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

FORM 10 - Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to ___________

Commission File Number 0-51481

STRATA SKIN SCIENCES, INC.
(Exact name of registrant as specified in its charter)

Delaware	13-3986004
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 Lakeside Drive, Suite 100, Horsham, Pennsylvania 19044
(Address of principal executive offices, including zip code)

(215) 619-3200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (i) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (ii) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)

Yes ☐ No ☒

The number of shares outstanding of the issuer's common stock as of November 14, 2016 was 10,757,804 shares.

STRATA SKIN SCIENCES, INC.

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PART I – Financial Information

ITEM 1. Financial Statements

STRATA SKIN SCIENCES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	September 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,957	$ 3,303
Restricted cash	-	15
Accounts receivable, net of allowance for doubtful accounts of $105 and $45, respectively	2,936	4,068
Inventories, net	3,229	4,128
Prepaid expenses and other current assets	266	465
Total current assets	9,388	11,979
Property and equipment, net	10,848	13,851
Patents and licensed technologies, net	6,515	7,247
Other intangible assets, net	7,350	7,980
Goodwill	8,803	8,928
Other assets	46	94
Total assets	$ 42,950	$ 50,079
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Note payable	$ -	$ 299
Current portion of long-term debt	857	-
Accounts payable	1,899	4,446
Other accrued liabilities	1,538	2,161
Deferred revenues	327	173
Total current liabilities	4,621	7,079
Long-term liabilities:		
Long-term debt, net	10,549	9,851
Senior secured convertible debentures, net	11,398	9,839
Warrant liability	185	7,042
Deferred tax liability	299	119
Other liabilities	21	62
Total liabilities	27,073	33,992
Commitment and contingencies		
Stockholders' equity:		
Preferred Stock, $.10 par value, 10,000,000 shares authorized; 6,196 shares issued and outstanding	1	1
Common Stock, $.001 par value, 150,000,000 shares authorized; 10,732,804 and 10,283,393 shares issued and outstanding, respectively	11	10
Additional paid-in capital	225,551	223,315
Accumulated deficit	(209,688)	(207,240)
Accumulated other comprehensive income	2	1
Total stockholders' equity	15,877	16,087
Total liabilities and stockholders' equity	$ 42,950	$ 50,079

The accompanying notes are an integral part of these condensed consolidated financial statements.

STRATA SKIN SCIENCES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands, except share and per share amounts)
(unaudited)

	For the Three Months Ended September 30,	
	2016	2015
Revenues	$ 7,767	$ 8,323
Cost of revenues	3,070	3,042
Gross profit	4,697	5,281
Operating expenses:		
Engineering and product development	382	560
Selling and marketing	2,840	3,912
General and administrative	1,880	3,132
	5,102	7,604
Operating loss before other income (expense), net	(405)	(2,323)
Other income (expense), net:		
Interest expense, net	(1,175)	(5,577)
Change in fair value of warrant liability	132	(1,329)
Other income, net	3	(5)
	(1,040)	(6,911)
Loss before income taxes	(1,445)	(9,234)
Income tax expense	64	-
Net loss	(1,509)	(9,234)
Deemed dividend related to warrant modification	-	(2,962)
Net loss attributable to common stockholders	$ (1,509)	$ (12,196)
Net loss per basic and diluted share	$ (0.14)	$ (1.29)
Shares used in computing net loss per basic and diluted share:	10,679,761	9,442,022
Other comprehensive income (loss):		
Foreign currency translation adjustments	$ (1)	$ 10
Comprehensive loss	$ (1,510)	$ (12,186)

The accompanying notes are an integral part of these condensed consolidated financial statements.

STRATA SKIN SCIENCES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands, except share and per share amounts)
(unaudited)

	For the Nine Months Ended September 30,	
	2016	2015
Revenues	$ 23,126	$ 9,015
Cost of revenues	9,631	10,226
Gross profit (loss)	13,495	(1,211)
Operating expenses:		
Engineering and product development	1,541	1,289
Selling and marketing	10,073	5,641
General and administrative	5,882	6,819
	17,496	13,749
Operating loss before other income (expense), net	(4,001)	(14,960)
Other income (expense), net:		
Interest expense, net	(3,571)	(8,738)
Change in fair value of warrant liability	5,316	(679)
Other income, net	(1)	23
	1,744	(9,394)
Loss before income taxes	(2,257)	(24,354)
Income tax expense	191	-
Net loss	(2,448)	(24,354)
Deemed dividend related to warrant modification	-	(2,962)
Net loss attributable to common stockholders	$ (2,448)	$ (27,316)
Net loss per share:		
Basic	$ (0.23)	$ (3.42)
Diluted	$ (0.71)	$ (3.42)
Shares used in computing net loss per share:		
Basic	10,536,824	7,994,012
Diluted	10,947,713	7,994,012
Other comprehensive income:		
Foreign currency translation adjustments	$ 1	$ 10
Comprehensive loss	$ (2,447)	$ (27,306)

The accompanying notes are an integral part of these condensed consolidated financial statements.

STRATA SKIN SCIENCES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(In thousands, except share and per share amounts)

(Unaudited)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount				
BALANCE, JANUARY 1, 2016	6,505	$ 1	10,283,393	$ 10	$ 223,315	$ (207,240)	$ 1	$ 16,087
Stock-based compensation	-	-	-	-	401	-	-	401
Conversion of senior secured convertible debentures	-	-	329,411	1	247	-	-	248
Conversion of preferred stock	(309)	-	120,000	-	-	-	-	-
Warrants issued in connection with debt	-	-	-	-	47	-	-	47
Reclassification of warrants to equity	-	-	-	-	1,541	-	-	1,541
Other comprehensive income	-	-	-	-	-	-	1	1
Net loss for the nine months ended September 30, 2016	-	-	-	-	-	(2,448)	-	(2,448)
BALANCE, SEPTEMBER 30, 2016	6,196	$ 1	10,732,804	$ 11	$ 225,551	$ (209,688)	$ 2	$ 15,877

The accompanying notes are an integral part of these condensed consolidated financial statements.

