(23) Represents stock options to purchase 5,745 common shares at an exercise price of $4.08 per common share.

(24) Represents $13,859 paid for health and dental insurance premiums in excess of coverage provided to other employees as well as $500,000 paid in severance payments paid to Zift Interactive, LLC.

(25) Represents $5,900 paid for health and dental insurance premiums in excess of coverage provided to other employees and $300,000 in severance payments.

Narrative Disclosure to Summary Compensation Table

Incentive Bonus Opportunity

The Compensation Committee has the authority to award incentive bonuses to our executives. The incentive bonus program is based on the Company's fiscal year performance.

The incentive bonus program is an important component of total cash compensation because it rewards our executives for achieving annual financial and operational goals and emphasizes variable or "at risk" compensation.

On April 19, 2013, the Compensation Committee approved the adoption of a new annual short-term incentive plan for fiscal year 2013 and subsequent years (the "STI Plan"). In 2013, under the STI Plan, each of the named executive officers was eligible to receive an incentive bonus based upon a targeted percentage of his base salary, which was 100% for the Chief Executive Officer and 50% for the Chief Financial Officer. The incentives could be earned based on our performance relative to a mix of strategic objectives, such as (i) growing cash flow from our console business, (ii) expanding our digital games business, measured in terms of revenue, infrastructure and talent acquisitions, business acquisitions, and product pipeline, and (iii) managing to adjusted operating income, cash flow and liquidity goals, eliminating operating losses on certain platforms, and repositioning the Company to invest in growth areas. In addition, in determining the eligibility for bonuses under the plan, the payout level for the strategic objectives was based on the Committee's discretionary assessment of each officer's performance relative to the overall mix of objectives. Based on its review of overall performance, the Compensation Committee approved an incentive payout of $150,000 for the Chief Executive Officer and $84,000 for the Chief Financial Officer.

No incentive plan was offered for fiscal year 2016.

Long-Term Incentives

We believe that long-term performance will be enhanced through equity awards that reward our executives and other employees for maximizing stockholder value over time and that align the interests of our executives and other employees with those of stockholders. The Compensation Committee believes that the use of equity awards offers the best approach to achieving our compensation goals because equity ownership ties a significant portion of an individual's compensation to the performance of our stock.

On March 30, 2015, at our 2015 annual meeting, our stockholders approved the Company's 2014 Equity Incentive Plan (the "2014 Plan") and the reservation of 2,250,000 shares of our Common Stock thereunder. On May 10, 2016, at our 2016 annual meeting, our stockholders approved the Company's 2016 Equity Incentive Plan (the "2016 Plan" and together with the 2014 Plan, the "Plans") and the reservation of 4,000,000 shares of our Common Stock thereunder. Awards under the Plans may be granted pursuant to the Plans only to persons who are eligible persons. Under the Plans, "Eligible Person" means any person who is either: (a) an officer (whether or not a director) or employee of the Company or one of its subsidiaries; (b) a director of the Company or one of its subsidiaries; or (c) an individual consultant who renders bona fide services (other than services in connection with the offering or sale of securities of the Company or one of its subsidiaries in a capital-raising transaction or as a market maker or promoter of securities of the Company or one of its subsidiaries) to the Company or one of its subsidiaries and who is selected to participate in the Plans by the Plan administrator; provided, however, that an Eligible Person may only participate in the Plans if such participation would not adversely affect either the Company's eligibility to use Form S-8 to register, under the Securities Act, the offering and sale of shares issuable under the Plans by the Company or the Company's compliance with any other applicable laws.

On December 17, 2014, the Company granted restricted stock shares to certain of its executive officers and directors in consideration for their respective roles in the Company. These restricted stock awards, were granted under the Company's Amended and Restated 2004 Employee, Director and Consultant Incentive plan and were subject to a trigger event that occurred on September 30, 2015, which vested the shares in full.

The shares granted to our officers and directors under these stock awards are as follows:

Name	Shares
Jesse Sutton	3,883
Michael Vesey	2,589
Laurence Aronson	3,883
Stephen Wilson	2,589
Trent Davis	1,079
Mohit Bhansali	1,079
Adam Sultan	2,157

On December 17, 2014, the Company granted options to purchase Common Stock to certain of its executive officers and directors in consideration for their respective roles in the Company. The stock options were granted with an exercise price of $4.08 per share and would fully vest upon a trigger event, which occurred on September 30, 2015, and are exercisable until December 17, 2019. They were granted under the 2014 Plan.

The shares granted to our officers and directors under these stock awards are as follows:

Name	Option Award
Jesse Sutton	11,951
Michael Vesey	5,745
Laurence Aronson	11,951
Stephen Wilson	10,745
Trent Davis	9,339
Mohit Bhansali	9,339
Adam Sultan	2,010
9,339	

On April 23, 2015, Laurence Aronson, Mohit Bhansali and Trent Davis were each granted options to purchase 1,191 shares of Common Stock with an exercise price of $8.40 per share. These awards were granted pursuant to the 2014 Plan. The options fully vested on October 23, 2015, and they are exercisable until April 23, 2020.

On June 27, 2015, David Rector was granted 16,667 restricted stock units. The vesting on this grant was accelerated on January 12, 2016. These awards were granted under the 2014 Plan.

On July 27, 2015, David Rector was granted options to purchase 1,166 shares of Common Stock with an exercise price of $8.58 per share. These awards were granted under the 2014 Plan.

On September 30, 2015, we entered into Restricted Stock Agreements with certain of our executive officers and directors. The stock awards provide for grants of Common Stock to our officers and directors under the 2014 Plan. The stock awards all vested on December 1, 2016.

The shares of Common Stock granted to our officers and directors under these stock awards are as follows:

Name	Shares
Barry Honig	66,666
John Stetson	50,000
Michael Brauser	66,666
Mohit Bhansali	4,166
Edward Karr	8,333
Andrew Kaplan	8,333

On December 18, 2015, we entered into Restricted Stock Agreements with certain of our executive officers and directors. The stock awards provide for grants of common stock to our officers and directors under the 2014 Plan. The stock awards all vested on December 1, 2016.

The shares of Common Stock granted to our officers and directors under these stock awards are as follows:

Name	Shares
Michael Beeghley	8,333

Additionally, on December 18, 2015, Michael Brauser, Andrew Kaplan, Edward Karr, and Michael Beeghley were granted option to purchase 1,587 stock shares of Common Stock with an exercise price of $6.30 per share. These options fully vested six months from the grant date.

On June 1, 2016, Michael Brauser, Michael Beeghley, Andrew Kaplan, Edward Karr, Mohit Bhansali and David Rector were granted options to purchase 1,915 shares of Common Stock at an exercise price of $5.22 per share which options vested in full six months from the date of grant.

On December 7, 2016, the Company granted options with an exercise price of $3.12 per share to the individuals listed below pursuant to the 2017 Plan.

Name and Position	**Number of Options**
	1,000,000

Denver Lough Chief Executive Officer, Chief Scientific Officer and Chairman	846,000
Edward Swanson Chief Operating Officer and director	141,000
Michael Neumeister Chief Medical Officer	141,000
Jeff Dyer Director	141,000
Matthew Swanson	50,000
Stephen Milner	10,000
Anthony Blum Laboratory Manager	50,000
Nicholas Baetz	75,000
Devin Miller Director of Translational Medicine and Regulatory Strategy	10,000
Christine Hashimoto	10,000
Mary Dyer Lough Clinical Research Coordinator	50,000
Steve Gorlin Director	50,000
Jon Mogford Director	

On December 1, 2016, the Company granted restricted stock awards to the individuals listed below pursuant to the 2017 Plan.

Name and Position	**Number of Restricted Stock Awards**
Barry Honig Former Chief Executive Officer and Chairman	125,000
John Stetson Chief Financial Officer and Director	175,000
Michael Brauser Former Director	75,000
Michael Beeghley Director	15,000
Andrew Kaplan Former Director	15,000
Edward Karr Former Director	15,000
Mohit Bhansali Former Director	15,000
	15,000

David Rector Former Director	
Steve Gorlin	50,000
Director	
Jon Mogford	50,000
Director	

Employment and Separation Agreements

During 2015 and 2016, we had employment agreements with each of the named executive officers.

Denver Lough's Employment Agreement

On December 1, 2016, the Company entered into an employment agreement with Dr. Denver Lough (the "Lough Employment Agreement"). Pursuant to the terms of the Lough Employment Agreement, Dr. Lough will serve as Chairman of the Board and as Chief Executive Officer and Chief Scientific Officer of the Company for a term of one year which shall be automatically renewed for successive one year periods thereafter unless earlier terminated. Pursuant to the Lough Employment Agreement, the Company shall pay Dr. Lough (i) a one-time signing bonus of $100,000, (ii) an annual base salary of $350,000, (iii) an annual discretionary bonus, as determined by the Board, in an amount up to 100% of Dr. Lough's then current base salary and (iv) 10 year options (the "Lough Options") to purchase up to 1,000,000 shares of the Company's Common Stock at an exercise price of $3.15 per share (equal to 100% of the market price as defined by NASDAQ ("Fair Market Value")) which Options shall vest in 24 equal installments commencing on the one month anniversary of the Lough Employment Agreement. The Lough Options were granted pursuant to the Company's 2017 Plan.

Edward Swanson's Employment Agreement

On December 1, 2016, the Company entered into an employment agreement with Edward Swanson (the "Swanson Employment Agreement"). Pursuant to the terms of the Swanson Employment Agreement, Dr. Swanson will serve as Chief Operating Officer of the Company for a term of one year which shall be automatically renewed for successive one year periods thereafter unless earlier terminated. Pursuant to the Swanson Agreement, the Company shall pay Dr. Swanson (i) a one-time signing bonus of $100,000, (ii) an annual base salary of $300,000, (iii) an annual discretionary bonus, as determined by the Board, in an amount up to 100% of Dr. Swanson's then current base salary and (iv) 10 year options (the "Swanson Options") to purchase up to 846,000 shares of the Company's Common Stock pursuant to the 2017 Plan at Fair Market Value which Swanson Options shall vest in 24 equal installments commencing on the one month anniversary of the Swanson Employment Agreement.

Jesse Sutton's Employment Agreement and Separation Agreement

Mr. Sutton's employment agreement provided for an annual base salary of $363,000 and a discretionary bonus of up to 100% of his base salary. On July 27, 2015, Mr. Sutton resigned from his position as Chief Executive Officer of the Company and the Company entered into a separation agreement with Mr. Sutton (the "Sutton Separation Agreement"). Pursuant to the terms of the Sutton Separation Agreement, for a period of 24 months following Mr. Sutton's resignation, Mr. Sutton will provide consulting and support services (the "Services") to the Company's Download Business (as defined in the Separation Agreement). In addition, Mr. Sutton is expected to receive a severance payment, which will include 50% of the Net Monthly Revenues (as defined in the Sutton Separation Agreement) generated by the Company from the Download Business (as defined in the Sutton Separation Agreement), but in no event more than $10,000 per month; *provided* that Mr. Sutton is still providing the Services. In addition, the Company continued its contributions towards Mr. Sutton's health care benefits until the earlier of (i) 12 months following Mr. Sutton's resignation or (ii) until Mr. Sutton becomes covered by an equivalent benefit. Lastly, Mr. Sutton shall has 18 months from his date of resignation to exercise any previously issued stock options, except that the original expiration date of any such options shall not be extended.

Michael Vesey's Employment Agreement and Separation Agreement

Mr. Vesey's employment agreement provided for an annual base salary of $300,000 and an annual cash bonus to be determined in the sole discretion of the Company. On February 17, 2015, Mr. Vesey entered into a separation agreement (the "Vesey Separation Agreement") with the Company pursuant to which Mr. Vesey resigned as the Company's Chief Financial Officer effective March 17, 2015. Pursuant to the Vesey Separation Agreement, Mr. Vesey provided general business and consulting services to the Company to assist in transitional needs and activities of the Company for a period of six months following his resignation. In addition, upon his resignation and in addition to the other benefits as outlined his employment agreement, Mr. Vesey received a lump sum payment of $200,000 and an additional payment of $100,000 thereafter payable in six equal monthly installments. Moreover, the Company agreed

to vest all of Mr. Vesey's previously unvested securities, other than securities granted pursuant to the Company's 2014 Plan and, in consideration for Mr. Vesey's consulting services, the Company granted Mr. Vesey 5,000 shares of restricted Common Stock under the 2014 Plan.

Barry Honig's Employment Agreement

Mr. Honig's employment agreement provides for an annual base salary of $120,000 and a discretionary bonus to be determined by the Compensation Committee. Pursuant to the terms of the employment agreement, Mr. Honig would be entitled to certain payments and benefits if the Company terminated the executive's employment without "cause" or the executive terminated his employment for "good reason". Benefits are also provided if the executive is terminated in connection with a change in control. The benefit levels under the employment agreement generally include continued payment of base salary, a bonus for the year of termination, accelerated vesting of equity awards and continued welfare benefits, and are described in more detail under the "Potential Payments Upon Termination or Change-In-Control" below. Mr. Honig resigned as Chief Executive Officer on December 1, 2016.

John Stetson's Employment Agreement

Mr. Stetson's employment agreement provides for an annual base salary of $120,000 and a discretionary bonus to be determined by the Compensation Committee. Pursuant to the terms of the employment agreement, Mr. Stetson would be entitled to certain payments and benefits if the Company terminated the executive's employment without "cause" or the executive terminated his employment for "good reason". Benefits are also provided if the executive is terminated in connection with a change in control. The benefit levels under the employment agreements generally include continued payment of base salary, a bonus for the year of termination, accelerated vesting of equity awards and continued welfare benefits, and are described in more detail under the "Potential Payments Upon Termination or Change-In-Control" below.