STRATA SKIN SCIENCES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	For the Nine Months Ended September 30,	
	2016	2015
Cash Flows From Operating Activities:		
Net loss	$ (2,448)	$ (24,354)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,844	2,348
Provision for doubtful accounts	91	20
Stock-based compensation	401	1,483
Deferred tax provision	180	-
Impairment of long-lived assets	-	920
Inventory write-offs	-	4,818
Loss on disposal of property and equipment	124	-
Amortization of debt discount	1,821	7,571
Amortization of deferred financing costs	145	373
Change in fair value of warrant liability	(5,316)	679
Changes in operating assets and liabilities:		
Accounts receivable	1,041	(300)
Inventories	899	(295)
Prepaid expenses and other assets	202	(321)
Accounts payable and accrued expenses	(2,559)	289
Other accrued liabilities	(623)	(150)
Other liabilities	(40)	(39)
Deferred revenues	154	13
Net cash used in operating activities	(1,084)	(6,945)
Cash Flows From Investing Activities:		
Lasers placed-in-service, net	(607)	(1,066)
Purchases of property and equipment	-	(17)
Restricted cash	15	(100)
Reimbursement of purchase price	125	-
Acquisition costs, net of cash received	-	(42,500)
Net cash used in investing activities	(467)	(43,683)

The accompanying notes are an integral part of these condensed consolidated financial statements

STRATA SKIN SCIENCES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	For the Nine Months Ended September 30,	
	2016	2015
Cash Flows From Financing Activities:		
Proceeds from long-term debt	1,500	-
Proceeds from convertible debentures	-	32,500
Proceeds from senior notes	-	10,000
Payments on notes payable	(299)	(20)
Registration costs	-	(134)
Net cash provided by financing activities	1,201	42,346
Effect of exchange rate changes on cash	4	17
Net decrease in cash and cash equivalents	(346)	(8,265)
Cash and cash equivalents, beginning of period	3,303	11,434
Cash and cash equivalents, end of period	$ 2,957	$ 3,169
Supplemental information:		
Cash paid for interest	$ 1,517	$ 402
Supplemental information of non-cash investing and financing activities:		
Conversion of senior secured convertible debentures into common stock	$ 248	$ 4,593
Conversion of series A convertible preferred stock into common stock	$ 309	$ 5,283
Establishment of a warrant liability with a deemed dividend	$ -	$ 2,962
Reclassification of property and equipment to inventory, net	$ -	$ 107
Reclassification of warrants to (from) stockholders' equity	$ 1,541	$ (5,399)
Recognition of debt discount and beneficial conversion feature on long-term debt	$ -	$ 27,300
Recognition of warrants issued as debt discount	$ 47	$ -

The accompanying notes are an integral part of these condensed consolidated financial statements

Note 1
The Company:

Background
STRATA Skin Sciences, Inc. (and its subsidiary) ("STRATA" or "we" or the "Company") is a medical technology company dedicated to developing and commercializing innovative products for the diagnosis and treatment of serious dermatological disorders. In June 2015 the Company completed the acquisition of the XTRAC Excimer Laser and the VTRAC Excimer Lamp businesses which included a subsidiary in India. The XTRAC® and VTRAC® products are FDA cleared devices for the treatment of psoriasis, vitiligo and other skin disorders. The purchase price was $42,500 plus the assumption of certain business-related liabilities. (See *Note 2*, **Acquisition**.)

The XTRAC is an ultraviolet light excimer laser system utilized to treat psoriasis, vitiligo and other skin diseases. The XTRAC received FDA clearance in 2000 and has since become a recognized treatment among dermatologists. The system delivers targeted 308um ultraviolet light to affected areas of the skin, leading to psoriasis clearing and vitiligo repigmentation, following a series of treatments. As of September 30, 2016, there were 760 XTRAC systems placed in dermatologists' offices in the United States under the Company's recurring revenue business model. The XTRAC systems employed under the recurring revenue model generate revenue on a per procedure basis. The per-procedure charge is inclusive of the use of the system and the services provided by the Company to the customer which includes system maintenance, reimbursement support service and participation in the direct to patient marketing programs employed by the Company. The XTRAC system's use for psoriasis is covered by nearly all major insurance companies, including Medicare. The VTRAC Excimer Lamp system, offered in addition to the XTRAC system internationally, provides targeted therapeutic efficacy demonstrated by excimer technology with the simplicity of design and reliability of a lamp system.

Liquidity
As of September 30, 2016, the Company had an accumulated deficit of $209,688 and has incurred losses and negative cash flows from operations since inception. To date, the Company has dedicated most of its financial resources to research and development, sales and marketing, and general and administrative expenses.

The Company has been dependent on raising capital from the sale of securities in order to continue to operate and to meet its obligations in the ordinary course of business. Management believes that its cash and cash equivalents as of September 30, 2016 combined with the anticipated revenues from the sale of the Company's products will be sufficient to satisfy its working capital needs, capital asset purchases, outstanding commitments and other liquidity requirements associated with its existing operations through the fourth quarter of 2017.

***Basis of Presentation*:**

Accounting Principles
The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

Quarterly Financial Information and Results of Operations
The condensed consolidated financial statements as of September 30, 2016 and for the nine months ended September 30, 2016 and 2015 are unaudited and, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position as of September 30, 2016, the results of operations for the three and nine months ended September 30, 2016 and 2015, the statement of stockholders' equity for the nine months ended September 30, 2016 and the statement of cash flows for the nine months ended September 30, 2016 and 2015. The results of operations and cash flows for the three and nine months ended September 30, 2016 are not necessarily indicative of the results to be expected for the entire year. The condensed consolidated balance sheet as of December 31, 2015 was derived from audited financial statements as of December 31, 2015. These condensed consolidated financial statements should be read in conjunction with audited consolidated financial statements and the footnotes thereto, together with Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Reclassification
Certain reclassifications from the prior year presentation have been made to conform to the current year presentation. These reclassifications did not have a material impact on the Company's equity, net assets, results of operations or cash flows.