Potential Payments Upon Termination or Change-In-Control

We have entered into agreements that require us to make payments and/or provide benefits to certain of our executive officers, including Mr. Honig and Mr. Stetson, in the event of a termination of employment or a change of control. The following summarizes the potential payments to each named executive officer for which we have entered into such an agreement assuming that one of the events identified below occurs.

Dr. Denver Lough, Chief Executive Officer and Chief Scientific Officer

If Dr. Lough terminates the Lough Employment Agreement for Good Reason (as defined in the Lough Employment Agreement) or a Change of Control (as defined in the Lough Employment Agreement) or the Company terminates the Lough Employment Agreement without Cause (as defined in the Lough Employment Agreement), then Dr. Lough shall be entitled to receive (i) the sum of his then base salary from the date of termination, (ii) reasonable expenses incurred by Dr. Lough in connection with the performance of his duties, (iii) accrued but unused vacation time through the date of termination, (iv) the sum of this then annual bonus and (v) all Share Awards (as defined in the Lough Employment Agreement) earned and vested prior to the date of termination. In addition, Dr. Lough shall have the right to Participation Payments (as defined in the Lough Employment Agreement) from commercial transactions associated with the Patents (as defined in the Lough Employment Agreement) and intellectual property rights associated with such Patents. If the Company terminates the Lough Employment Agreement for Cause, the Company will have no further obligations or liability to Dr. Lough except for the obligation to (i) pay Dr. Lough his then annual salary through the date of termination, (ii) unpaid annual bonus pursuant to the terms of the Lough Employment Agreement, (iii) reasonable expenses incurred by Dr. Lough in connection with the performance of his duties and (v) accrued but unused vacation time through the date of termination.

Dr. Swanson, Chief Operating Officer

If Dr. Swanson terminates the Swanson Employment Agreement for Good Reason (as defined in the Swanson Employment Agreement) or a Change of Control (as defined in the Swanson Employment Agreement) or the Company terminates the Swanson Employment Agreement without Cause(as defined in the Swanson Employment Agreement), then Dr. Swanson shall be entitled to receive (i) the sum of his then base salary from the date of termination, (ii) reasonable expenses incurred by Dr. Swanson in connection with the performance of his duties, (iii) accrued but unused vacation time through the date of termination, (iv) the sum of this then annual bonus and (v) all Share Awards (as defined in the Swanson Employment Agreement) earned and vested prior to the date of termination. If the Company terminates the Swanson Employment Agreement for Cause, the Company will have no further obligations or liability to Dr. Swanson except for the obligation to (i) pay Dr. Swanson his then annual salary through the date of termination, (ii) unpaid annual bonus pursuant to the terms of the Swanson Employment Agreement, (iii) reasonable expenses incurred by Dr. Swanson in connection with the performance of his duties and (v) accrued but unused vacation time through the date of termination.

Mr. John Stetson, Chief Financial Officer

Pursuant to his employment agreement, if the Company terminates Mr. Stetson's employment without "cause" (as such term is defined Mr. Steton's employment agreement) or Mr. Stetson resigns for "good reason" or following a "Change of Control" (as such terms are defined in Mr. Stetson's employment agreement), he will receive severance benefits from the Company, including a cash amount equal to 100% of Mr. Stetson's base salary, annual bonus and share awards during the preceding year.

Mr. Barry Honig, Former Chief Executive Officer

Pursuant to his employment agreement, if the Company terminates Mr. Honig's employment without "cause" (as such term is defined in Mr. Honig's employment agreement) or Mr. Honig resigns for "good reason" or following a "Change of Control" (as such terms are defined in Mr. Honig's employment agreement), he will receive severance benefits from the Company, including a cash amount equal to 100% of Mr. Honig's base salary, annual bonus and share awards during the preceding year. Mr. Honig resigned as Chief Executive Officer on December 1, 2016.

Outstanding Equity Awards at Fiscal Year-End

The following table shows grants of stock options and grants of unvested stock awards outstanding on the last day of the fiscal year ended October 31, 2016, to each of the executive officers named in the Summary Compensation Table.

	Option Awards						Stock Awards		
Name	**Number of Securities Underlying Unexercised Options Exercisable (#)**		**Number of Securities Underlying Unexercised Options Unexercisable (#)**		**Option Exercise Price ($)**	Option Expiration Date	**Number of Shares or Units of Stock That Have Not Vested (#)**		**Market Value of Shares or Units of Stock That Have Not Vested ($)(1)**
Michael Brauser	1,587	(2)	--		$6.30	December 18, 2020	66,666	(6)	$238,664
	43,750	(3)	43,750	(3)	$4.80	April 24, 2026	43,750	(7)	$156,625

	--		1,916	(4)	$5.22	June 1, 2021	--		$--
Barry Honig	43,750	(3)	43,750	(3)	$4.80	April 24, 2026	66,666	(6)	$238,664
	--		--		--	--	43,750	(7)	$156,625
John Stetson	43,750	(3)	43,750	(3)	$4.80	April 24, 2026	50,000	(6)	$179,000
	--		--		--	--	43,750	(7)	$156,625
David Rector	1,166	(5)	--		$8.58	July 27, 2020	4,167	(7)	$14,918
	4,167	(3)	4,166	(3)	$4.80	April 24, 2026	--		$--
	--		1,916	(4)	$5.22	June 1, 2021	--		$--
Michael Beeghley	1,587	(5)	--		$6.30	December 18, 2020	8,333	(6)	$29,832
	2,604	(3)	2,604	(3)	$4.80	April 24, 2026	2,604	(7)	$9,322
	--		1,916	(4)	$5.22	June 1, 2021	--		$--
Andrew Kaplan	1,587	(5)	--		$6.30	December 18, 2020	8,333	(6)	$29,832
	3,646	(3)	3,646	(3)	$4.80	April 24, 2026	3,646	(7)	$13,053
	--		1,916	(4)	$5.22	June 1, 2021	--		$--
Mohit Bhansali	12,500	(3)	12,500	(3)	$4.80	April 24, 2026	4,166	(6)	$14,914
	--		1,916	(4)	$5.22	June 1, 2021	12,500	(7)	$44,750
Edward Karr	1,587	(2)	--		$6.30	December 18, 2020	8,333	(6)	$29,832
	8,334	(3)	8,333	(3)	$4.80	April 24, 2026	8,334	(7)	$29,836
	--		1,916	(4)	$5.22	June 1, 2021	--		$--

(1) Market value based on closing stock price of $1.22 on October 31, 2016.

(2) Option was exercisable 6 months following the grant date of December 18, 2015.

(3) Option was 50% exercisable on May 10, 2016 and 50% exercisable upon the occurrence of a performance condition.

(4) Option was exercisable on November 30, 2016.