Use of Estimates
The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the US requires management to make estimates and assumptions that affect amounts reported of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting periods. Actual results could differ from those estimates and be based on events different from those assumptions. As of September 30, 2016, the more significant estimates include (1) revenue recognition, including deferred revenues and valuation allowances of accounts receivable, (2) the fair value of assets acquired and liabilities assumed in the business combination, (3) the estimated useful lives of intangible assets and property and equipment, (4) the inputs used in determining the fair value of equity-based awards (5) the valuation allowance related to deferred tax assets and (6) the fair value of financial instruments, including derivative instruments.

Fair Value Measurements
The Company measures and discloses fair value in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* ("ASC Topic 820"). ASC Topic 820 defines fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value, and expands disclosures about fair value measurements. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions there exists a three-tier fair-value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 – unadjusted quoted prices are available in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.
- Level 2 – pricing inputs are other than quoted prices in active markets that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
- Level 3 – pricing inputs are unobservable for the non-financial asset or liability and only used when there is little, if any, market activity for the non-financial asset or liability at the measurement date. The inputs into the determination of fair value require significant management judgment or estimation. Fair value is determined using comparable market transactions and other valuation methodologies, adjusted as appropriate for liquidity, credit, market and/or other risk factors

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

The Company's recurring fair value measurements at September 30, 2016 and December 31, 2015 are as follows:

	Fair Value as of September 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Warrant liability (Note 10)	$ 185	$ -	$ -	$ 185

	Fair Value as of December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Warrant liability (Note 10)	$ 7,042	$ -	$ -	$ 7,042

The fair value of cash and cash equivalents are based on their respective demand value, which are equal to the carrying value. The fair value of derivative warrant liabilities is estimated using option pricing models that are based on the individual characteristics of the Company's warrants, preferred and common stock, the derivative warrant liability on the valuation date as well as assumptions for volatility, remaining expected life, risk-free interest rate and, in some cases, credit spread. The derivative warrant liabilities are the only recurring Level 3 fair value measures. The carrying value of all other short-term monetary assets and liabilities is estimated to be approximate to their fair value due to the short-term nature of these instruments. The Company assessed its convertible debentures and long-term debt and determined that the fair value of total debt was $19,542 as of September 30, 2016. As of December 31, 2015 the fair value of total debt approximated the recorded value of $15,958.

Several of the warrants have non-standard terms as they relate to a fundamental transaction and require a net-cash settlement upon change in control of the Company and other warrants contain full ratchet provisions that reduce the exercise price of the warrants in the event of a transaction resulting in the issuance of equity below the current price of the warrants. Therefore these warrants are classified as derivatives. These warrants have been recorded at their fair value using a binomial option pricing model and will be recorded at their respective fair value at each subsequent balance sheet date. See *Note 10,* **Warrants**, for additional discussion.

Accrued Warranty Costs

The Company offers a standard warranty on product sales generally for a one to two-year period. The Company provides for the estimated cost of the future warranty claims on the date the product is sold. Total accrued warranty is included in ***Other Accrued Liabilities*** and ***Other liabilities*** on the balance sheet. The activity in the warranty accrual during the nine months ended September 30, 2016 is summarized as follows:

	September 30, 2016 (unaudited)
Accrual at beginning of year	$ 226
Additions charged to warranty expense	141
Expiring warranties/claimed satisfied	(220)
Total	147
Less: current portion	(127)
	$ 20

Earnings Per Share

Basic net loss per common share excludes dilution for potentially dilutive securities and is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net loss per common share gives effect to dilutive options, warrants and other potential common shares outstanding during the period and their potential diluted effect is considered using the treasury method.

For the nine months ended September 30, 2016 diluted earnings per common share are computed by the numerator effected by the gain on the change in fair value of the warrant liability and the denominator is increased to include the number of additional potential common shares from the warrants underlying the warrant liability.

Diluted earnings per common share were calculated using the following net income (loss) and weighted average shares outstanding for the nine months ended September 30, 2016:

		Nine Months Ended September 30, 2016
Net loss	$	(2,448)
Gain on the change in fair value of the warrant liability		(5,316)
Diluted earnings	$	(7,764)
Weighted average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding		10,536,824
Dilutive effect of warrants		410,889
Diluted number of common and common stock equivalent shares outstanding		10,947,713

For the three months ended September 30, 2016 and the three and nine months ended September 30, 2015, diluted net loss per common share is equal to the basic net loss per common share since all potentially dilutive securities are anti-dilutive.

Potential common stock equivalents outstanding as of September 30, 2016 and 2015 consist of common stock equivalents of common stock purchase warrants, senior secured convertible debentures, convertible preferred stock and common stock options, which are summarized as follows:

	September 30,	
	2016	2015
Common stock equivalents of convertible debentures	46,105,715	46,521,127
Common stock purchase warrants	12,033,098	16,078,920
Common stock equivalents of convertible preferred stock	2,415,866	2,535,866
Common stock options	3,007,227	2,302,802
Total	63,561,906	67,438,715

Adoption of New Accounting Standards

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, " *Simplifying the Presentation of Debt Issuance Costs*" *(Subtopic 835-30)*. ASU No. 2015-03 provides guidance that will require debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, in the same manner as debt discounts, rather than as an asset. The standard was effective for reporting periods beginning after December 15, 2015 and early adoption was permitted. The Company adopted this ASU effective January 1, 2016. (See *Note 9*, ***Convertible Debt***.)