(5) Option was exercisable on January 27, 2016.

(6) Vests at the end of each calendar month, at a rate of 1/24 of such shares per month.

(7) Stock grant was 50% vested on May 10, 2016 and amount represents the 50% vested upon the occurrence of a performance condition.

Director Compensation

The following table shows the total compensation paid or accrued during the fiscal year ended October 31, 2016 to each of our directors, current and former.

Name	Fees Earned or Paid in Cash ($)	**Stock Awards ($) (1)**	Option Awards ($) (2)	**All Other Compensation ($)**	**Total ($)**
Barry Honig (16)	$ -	$451,500 (3)	$293,125 (9)	$ -	$744,625
Michael Brauser (17)	$6,200	$451,500 (3)	$297,992 (10)	$ -	$755,692
Mohit Bhansali (18)	$900	$129,000 (4)	$172,367 (11)	$ -	$302,267
Edward Karr (19)	$6,500	$86,002 (5)	$60,701 (12)	$ -	$153,203
Andrew Kaplan (20)	$6,500	$37,627 (6)	$29,295 (13)	$ -	$73,422
Michael Beeghley	$6,500	$26,873 (7)	$22,313 (14)	$ -	$55,686
David Rector (21)	$900	$42,998 (9)	$32,782 (15)	$ -	$76,680

(1) Represents the aggregate grant date fair value for stock awards granted by us in fiscal year 2016 computed in accordance with FASB ASC Topic 718. See Note 9 to our consolidated financial statements reported in our Annual Report on Form 10-K for fiscal year ended October 31, 2016 for details as to the assumptions used to determine the fair value of the stock awards.

(2) Represents the aggregate grant date fair value for options granted by us in fiscal year 2016 computed in accordance with FASB ASC Topic 718. See Note 9 to our consolidated financial statements reported in our Annual Report on Form 10-K for fiscal year ended October 31, 2016 for details as to the assumptions used to determine the fair value of the option awards.

(3) Represents 87,500 shares at a grant date fair value of $5.16 per common share.

(4) Represents 25,000 shares at a grant date fair value of $5.16 per common share.

(5) Represents 16,667 shares at a grant date fair value of $5.16 per common share.

(6) Represents 7,292 shares at a grant date fair value of $5.16 per common share.

(7) Represents 5,208 shares at a grant date fair value of $5.16 per common share.

(8) Represents 8,333 shares at a grant date fair value of $5.16 per common share.

(9) Represents stock options to purchase 87,500 common shares at an exercise price of $4.80 per common share.

(10) Represents stock options to purchase 87,500 common shares at an exercise price of $4.80 per common share and to purchase 1,916 common shares at an exercise price of $5.22 per common share.

(11) Represents stock options to purchase 50,000 common shares at an exercise price of $4.80 per common share and to purchase 1,916 common shares at an exercise price of $5.22 per common share.

(12) Represents stock options to purchase 16,667 common shares at an exercise price of $4.80 per common share and to purchase 1,916 common shares at an exercise price of $5.22 per common share.

(13) Represents stock options to purchase 7,292 common shares at an exercise price of $4.80 per common share and to purchase 1,916 common shares at an exercise price of $5.22 per common share.

(14) Represents stock options to purchase 5,208 common shares at an exercise price of $4.80 per common share and to purchase 1,916 common shares at an exercise price of $5.22 per common share.

(15) Represents stock options to purchase 8,333 common shares at an exercise price of $4.80 per common share and to purchase 1,916 common shares at an exercise price of $5.22 per common share.

(16) Resigned as Co-Chairman on December 1, 2016 but remained a director of the Company until February 8, 2017.

(17) Resigned as Co-Chairman on December 1, 2016 but remained a director of the Company until February 8, 2017.

(18) Resigned on March 2, 2017.

(19) Resigned on December 1, 2016.

(20) Resigned on December 1, 2016.

(21) Resigned on December 1, 2016.

Name	Number of Stock Options Held at Fiscal Year-End		Number of Shares of Restricted Stock Held at Fiscal Year-End	
Michael Brauser (7)	1,587	(1)	66,666	(5)
	87,500	(2)	43,750	(6)
	1,916	(3)		
Barry Honig (8)	87,500	(2)	66,666	(5)
			43,750	(6)
John Stetson (9)	87,500	(2)	50,000	(5)
			43,750	(6)
David Rector (10)	1,166	(4)	4,167	(6)
	8,333	(2)		
	1,916	(3)		
Michael Beeghley	1,587	(1)	8,333	(5)
	5,208	(2)	2,604	(6)
	1,916	(3)		
Andrew Kaplan (11)	1,587	(1)	8,333	(5)
	7,292	(2)	3,646	(6)
	1,916	(3)		
Mohit Bhansali (12)	25,000	(2)	4,166	(5)
	1,916	(3)	12,500	(6)
Edward Karr (13)	1,587	(1)	8,333	(5)
	16,667	(2)	8,334	(6)
	1,916	(3)		

(1) Option has an exercise price of $6.30 per share and was exercisable 6 months following the grant date of December 18, 2015.

(2) Option has an exercise price of $4.80 per share and was 50% exercisable on May 10, 2016 and 50% exercisable upon the occurrence of a performance condition.

(3) Option has an exercise price of $5.22 per share and was exercisable on November 30, 2016.

(4) Option has an exercise price of $8.58 per share and was exercisable on January 27, 2016.

(5) Vests at the end of each calendar month, at a rate of 1/24 of such shares per month, starting on the grant date of September 30, 2015.

(6) Stock grant was 50% vested on May 10, 2016 and amount represents the 50% vested upon the occurrence of a performance condition.

(7) Resigned as Co-Chairman on December 1, 2016 but remained a director of the Company until February 8, 2017.

(8) Resigned as Co-Chairman on December 1, 2016 but remained a director of the Company until February 8, 2017.

(9) Appointed on December 1, 2016.

(10) Resigned on December 1, 2016.

(11) Resigned on December 1, 2016.

(12) Resigned on March 2, 2017.

(13) Resigned on December 1, 2016.

Director Compensation Policy

During the fiscal year ended October 31, 2016, our directors were compensated in accordance with the following terms. Each non-employee director received an annual cash retainer of $5,000, other than the Chair of the Company's Audit Committee, who received $6,000. In addition, the Chairman of the Board received an additional annual cash retainer of $10,000.

Each non-employee director was also entitled to receive 5-year options to purchase shares of the Company's Common Stock valued at $10,000, calculated by dividing $10,000 by the closing stock price on the date the award was granted. The options vest in full six months after the grant date, provided the applicable director is still serving on the Board.

Each non-employee director was entitled to a fee of $2,500 for each Board meeting at which the director was present in person, and each member of our Board committees was entitled to a fee of $800 for each committee meeting at which the director was present in person. Each non-employee director was entitled to a fee of $300 for each teleconference called by either the Chairman of the Board, the President of the Company or the Chairman of a Board committee.