In September 2015, the FASB issued ASU No. 2015-16, "*Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments.*" The amendments in ASU 2015-16 require that an acquirer recognize adjustments to estimated amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, rather than retrospectively adjusting amounts previously reported. The amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the estimated amounts, calculated as if the accounting had been completed at the acquisition date. Effective for public business entities for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not been issued. The adoption of this ASU did not have a significant impact on the condensed consolidated financial statements.

Recently Issued Accounting Standards

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting (Topic 718), to simplify various aspects of the accounting and presentation of share-based payments, including the income tax effects of awards and forfeiture assumptions. Currently, tax deductions in excess of compensation costs (excess tax benefits) are recorded in equity and tax deduction shortfalls (tax deficiencies), to the extent of previous excess tax benefits, are recorded in equity and then to income tax expense. Under the new guidance, all excess tax benefits and tax deficiencies will be recorded to income tax expense in the income statement, which could create volatility in the Company's income statement. The new guidance will also change the classification of excess tax benefits in the cash flow statement and impact the diluted earnings per share calculation. The guidance will be effective for interim and annual periods beginning after December 15, 2016, and early adoption is permitted. Different components of the guidance require prospective, retrospective and/or modified retrospective adoption. The Company does not expect that this standard will have a significant impact on its consolidated financial statements and disclosures upon adoption.

In February 2016, the FASB issued ASU 2016-02, Leases, This statement requires lessees to present right-of-use assets and lease liabilities on the balance sheet. The standard is effective for public companies for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the effect the guidance will have on its financial condition and results of operations.

In November 2015, the FASB issued ASU 2015-17, Income Taxes, Balance Sheet Classification of Deferred Taxes topic of the Codification. This standard requires all deferred tax assets and liabilities to be classified as non-current on the balance sheet instead of separating deferred taxes into current and non-current amounts. In addition, valuation allowance allocations between current and non-current deferred tax assets are no longer required because those allowances also will be classified as non-current. This standard is effective for public companies for annual periods beginning after December 15, 2016. The Company's deferred tax assets are provided with full valuation allowance as of December 31, 2015. As such, the Company does not expect that this standard will have a significant impact on its consolidated financial statements and disclosures upon adoption.

In July, 2015, The FASB issued Accounting Standards Update No. 2015-11 *, Simplifying the Measurement of Inventory (Topic 330)* ("ASU 2015-11"). ASU 2015-11 outlines that inventory within the scope of its guidance be measured at the lower of cost and net realizable value. Inventory measured using last-in, first-out (LIFO) are not impacted by the new guidance. Prior to the issuance of ASU 2015-11, inventory was measured at the lower of cost or market (where market was defined as replacement cost, with a ceiling of net realizable value and floor of net realizable value less a normal profit margin). For a public entity, the amendments in ASU 2015-11 are effective, in a prospective manner, for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period (the first quarter of fiscal year 2017 for the Company). Early adoption is permitted as of the beginning of an interim or annual reporting period. The Company does not expect that this standard will have a significant impact on its consolidated financial statements and disclosures upon adoption.

In May 2014, The FASB issued Accounting Standards Update No. 2014-09 *, Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). ASU 2014-09 outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 also requires entities to disclose sufficient information, both quantitative and qualitative, to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. An entity should apply the amendments in this ASU using one of the following two methods: 1. Retrospectively to each prior reporting period presented with a possibility to elect certain practical expedients, or, 2. Retrospectively with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application. If an entity elects the latter transition method, it also should provide certain additional disclosures. For a public entity, the amendments in ASU 2014-09 were to be effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. In July 2015, the FASB voted for a one year deferral of the effective date of ASU 2014-09 and issued an exposure draft. The new guidance will be effective for annual and interim periods beginning on or after December 15, 2017. Early application is not permitted. The Company is evaluating this standard and expect to have its analysis completed by mid-2017, however, preliminarily the Company does not expect that this new guidance will have a material impact on its revenue recognition..

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). ASU 2014-15 provides guidance on management's responsibility in evaluating whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). ASU 2014-15 also provides guidance related to the required disclosures as a result of management evaluation. The amendments in ASU 2014-15 are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The adoption of the new guidance will not impact the Company's results of operations, cash flows or financial condition.

Note 2
Acquisition:

On June 22, 2015, the Company entered into an asset purchase agreement (the "Asset Purchase Agreement") with PhotoMedex Inc. and PhotoMedex Technology, Inc. pursuant to which the Company purchased the XTRAC and VTRAC laser businesses (the "Asset Purchase") for $42,528 in cash and assumed certain business-related liabilities. In June 2016, the Company received a return from the escrow account of $125 of the purchase price related to the assets in the purchased Indian subsidiary. The purchased assets include all of the accounts receivable, inventory and fixed and intangible assets of the business.

The fair value of the assets acquired and liabilities assumed were based on management's assessment. The significant intangible assets to be recognized in the valuation are core and product technologies, tradenames and customer relationships. The estimated useful lives over which these assets will be amortized, utilizing the straight line method, are five years for product technologies and ten years for core technologies, tradenames and customer relationships. The Company estimated fair value of the intangibles and lasers placed in service was based on the income approach which estimated cash flow that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends and specific market and economic conditions. The fair value of the Company's remaining fixed assets was estimated based on the cost approach which estimated the cost to replace.

	Fair Value
Current assets	$ 7,233
Property, plant and equipment	14,340
Identifiable intangible assets	16,100
Other assets	45
Total assets assumed	37,718
Current liabilities	(3,945)
Note payable	(57)
Other long term liabilities	(116)
Total liabilities assumed	(4,118)
Net assets acquired	$ 33,600

The purchase price exceeded the fair value of the net assets acquired by $8,803, which was recorded as goodwill.

The consolidated results of operations do not include any revenues or expenses related to the XTRAC and VTRAC businesses on or prior to June 22, 2015, the date of the asset purchase. The Company's unaudited pro-forma results for the three and nine months ended September 30, 2015 summarize the combined results in the following table, assuming the asset purchase had occurred on January 1, 2015 and after giving effect to the acquisition adjustments, including amortization of the tangible and long-lived intangible assets acquired in the transaction:

	Three Months Ended September 30,2015 (unaudited)	Nine Months Ended September 30, 2015 (unaudited)
Net revenues	$ 8,323	$ 23,684
Net loss attributable to common stockholders	$ (12,186)	$ (33,662)
Net loss per basic and diluted share:	$ (1.29)	$ (4.21)
Shares used in calculating net loss per basic and diluted share:	9,442,022	7,994,012

These unaudited pro-forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which would have actually resulted had the acquisition occurred on January 1, 2015, nor to be indicative of future results of operations.

Note 3
Inventories, net:

	September 30, 2016	December 31, 2015
	(unaudited)	
Raw materials and work in progress	$ 2,912	$ 3,706
Finished goods	317	422
Total inventories	$ 3,229	$ 4,128

Work-in-process is immaterial, given the Company's typically short manufacturing cycle, and therefore is disclosed in conjunction with raw materials.

Note 4
Property and Equipment, net:

	September 30, 2016	December 31, 2015
	(unaudited)	
Lasers placed-in-service	$ 16,344	$ 15,782
Equipment, computer hardware and software	161	1,219
Furniture and fixtures	111	2,080
Leasehold improvements	24	931
	16,640	20,012
Accumulated depreciation and amortization	(5,792)	(6,161)
Property and equipment, net	$ 10,848	$ 13,851

Depreciation and related amortization expense was $3,482 and $1,253 for the nine months ended September 30, 2016 and 2015, respectively. For the three and nine months ended September 30, 2016, the Company disposed of leasehold improvements, machinery and equipment and furniture and fixtures with a recorded cost of $3,933 and accumulated depreciation and amortization of $3,809, related to the closing of its Irvington, New York facility. The net book value of $124 was written off to general and administrative expense.

Note 5
Patents and Licensed Technologies, net:

	September 30, 2016	December 31, 2015
	(unaudited)	
Core technology	$ 5,974	$ 5,974
Product technology	2,000	2,000
	7,974	7,974
Accumulated amortization	(1,459)	(727)
Patents and licensed technologies, net	$ 6,515	$ 7,247

Related amortization expense was $732 and $244 for the nine months ended September 30, 2016 and 2015, respectively.

Estimated amortization expense for amortizable patents and licensed technologies assets for the future periods is as follows:

Remaining 2016	$ 244
2017	975
2018	975
2019	975
2020	775
Thereafter	2,571
Total	$ 6,515

Note 6

Other Intangible Assets:

Set forth below is a detailed listing of other definite-lived intangible assets:

	September 30, 2016 (unaudited)	December 31, 2015
Customer relationships	$ 6,900	$ 6,900
Tradenames	1,500	1,500
	8,400	8,400
Accumulated amortization	(1,050)	(420)
Other intangible assets, net	$ 7,350	$ 7,980

Related amortization expense was $630 and $210 for the nine months ended September 30, 2016 and 2015, respectively.

Estimated amortization expense for the above amortizable intangible assets for the future periods is as follows:

Remaining 2016	$ 210
2017	840
2018	840
2019	840
2020	840
Thereafter	3,780
Total	$ 7,350

Note 7

Other Accrued Liabilities:

	September 30, 2016 (unaudited)	December 31, 2015
Accrued warranty, current, see Note 1	$ 127	$ 168
Accrued compensation, including commissions and vacation	737	1,336
Accrued sales and other taxes	397	349
Accrued professional fees and other accrued liabilities	277	308
Total other accrued liabilities	$ 1,538	$ 2,161

Note 8
Convertible Debentures:

In the following table is a summary of the Company's convertible debentures.

	September 30, 2016 (unaudited)	December 31, 2015
Senior secured 2.25% convertible debentures, net of unamortized debt discount of $24,816 and $26,267, respectively; and deferred financing costs of $535 and $522, respectively	$ 6,680	$ 5,489
Senior secured 4% convertible debentures, net of unamortized debt discount of $3,591 and $3,922, respectively; and deferred financing costs of $406 and $443, respectively	4,718	4,350
Total convertible debt	$ 11,398	$ 9,839

The Company issued $32,500 aggregate principal amount of Debentures (June 2015 Debentures) that, subject to certain ownership limitations and stockholder approval conditions, will be convertible into 43,333,334 shares of Company common stock at an initial conversion price of $0.75 per share. The Debentures bear interest at the rate of 2.25% per year, and, unless previously converted, will mature on the five-year anniversary of the date of issuance, June 22, 2020. If the Company cannot maintain its listing on Nasdaq, it would be deemed a default under the 2015 debentures.

The June 2015 Debentures include a beneficial conversion feature valued at $27,300 that was recorded as a discount to the debentures. On the date of issuance the beneficial conversion feature value was calculated as the difference resulting from subtracting the conversion price of $0.75 from $1.38, the opening market value of the Company's common stock following the announcement of the transaction, multiplied by the number of common shares into which the June 2015 Debentures are convertible. This discount is being amortized over the five year life of the June 2015 Debentures using the effective interest method. The embedded conversion feature contains an anti-dilution provision that allows for downward exercise price adjustments in certain situations. The embedded conversion feature was not bifurcated as it did not meet all of the elements of a derivative.