SECURITY OWNERSHIP OF CERTAIN

BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information known to us concerning the beneficial ownership of the Company's Common Stock as of April 12, 2017 for:

- each person known by us to beneficially own more than 5% of the Company's Common Stock;
- each of our directors;
- each of our executive officers; and
- all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In general, a person is deemed to be the beneficial owner of (i) any shares of the Company's Common Stock over which such person has sole or shared voting power or investment power, plus (ii) any shares which such person has the right to acquire beneficial ownership of within 60 days of the above date, whether through the exercise of options, warrants or otherwise. Applicable percentages are based on 5,132,515 shares of Common Stock outstanding on the date above, adjusted as required by rules promulgated by the SEC. Except as otherwise indicated, addresses are c/o PolarityTE, Inc., 4041-T Hadley Road, S. Plainfield, New Jersey 07080.

Common Stock	Number of Shares of Common Stock Beneficially Owned		Percentage of Common Stock	
Executive Officers and Directors:				
Denver Lough	7,300,002	(13)	58.71	%
Edward Swanson	211,500	(14)	3.96	%
Steve Gorlin	8,336	(15)	*	
Jon Mogford	8,336	(15)	*	
John Stetson (5)	458,811	(6)	8.79	%
Michael Beeghley	60,792	(7)	1.18	%
Jeff Dyer	35,250	(8)	*	
Michael Neumeister	35,250	(8)	*	
Current Executive Officers and Directors as a Group (8 persons)	8,118,277		63.29	%

Greater than 5% Holders:

Mark Groussman (9) 5154 La Gorce Drive Miami Beach, FL 33140	503,002	(10)	9.59	%
Frost Gamma Investments Trust (11) 4400 Biscayne Blvd. Miami, FL 33137	535,181	(12)	9.99	%
Barry Honig (1)	465,738	(2)	8.92	%
Michael Brauser (3)	261,327	(4)	4.99	%

*Represents beneficial ownership of less than 1% of the shares of Common Stock.

(1) Barry Honig is the Trustee of GRQ Consultants, Inc. 401K (“401K”) and GRQ Consultants, Inc. Roth 401K FBO Barry Honig (“Roth 401K”), and he is the managing member of Marlin Capital Investments, LLC (“Marlin”). In such capacities he is deemed to hold voting and dispositive power over the securities held by such entities.

(2) Represents (i) 324,648 shares of Common Stock held by Barry Honig, (ii) 15,179 shares of Common Stock held by 401K, (iii) 38,411 shares of Common Stock held by Roth 401K, and (iv) an option to purchase 87,500 shares of common stock pursuant to the 2016 Plan. Excludes (i) 367,647 shares of Common Stock underlying Series A Convertible Preferred Stock held by Mr. Honig, (ii) 25,776 shares of Common Stock underlying Series A Convertible Preferred Stock held by Roth 401K, (iii) 19,608 shares of Common Stock underlying Series A Convertible Preferred Stock held by Marlin, (iv)262,605 shares of Common Stock underlying shares of Series B Convertible Preferred Stock held by Mr. Honig, (v) 14,006 shares of Common Stock underlying shares of Series B Convertible Preferred Stock held by Marlin, (vi) 138,889 shares of Common Stock underlying shares of Series C Convertible Preferred Stock held by 401K and (vii) 55,555 shares of Common Stock underlying shares of Series D Convertible Preferred Stock held by 401K. Each of the forgoing classes of preferred stock contains an ownership limitation such that the holder may not convert any of such securities to the extent that such conversion would result in the holder's beneficial ownership being in excess of 4.99% of the Company's issued and outstanding Common Stock together with all shares owned by the holder and its affiliates.

(3) Michael Brauser is Chairman of the Betsy & Michael Brauser Charitable Family Foundation ("Family Foundation"), Trustee of Grander Holdings, Inc. 401K ("Grander 401K") and a Manager of Marlin. In such capacities he is deemed to hold voting and dispositive power over the securities held by such entities.

(4) Represents (i) 129,166 shares of Common Stock held by Michael Brauser, (ii) 5,030 shares of Common Stock held by Grander 401K, (iii) 20,833 shares of Common Stock held by Family Foundation, (iv) an option to purchase 87,500 shares of Common Stock pursuant to the 2016 Plan, (v) an option to purchase 1,587 shares of Common Stock, (vi) an option to purchase 1,915 shares of Common Stock and (vii) 15,296 shares of Common Stock underlying Series A Convertible Preferred Stock held by Michael Brauser.

Excludes (i) 252,351 shares of Common Stock underlying Series A Convertible Preferred Stock held by Michael Brauser, (iii) 19,608 shares of Common Stock underlying Series A Convertible Preferred Stock held by Marlin, (iv) 262,605 shares of Common Stock underlying shares of Series B Convertible Preferred Stock held by Michael Brauser, (v) 14,006 shares of Common Stock underlying shares of Series B Convertible Preferred Stock held by Marlin, (vi) 85,247 shares of Common Stock underlying shares of Series C Convertible Preferred Stock held by Grander 401K, (vii) 8,333 shares of Common Stock underlying shares of Series D Convertible Preferred Stock held by Family Foundation and (viii) 36,112 shares of Common Stock underlying shares of Series D Convertible Preferred Stock held by Grander 401K. Each of the forgoing classes of preferred stock contains an ownership limitation such that the holder may not convert any of such securities to the extent that such conversion would result in the holder's beneficial ownership being in excess of 4.99% of the Company's issued and outstanding Common Stock together with all shares owned by the holder and its affiliates.

(5) John Stetson is the President of Stetson Capital Investments, Inc. ("Stetson Capital"), and the Trustee of Stetson Capital Investments, Inc. Retirement Plan ("Stetson Retirement Plan"). In these capacities, he has voting and dispositive control over the securities held by such entities. In addition, John Stetson is the Chief Financial Officer of the Company.

(6) Represents (i) 332,423 shares of Common Stock held by John Stetson, (ii) 19,444 shares of Common Stock held by Stetson Capital, (iii) 19,444 shares of Common Stock held by Stetson Retirement Plan and (iv) an option to purchase 87,500 shares of Common Stock pursuant to the 2016 Plan.

(7) Represents (i) 38,541 shares of Common Stock, (ii) an option to purchase 1,587 shares of Common Stock, (iii) an option to purchase 5,208 shares of Common Stock pursuant to the 2016 Plan, (iv) an option to purchase 1,915 shares of Common Stock, (v) a restricted stock grant of 8,333 shares of Common Stock and (vi) a restricted stock grant of 5,208 shares pursuant to the 2016 Plan.

(8) Represents 35,250 shares of Common Stock which represents the vested portion (including shares vesting within 60 days) of an option to purchase 141,000 shares of Common Stock under the 2017 Plan which option vests in 24 equal monthly installments.

(9) Mark Groussman is the President of Melechdavid, Inc. (“Melechdavid”), and the Trustee of each of the Erica and Mark Groussman Foundation, Inc. (“Groussman Foundation”), and the Melechdavid Inc., Retirement Plan (“Melechdavid Retirement Plan”). In such capacities, he has voting and dispositive control over the securities held by such entities.

(10) Represents (i) 258,100 shares of Common Stock held by Melechdavid, (ii) 25,000 shares of Common Stock held by Groussman Foundation, (iii) 108,791 shares of Common Stock held by Melechdavid Retirement Plan and (iv) 111,111 shares of Common Stock underlying Series C Preferred Stock held by Melechdavid.

(11) Dr. Phillip Frost, M.D. is the trustee of Frost Gamma Investments Trust (“FGIT”). Frost Gamma L.P. is the sole and exclusive beneficiary of FGIT. Dr. Frost is one of two limited partners of Frost Gamma L.P. The general partner of Frost Gamma L.P. is Frost Gamma, Inc., and the sole shareholder of Frost Gamma, Inc. is Frost-Nevada Corporation. Dr. Frost is the sole shareholder of Frost-Nevada Corporation. Dr. Frost disclaims beneficial ownership of these securities, except to the extent of any pecuniary interest therein and this report shall not be deemed an admission that Dr. Frost is the beneficial owner of these securities for purposes of Section 16 or for any other purpose.

(12) Represents (i) 292,505 shares of Common Stock and (ii) 227,572 shares of Common Stock underlying shares of Series B Convertible Preferred Stock. Excludes (i) 17,929 shares of Common Stock underlying shares of Series B Convertible Preferred Stock, (ii) 69,444 shares of Common Stock underlying shares of Series C Convertible Preferred Stock and (iii) 55,555 shares of Common Stock underlying shares of Series D Convertible Preferred Stock. Each of the forgoing classes of preferred stock contains an ownership limitation such that the holder may not convert any of such securities to the extent that such conversion would result in the holder’s beneficial ownership being in excess of 9.99% of the Company’s issued and outstanding Common Stock together with all shares owned by the holder and its affiliates.

(13) Represents 250,002 shares of Common Stock which represents the vested portion (including shares vesting within 60 days) of an option to purchase 1,000,000 shares of Common Stock under the 2017 Plan which option vests in 24 equal monthly installments and (ii) 7,050,000 shares of Common Stock underlying shares of Series E Convertible Preferred Stock.

(14) Represents 211,500 shares of Common Stock which represents the vested portion (including shares vesting within 60 days) of an option to purchase 846,000 shares of Common Stock under the 2017 Plan which option vests in 24 equal monthly installments.

(15) Represents 8,336 shares of Common Stock which represents the vested portion (including shares vesting within 60 days) of an option to purchase 50,000 shares of Common Stock under the 2017 Plan which option vests in 24 equal

monthly installments.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We entered into Separation Agreements and are and were parties to the employment agreements with each of our officers as set forth in the section entitled “Executive Compensation” above.

In connection with the closing of the Merger, on April 5, 2017, the Company issued Dr. Lough, the Company’s Chief Executive Officer, Chief Scientific Officer and Chairman of the Board, 7,050 shares of Series E Convertible Preferred Stock which are convertible into an aggregate of 7,050,000 shares of the Company’s Common Stock or 41.1% of the Company’s currently issued and outstanding Common Stock on a fully diluted basis.

Policy for Review of Related Party Transactions

The Company has a formal written policy governing the review and approval of related person transactions, which is posted under the heading “Corporate Governance” of the Investor Relations section of our website at *http://www.majescoent.com/.* For purposes of this policy, consistent with The NASDAQ Stock Market rules, the terms “related person” and “transaction” are as defined in Item 404(a) of Regulation S-K under the Securities Act. The policy provides that each director and executive officer shall promptly notify our General Counsel of any transaction involving the Company and a related person. Such transaction will be presented to and reviewed by the Nominating and Governance Committee for approval, ratification or such other action as may be appropriate. The Nominating and Governance Committee shall approve only those related person transactions that are determined to be in, or not inconsistent with, the best interests of the Company and its stockholders, taking into account all available facts and circumstances as the Nominating and Governance Committee determines in good faith to be necessary. These facts and circumstances will typically include, but not be limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related person’s interest in the transaction, whether there are any compelling business reasons for the Company to enter into the transaction, whether the transaction would impair the independence of an otherwise independent director and whether the transaction would present an improper conflict of interest for any director or executive officer, taking into account the size of the transaction, the overall financial position of the director, executive officer or other related person, the direct or indirect nature of the director’s, executive officer’s or other related person’s interest in the transaction and the ongoing nature of the proposed relationship. In reviewing and approving such transactions, the Nominating and Governance Committee shall obtain, or shall direct management to obtain on its behalf, all information that the Nominating and Governance Committee believes to be relevant and important to review prior to its decision as to whether to approve any such transaction.

The Board may adopt any further policies and procedures relating to the approval of related person transactions that it deems necessary or advisable from time to time.

Transactions with Related Persons

Parties are considered related to the Company if the parties, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. As required by SEC rules, the Company discloses all related party transactions in which the amount involved exceeds the lesser of $120,000 or 1% of the average of the smaller reporting company's total assets at year-end for the last two fiscal years. During the fiscal year ended October 31, 2016, the Company had no such related party transactions.

Director Independence

Our common stock is listed on The NASDAQ Capital Market. Under applicable NASDAQ rules, each of Messrs. Beeghley, Dyer, Gorlin and Mogford would be considered an independent director.

DESCRIPTION OF SECURITIES

The following description of our capital stock summarizes the material terms and provisions of our Common Stock and preferred stock.

Authorized Capital Stock

Our authorized capital stock consists of 250,000,000 shares of Common Stock, $0.001 par value, and 10,000,000 shares of preferred stock, $0.001 par value. As of April 12, 2017, there were 5,132,515 shares of Common Stock outstanding, 4,684,071 shares of Series A Preferred Stock outstanding convertible into 780,678 shares of Common Stock, 48,109.25 shares of Series B Preferred Stock outstanding convertible into 801,820 shares of Common Stock, 20,114.84 shares of Series C Preferred Stock outstanding convertible into 335,247 shares of Common Stock, 60,000

shares of Series D Preferred Stock outstanding convertible into 100,000 shares of Common Stock and 7,050 shares of Series E Preferred Stock outstanding convertible into 7,050,000 shares of Common Stock.

Common Stock

Holders of our Common Stock are entitled to one vote per share. Our Restated Certificate of Incorporation does not provide for cumulative voting. Holders of our Common Stock are entitled to receive ratably such dividends, if any, as may be declared by our Board out of legally available funds. However, the current policy of our Board is to retain earnings, if any, for the operation and expansion of our Company. Upon liquidation, dissolution or winding-up, the holders of our Common Stock are entitled to share ratably in all of our assets which are legally available for distribution, after payment of or provision for all liabilities. The holders of our Common Stock have no preemptive, subscription, redemption or conversion rights.