On July 21, 2014, the Company entered into a definitive Securities Purchase Agreement (the "Purchase Agreement") with institutional investors (the "Investors") providing for the issuance of Senior Secured Convertible Debentures in the aggregate principal amount of $15,000, due, subject to the terms therein, in July 2019 (the "July 2014 Debentures"), and warrants (the "July 2014 Series A Warrants") to purchase up to an aggregate of 6,198,832 shares of common stock, $0.001 par value per share, at an exercise price of $2.45 per share expiring in July 2019. The July 2014 Debentures bear interest at an annual rate of 4%, payable quarterly or upon conversion into shares of common stock. The Debentures are convertible at any time into an aggregate of 5,847,955 shares of common stock at an initial conversion price of $2.565 per share. The Company's obligations under the July 2014 Debentures are secured by a first priority lien on all of the Company's intellectual property pursuant to the terms of a security agreement ("Security Agreement") dated July 21, 2014 among the Company and the Investors. In connection with the Purchase Agreement, the Company entered into a Registration Rights Agreement with the Investors pursuant to which the Company was obligated to file a registration statement to register for resale the shares of Common Stock issuable upon conversion of the Series B Preferred Stock (See *Note 10,* **Warrants**) and Debentures and upon exercise of the Warrants. Under the terms of the Registration Rights Agreement, the Company filed a registration statement on August 19, 2014, which was declared effective by the SEC on October 20, 2014 (File No. 333-198249).

For financial reporting purposes, the $15,000 funded by the Investors on July 21, 2014 was allocated first to the fair value of the obligation to issue the Warrants, amounting to $5,296, then to the intrinsic value of the beneficial conversion feature on the July 2014 Debentures of $4,565. The balance was further reduced by the fair value of warrants issued to the placement agent for services rendered of $491, resulting in an initial carrying value of the Debentures of $4,647. The initial debt discount on the July 2014 Debentures totaled $10,353 and is being amortized using the effective interest method over the five year life of the July 2014 Debentures.

During the nine months ended September 30, 2016, the investors converted June 2015 debentures amounting to $248 into 329,411 shares of common stock. The debt discount and deferred financing cost adjustment resulting from the conversions increased interest expense by $202 for the nine months ended September 30, 2016.

As a condition of the new note facility (See *Note 9*, **Long-term Debt**) the Debentures from both the 2014 and 2015 financings were amended. The Debentures holders' first priority lien was subordinated to the new term note facility. Additionally, as a condition of the term note facility, the maturity date of both Debentures was extended to June 30, 2021. The Company evaluated the modifications to determine if there was an extinguishment of debt. Based on the valuation, the discounted cash flows did not change by more than 10%, thus they were treated as a modification.

As of September 30, 2016, the total outstanding amount of Debentures was $40,746.

Note 9
Long-term Debt:

Term-Note Credit Facility
On December 30, 2015, the Company entered into a $12,000 credit facility pursuant to a Credit and Security Agreement (the "Agreement") and related financing documents with MidCap Financial Trust ("MidCap") and the lenders listed therein. Under the Agreement, the credit facility may be drawn down in two tranches, the first of which was drawn for $10,500 on December 30, 2015. The proceeds of this first tranche were used to repay $10,000 principal amount of short-term senior secured promissory notes, plus associated interest, loan fees and expenses. The second tranche was drawn for $1,500 on January 29, 2016. The Company's obligations under the credit facility are secured by a first priority lien on all of the Company's assets. This credit facility includes both financial and non-financial covenants, including a minimum net revenue covenant, beginning in January 2016. The Company was in compliance with these covenants as of September 30, 2016. On August 8, 2016, the minimum net revenue covenant was amended prospectively. The Interest rate on the credit facility is one month LIBOR plus 8.25%, subject to a LIBOR floor of 0.5%. The Company's existing debentures from its 2014 and 2015 financings were amended as a condition of this new term note facility, including subordination agreements and maturity extensions. Additionally if the Company cannot maintain its listing on Nasdaq, it would be deemed a default under the 2015 debentures and a breach of our affirmative covenants and therefore an event of default under our financing documents with Midcap. Unamortized discount on the long term debt and deferred financing costs was $593 and $649 as of September 30, 2016 and December 31, 2015, respectively. As of September 30, 2016 the net balance of long-term debt is $10,549.

In connection with the issuance of the Term Note the Company issued MidCap (and the lenders), on December 30, 2015, a warrant to purchase 650,442 shares of the Company's common stock for an exercise price of $1.13. Additionally, the Company issued MidCap (and the lenders), on January 29, 2016, a warrant to purchase 99,057 shares of the Company's common stock for an exercise price of $1.06. The warrants are exercisable at any time on or prior to the fifth anniversary of its issue date. The warrants are treated as a discount to the debt and are accreted under the effective interest method over the repayment term of 60 months. The Company has accounted for these warrants as equity instruments since there is no option for cash or net-cash settlement when the warrants are exercised and since they are indexed to the Company's common stock. The Company computed the value of the warrants using the Black-Scholes method. The key assumptions used to value the warrants are as follows:

	December 31, 2015	January 29, 2016
Number of shares underlying warrants	650,442	99,057
Exercise price	$ 1.13	$ 1.06
Stock price on date of issuance	$ 1.11	$ 1.05
Fair value of warrants	$ 321	$ 47
Volatility	50.0%	50.0%
Risk-free interest rate	1.8%	1.8%
Expected dividend yield	0%	0%
Expected warrant life	5 years	5 years

Note 10
Warrants:

The Company accounts for warrants that have provisions that protect holders from a decline in the issue price of its common stock (or "down-round" provisions) and those that contain cash settlement provisions as liabilities instead of equity. Down-round provisions reduce the exercise or conversion price of a warrant or convertible instrument if a company either issues equity shares for a price that is lower than the exercise or conversion price of those instruments or issues new warrants or convertible instruments that have a lower exercise or conversion price. Net settlement provisions allow the holder of the warrant to surrender shares underlying the warrant equal to the exercise price as payment of its exercise price, instead of physically exercising the warrant by paying cash. The Company evaluated whether warrants to acquire its common stock contain provisions that protect holders from declines in the stock price or otherwise could result in modification of the exercise price and/or shares to be issued under the respective warrant agreements based on a variable that is not an input to the fair value of a "fixed-for-fixed" option. As of June 22, 2016, the down-round provision expired on 12,083,821 warrants and as such $1,541 of value associated with these warrants was reclassified to equity.

For those that do contain such provisions, the Company recognizes the warrants as liabilities at the fair value on each reporting date. The Company computed the value of the warrants using the binomial method. A summary of quantitative information with respect to the valuation methodology and significant unobservable inputs used for the Company's warrant liabilities that are categorized within Level 3 of the fair value hierarchy as of September 30, 2016, June 22, 2016 and December 31, 2015 is as follows:

	September 30, 2016	June 22, 2016	December 31, 2015
Number of shares underlying the warrants	2,015,446	14,099,267	14,099,267
Stock price	$ 0.53	$ 0.65	$ 1.11
Volatility	46.00%	35.00 - 50.00%	35.90 – 50.00%
Risk-free interest rate	0.60% – 0.79%	0.25% – 1.04%	0.02% - 1.63%
Expected dividend yield	0%	0%	0%
Expected warrant life	2.37 – 2.60 years	0.09– 4.0 years	0.07 – 4.48 years

Recurring Level 3 Activity and Reconciliation

The tables below provide a reconciliation of the beginning and ending balances for the liability measured at fair value using significant unobservable inputs (Level 3). The table reflects gains and losses for the nine-month periods ended September 30, 2016 and 2015, for all financial liabilities categorized as Level 3 as of September 30, 2016 and, 2015, respectively.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3):

Issuance Date	December 31, 2015	Decrease in Fair Value	Reclassification to Equity	September 30, 2016
10/31/2013	$ 379	$ (312)	$ -	$ 67
2/5/2014	715	(597)	-	118
7/24/2014 Series A	2,415	(1,573)	(842)	-
7/24/2014 Series B	1,726	(1,713)	(13)	-
6/22/2015	1,807	(1,121)	(686)	-
Total	$ 7,042	$ (5,316)	$ (1,541)	$ 185

Issuance Date	December 31, 2014	Initial Measurement	Increase (Decrease) in Fair Value	Reclassed from Equity	September 30, 2015
10/31/2013	$ 233	$ -	$ 309	$ -	$ 542
2/5/2014	266	-	767	-	1,033
7/24/2014 Series A	-	-		3,452	3,452
7/24/2014 Series B	-	-		1,947	1,947
6/22/2015	-	2,958	(397)	-	2,561
Total	$ 499	$ 2,958	$ 679	$ 5,399	$ 9,535

Number of Warrants Subject to Remeasurement:

Issuance Date	December 31, 2015	Reductions	September 30, 2016
10/31/2013	685,715	-	685,715
2/5/2014	1,329,731	-	1,329,731
7/24/2014 Series A	4,288,500	(4,288,500)	-
7/24/2014 Series B	4,795,321	(4,795,321)	-
6/22/2015	3,000,000	(3,000,000)	-
Total	14,099,267	(12,083,821)	2,015,446

Note 11

Stockholders' Equity:

Common Stock and Warrants

Balance at December 31, 2015	16,729,362
Additions	99,057
Expirations	(4,795,321)
Balance at September 30, 2016	12,033,098

Common stock warrants outstanding at September 30, 2016 consist of the following:

Issue Date	Expiration Date	Total Warrants	Exercise Price
4/26/2013	4/26/2018	69,321	$ 11.18
10/31/2013	4/30/2019	685,715	$ 0.75
2/5/2014	2/5/2019	1,329,731	$ 0.75
7/24/2014	7/24/2019	6,198,832	0.75 - $ $ 2.45
6/22/2015	6/22/2020	3,000,000	$ 0.75
12/30/2015	12/30/2020	650,442	$ 1.13
1/29/2016	1/29/2021	99,057	$ 1.06
		12,033,098	

Note 12
Stock-based compensation:

At September 30, 2016, the Company had 3,007,227 common stock options outstanding with a weighted-average exercise price of $1.48. 2,072,251 common stock options are vested and exercisable.

Stock-based compensation expense, primarily included in general and administration, for the three and nine months ended September 30, 2016 was $116 and $401, respectively. For the three and nine months ended September 30, 2015 stock-based compensation was $1,007 and $1,483 respectively. As of September 30, 2016 there was $282 in unrecognized compensation expense, which will be recognized over a weighted average period of 4 years.

Note 13
Income taxes:

The Company accounts for income taxes using the asset and liability method for deferred income taxes. The provision for income taxes includes federal, state and local income taxes currently payable and deferred taxes resulting from temporary differences between the financial statement and tax bases of assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

Income tax expense of $64 and $191 for the three and nine months ended September 30, 2016 was comprised of the change in deferred tax liability related to goodwill. Goodwill is an amortizing asset according to tax regulations. This generates a deferred tax liability that is not used to offset deferred tax assets for valuation allowance considerations. There was no such expense for the three and nine months ended September 30, 2015.

Note 14
Business Segments and Geographic Data:

The Company organized its business into three operating segments to better align its organization based upon the Company's management structure, products and services offered, markets served and types of customers, as follows: The Dermatology Recurring Procedures segment derives its revenues from the XTRAC procedures performed by dermatologists. The Dermatology Procedures Equipment segment generates revenues from the sale of equipment, such as lasers and lamp products. The Dermatology Imaging segment generates revenues from the sale and usage of imaging devices. Management reviews financial information presented on an operating segment basis for the purposes of making certain operating decisions and assessing financial performance. On June 22, 2015, the Company acquired the XTRAC and VTRAC businesses and has classified the revenues and expenses of this business to the two Dermatology Procedures segments.

Unallocated operating expenses include costs that are not specific to a particular segment but are general to the group; included are expenses incurred for administrative and accounting staff, general liability and other insurance, professional fees and other similar corporate expenses. Interest and other financing income (expense), net is also not allocated to the operating segments.