Preferred Stock

Series A Preferred Stock

The Series A Preferred Stock are convertible into shares of Common Stock based on a conversion calculation equal to the stated value of such Series A Preferred Stock, plus all accrued and unpaid dividends, if any, on such Series A Preferred Stock, as of such date of determination, divided by the conversion price. The stated value of each Series A Preferred Stock is $0.68 and the initial conversion price is $4.08 per share, each subject to adjustment for stock splits, stock dividends, recapitalizations, combinations, subdivisions or other similar events. In addition, in the event the Company issues or sells, or is deemed to issue or sell, shares of Common Stock at a per share price that is less than the conversion price then in effect, the conversion price shall be reduced to such lower price, subject to certain exceptions. The Company is prohibited from effecting a conversion of the Series A Preferred Stock to the extent that, as a result of such conversion, such investor would beneficially own more than 4.99% of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon conversion of the Series A Preferred Stock, which beneficial ownership limitation may be increased by the holder up to, but not exceeding, 9.99% (the "Series A Limit").

Each holder of Series A Preferred Stock is entitled to vote on all matters submitted to stockholders of the Company, and shall have the number of votes equal to the number of shares of Common Stock issuable upon conversion of such holder's Series A Preferred Stock, *provided* that a holder is only entitled to vote shares of Common Stock underlying the Preferred A Shares to the extent such shares do not result in the holder exceeding the Series A Limit and *provided further* that in no event shall the holders be entitled to cast votes in excess of the number of votes that holders would be entitled to cast if the Series A Preferred Stock were converted at $3.54 per share (equal to the market price as determined by NASDAQ on the trading date immediately prior to closing) (the "Voting Floor"). The Voting Floor shall only be removed in accordance with applicable Nasdaq Listing Rules. Pursuant to the Certificate of Designations, Preferences and Rights of the 0% Series A Convertible Preferred Stock of the Company, the Company is prohibited from incurring debt or liens, or entering into new financing transactions without the consent of the Lead Investor (as defined in the Subscription Agreements dated December 17, 2014). The Preferred A Shares bear no interest or dividends.

Series B Preferred Stock

The Series B Preferred Stock are convertible into shares of Common Stock based on a conversion calculation equal to the stated value of such Series B Preferred Stock, plus all accrued and unpaid dividends, if any, on such Series B Preferred Stock, as of such date of determination, divided by the conversion price. The stated value of each Series B Preferred Stock is $140 and the initial conversion price is $8.40 per share, each subject to adjustment for stock splits, stock dividends, recapitalizations, combinations, subdivisions or other similar events. The Company is prohibited from effecting a conversion of the Series B Preferred Stock to the extent that, as a result of such conversion, such

investor would beneficially own more than 4.99% of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon conversion of the Series B Preferred Stock, which beneficial ownership limitation may be increased by the holder up to, but not exceeding, 9.99% (the "Series B Limit").

Each holder of Series B Preferred Stock is entitled to vote on all matters submitted to stockholders of the Company, and shall have the number of votes equal to the number of shares of Common Stock issuable upon conversion of such holder's Series B Preferred Stock based on a conversion price of $8.40 per share, *provided* that a holder is only entitled to vote shares of Common Stock underlying the Series B Preferred Stock to the extent such shares do not result in the holder exceeding the Series B Limit. The Series B Preferred Stock bear no interest or dividends.

Series C Preferred Stock

The Series C Preferred Stock are convertible into shares of Common Stock based on a conversion calculation equal to the stated value of such Series C Preferred Stock, plus all accrued and unpaid dividends, if any, on such Series C Preferred Stock, as of such date of determination, divided by the conversion price. The stated value of each Series C Preferred Stock is $120 per share, and the initial conversion price is $7.20 per share, each subject to adjustment for stock splits, stock dividends, recapitalizations, combinations, subdivisions or other similar events. The Company is prohibited from effecting a conversion of the Series C Preferred Stock to the extent that, as a result of such conversion, such holder would beneficially own more than 4.99% of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon conversion of the Series C Preferred Stock, which beneficial ownership limitation may be increased by the holder up to, but not exceeding, 9.99% (the "Series C Limit").

Subject to the Series C Limit, each holder is entitled to vote on all matters submitted to stockholders of the Company, and shall have the number of votes equal to the number of shares of Common Stock issuable upon conversion of such holder's Series C Preferred Shares, based on a conversion price of $7.20 per share. Pursuant to the Certificate of Designations, Preferences and Rights of the 0% Series C Convertible Preferred Stock of the Company, the Series C Preferred Shares bear no dividends and shall rank junior to the Company's Series A Preferred Stock but senior to the Company's Series B Preferred Stock.

Series D Preferred Stock

The Series D Preferred Stock are convertible into shares of Common Stock based on a conversion calculation equal to the stated value of such Series D Preferred Stock, plus all accrued and unpaid dividends, if any, on such Series D Preferred Stock, as of such date of determination, divided by the conversion price. The stated value of each Series D Preferred Stock is $1,000.00 and the initial conversion price is $600 per share, each subject to adjustment for stock splits, stock dividends, recapitalizations, combinations, subdivisions or other similar events. The Company is prohibited from effecting a conversion of the Preferred D Shares to the extent that, as a result of such conversion, such investor would beneficially own more than 4.99% of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon conversion of the Series D Preferred Stock. Upon 61 days written notice, the beneficial ownership limitation may be increased by the holder up to, but not exceeding, 9.99%. Except as otherwise required by law, holders of Series D Preferred Stock shall not have any voting rights. Pursuant to the Certificate of Designations, Preferences and Rights of the 0% Series D Convertible Preferred Stock, the Preferred D Shares bear no interest or dividends and shall rank senior to the Company's other classes of capital stock.

Series E Preferred Stock

The Series E Preferred Stock are convertible into shares of Common Stock based on a conversion calculation equal to the stated value of such preferred stock, plus all accrued and unpaid dividends, if any, on such preferred stock, as of such date of determination, divided by the conversion price. The stated value of each Series E Preferred Stock is $1,000 and the initial conversion price is $1.00 per share, each subject to adjustment for stock splits, stock dividends, recapitalizations, combinations, subdivisions or other similar events. The Series E Preferred Stock, with respect to dividend rights and rights on liquidation, winding-up and dissolution, in each case will rank senior to the Company's Common Stock and all other securities of the Company that do not expressly provide that such securities rank on parity with or senior to the Series E Preferred Stock. Until converted, each share of Series E Preferred Stock is entitled to two votes for every share of Common Stock into which it is convertible on any matter submitted for a vote of stockholders.

Stock Options and Restricted Stock Units under Equity Plans

As of April 12, 2017, there were approximately 337,497 shares of Common Stock reserved for issuance under our 2016 stock option and equity plans. Of this number, approximately 329,164 shares are reserved for issuance upon exercise of outstanding options and restricted stock units that were previously granted under this plan.

As of April 12, 2017, there were 3,450,000 shares of Common Stock reserved for issuance under our 2017 stock option and equity plans. Of this number, approximately 3,110,167 shares are reserved for issuance upon exercise of outstanding options and restricted stock units that were previously granted under our equity plans, and 91,667 shares may be granted in the future under our equity plans.

Anti-Takeover Effects of Certain Provisions of our Restated Certificate of Incorporation, Restated Bylaws and the Delaware General Corporation Law

Delaware Takeover Statute. We are subject to the provisions of Section 203 of the Delaware General Corporation Law (“DGCL”). In general, the statute prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. For purposes of Section 203, a business combination includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder, and an interested stockholder is a person who, together with affiliates and associates, owns (or within three years prior, did own) 15% or more of the corporation’s voting stock.

Charter Documents. Certain provisions of our Restated Certificate of Incorporation and Restated Bylaws, which are summarized in the following paragraphs, may have the effect of discouraging potential acquisition proposals or making a tender offer or delaying or preventing a change in control, including changes a stockholder might consider favorable. Such provisions may also prevent or frustrate attempts by our stockholders to replace or remove our

management. In particular, the Restated Certificate of Incorporation and Restated Bylaws and Delaware law, as applicable, among other things:

- provide the Board with the ability to alter the Amended Bylaws without stockholder approval;
- place limitations on the removal of directors; and
- provide that vacancies on the board of directors may be filled by a majority of directors in office, although less than a quorum.

These provisions are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to first negotiate with our Board. These provisions may delay or prevent someone from acquiring or merging with us, which may cause our market price of our Common Stock to decline.

Blank Check Preferred. Our Board is authorized to create and issue from time to time, without stockholder approval, up to an aggregate of 10,000,000 shares of preferred stock in one or more series and to establish the number of shares of any series of preferred stock and to fix the designations, powers, preferences and rights of the shares of each series and any qualifications, limitations or restrictions of the shares of each series.

The authority to designate preferred stock may be used to issue series of preferred stock, or rights to acquire preferred stock, that could dilute the interest of, or impair the voting power of, holders of the Common Stock or could also be used as a method of determining, delaying or preventing a change of control.

Advance Notice Bylaws. The Restated Bylaws contain an advance notice procedure for stockholder proposals to be brought before any meeting of stockholders, including proposed nominations of persons for election to our Board. Stockholders at any meeting will only be able to consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of our Board or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given our corporate secretary timely written notice, in proper form, of the stockholder's intention to bring that business before the meeting. Although the Restated Bylaws do not give our Board the power to approve or disapprove stockholder nominations of candidates or proposals regarding other business to be conducted at a special or annual meeting, the Restated Bylaws may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed or may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of us.

Listing

Our Common Stock is traded on The NASDAQ Capital Market under the symbol "COOL." On April 12, 2017, the last reported bid price for our Common Stock on The NASDAQ Capital Market was $13.89 per share. As of April 12, 2017, we had approximately 132 stockholders of record.

Transfer Agent and Registrar

The transfer agent and registrar for our Common Stock is Equity Stock Transfer. Its address is 237 W. 37th Street, Suite 601, New York, NY 10018 and its telephone number is (212) 575-5757.

SELLING STOCKHOLDERS

In December 2016, we completed a Private Placement pursuant to which we sold an aggregate 759,333 shares of our Common Stock to the Selling Stockholders, at a price of $3.00 per share for total gross proceeds to us of $2,278,001.

In connection with the Private Placement, we entered into a Registration Rights Agreement pursuant to which we have agreed to file a registration statement on Form S-1 with the SEC covering the shares of Common Stock issued in the Private Placement.

We are registering an aggregate of 759,333 Resale Shares for resale by the Selling Stockholders listed in the table below. All expenses incurred with respect to the registration of the Common Stock will be paid by us, but we will not be obligated to pay any underwriting fees, discounts, commissions or other expenses incurred by the Selling Shareholders in connection with the sale of such shares.

The Selling Stockholders may also resell all or a portion of their securities in reliance upon Rule 144 under the Securities Act provided that they meet the criteria and conform to the requirements of that rule or by any other available means.

The Selling Stockholders named below may from time to time offer and sell pursuant to this prospectus up to 759,333 Resale Shares.

The following table sets forth:

- the name of the Selling Stockholder;
- the number and percent of shares of our Common Stock that the Selling Stockholders beneficially owned prior to the offering for resale of the shares under this prospectus;
- the number of shares of our Common Stock that may be offered for resale for the account of the Selling Stockholders under this prospectus; and
- the number and percent of shares of our Common Stock to be beneficially owned by the Selling Stockholders after the offering of the Resale Shares (assuming all of the offered Resale Shares are sold by the Selling Stockholders).

The number of shares in the column “Number of Shares Being Offered” represents all of the shares that each Selling Stockholder may offer under this prospectus. We do not know how long the Selling Stockholders will hold the shares before selling them or how many shares they will sell, and we currently have no agreements, arrangements or understandings with any of the Selling Stockholders regarding the sale of any of the Resale Shares.

This table is prepared solely based on information supplied to us by the Selling Stockholders, any Schedules 13D or 13G and Forms 3 and 4, and other public documents filed with the SEC. The applicable percentages of beneficial ownership are based on an aggregate of 5,132,515 shares of our Common Stock issued and outstanding on April 12, 2017.

Except as noted in the footnotes to the table below, to our knowledge, none of the Selling Stockholders has held any position or office or had any other material relationship with us or any of our predecessors or affiliates within the past three years other than as a result of the ownership of our securities. Except as noted in the footnotes to the table below, to our knowledge, none of the Selling Stockholders is a broker-dealer or affiliate of a broker-dealer. See “Plan of Distribution” for additional information about the Selling Stockholders and the manner in which the Stockholders may dispose of their shares. Beneficial ownership has been determined in accordance with the rules of the SEC, and generally means that a person has beneficial ownership of a security if he, she or it possesses sole or shares voting or investment power of that security, and includes options that are currently exercisable or exercisable within 60 days. Our registration of these securities does not necessarily mean that the Selling Stockholders will sell any or all of the securities covered by this prospectus.

Name of Selling Stockholder	**Common Stock Beneficially Owned Prior to the Offering(1)**	**Common Stock Covered by this Prospectus**	**Common Stock Beneficially Owned Upon Completion of this Offering(1)(2)**	**Percentage of Common Stock Owned Upon Completion of this Offering(1)(3)**
Acquisition Group Ltd. (4)	30,000	30,000	-0-	*
Andrew Schwartzberg	83,333	83,333	-0-	*
Brian M. Herman (5)	15,000	15,000	-0-	*
Delavaco Holdings Inc. (6)	16,667	16,667	-0-	*
DeFrancesco Motorsports (7)	16,666	16,666	-0-	*