The following tables reflect results of operations from our business segments for the periods indicated below:

Three Months Ended September 30, 2016 (unaudited)

	Dermatology Recurring Procedures	Dermatology Procedures Equipment	Dermatology Imaging	TOTAL
Revenues	$ 6,205	$ 1,550	$ 12	$ 7,767
Costs of revenues	2,162	877	31	3,070
Gross profit	4,043	673	(19)	4,697
Gross profit %	*65.2%*	*43.4%*	*(158.3%)*	*60.5%*
Allocated operating expenses:				
Engineering and product development	343	31	8	382
Selling and marketing expenses	2,767	57	16	2,840
Unallocated operating expenses	-	-	-	1,880
	3,110	88	24	5,102
Income (loss) from operations	933	585	(43)	(405)
Interest expense, net	-	-	-	(1,175)
Change in fair value of warrant liability	-	-	-	132
Other income (expense), net	-	-	-	3
Income (loss) before income taxes	$ 933	$ 585	$ (43)	$ (1,445)

Three Months Ended September 30, 2015 (unaudited)

	Dermatology Recurring Procedures	Dermatology Procedures Equipment	Dermatology Imaging	TOTAL
Revenues	$ 7,033	$ 1,189	$ 101	$ 8,323
Costs of revenues	2,326	607	109	3,042
Gross profit	4,707	582	(8)	5,281
Gross profit %	*66.9%*	*48.9%*	*(7.9%)*	*63.5%*
Allocated operating expenses:				
Engineering and product development	348	31	181	560
Selling and marketing expenses	3,553	97	262	3,912
Unallocated operating expenses	-	-	-	3,132
	3,901	128	443	7,604
Income (loss) from operations	806	454	(451)	(2,323)
Interest expense, net	-	-	-	(5,577)
Change in fair value of warrant liability	-	-	-	(1,329)
Other income (expense), net	-	-	-	(5)
Net income (loss)	$ 806	$ 454	$ (451)	$ (9,234)

Nine Months Ended September 30, 2016 (unaudited)

	Dermatology Recurring Procedures	Dermatology Procedures Equipment	Dermatology Imaging	TOTAL
Revenues	$ 17,826	$ 5,174	$ 126	$ 23,126
Costs of revenues	6,723	2,641	267	9,631
Gross profit	11,103	2,533	(141)	13,495
Gross profit %	*62.3%*	*49.0%*	*(111.9%)*	*58.4%*
Allocated operating expenses:				
Engineering and product development	977	147	417	1,541
Selling and marketing expenses	9,626	261	186	10,073
Unallocated operating expenses	-	-	-	5,882
	10,603	408	603	17,496
Income (loss) from operations	500	2,125	(744)	(4,001)
Interest expense, net	-	-	-	(3,571)
Change in fair value of warrant liability	-	-	-	5,316
Other income (expense), net	-	-	-	(1)
Income (loss) before income taxes	$ 500	$ 2,125	$ (744)	$ (2,257)

Nine Months Ended September 30, 2015 (unaudited)

	Dermatology Recurring Procedures	Dermatology Procedures Equipment	Dermatology Imaging	TOTAL
Revenues	$ 7,138	$ 1,638	$ 239	$ 9,015
Costs of revenues	2,386	891	6,949	10,226
Gross profit	4,752	747	(6,710)	(1,211)
Gross profit %	*66.6%*	*45.6%*	*(2807.5%)*	*(13.4%)*
Allocated operating expenses:				
Engineering and product development	355	62	872	1,289
Selling and marketing expenses	3,727	127	1,787	5,641
Unallocated operating expenses	-	-	-	6,819
	4,082	189	2,659	13,749
Income (loss) from operations	670	558	(9,369)	(14,960)
Interest expense, net	-	-		(8,738)
Change in fair value of warrant liability	-	-	-	(679)
Other income (expense), net	-	-	-	23
Net income (loss)	$ 670	$ 558	$ (9,369)	$ (24,354)

For the three and nine months ended September 30, 2016 and 2015 there were no material net revenues attributable to any individual foreign country. Net revenues by geographic area were, as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Domestic	$ 6,287	$ 7,114	$ 18,444	$ 7,236
Foreign	1,480	1,209	4,682	1,779
	$ 7,767	$ 8,323	$ 23,126	$ 9,015

Note 15
Significant Customer Concentration:

For the three months ended September 30, 2016, revenues from sales to the Company's international master distributor (GlobalMed Technologies) were $1,457, or 18.8%, of total revenues for such period. For the nine months ended September 30, 2016, revenues from sales to the Company's international master distributor were $4,604, or 19.9%, of total revenues for such period. At September 30, 2016, the accounts receivable balance from GlobalMed Technologies was $613, or 20.9%, of total net accounts receivable. For the three months ended September 30, 2015, revenues from sales to the Company's international master distributor were $949, or 11.4% of total revenues for such period. For the nine months ended September 30, 2015, revenues from sales to the Company's international master distributor were $1,385, or 15.4%, of total revenues for such period. No other customer represented more than 10% of total company revenues for the three and nine months ended September 30, 2016 and 2015. No other customer represented more than 10% of total accounts receivable as of September 30, 2016.

Note 16
Subsequent Events:

On October 28, 2016, investors converted debentures amounting to $19 into 25,000 shares of common stock. See *Note 9,* **Convertible Debentures**.

Effective on October 31, 2016, Michael R. Stewart resigned as the Company's President and Chief Executive Officer and as a member of the Company's Board of Directors (our "Board"). The Company entered into a severance agreement and general release with Mr. Stewart and into a separate consulting agreement. Under the severance agreement, Mr. Stewart is entitled to receive severance payments and applicable insurance benefits through October 31, 2017. Also, any vested options as of the termination date shall continue to be exercisable until the later of 90 days or the termination of his consulting agreement.

On October 31, 2016, The Company entered into a consulting agreement with Mr. Stewart, pursuant to which Mr. Stewart will provide consulting services to us for a term of six months. Mr. Stewart will receive a monthly consulting fee of $12,500 during the term of the consulting agreement.

On October 31, 2016, our Board appointed Frank J. McCaney to our Board and as the Company's President and Chief Executive Officer. Mr. McCaney was most recently the chief executive officer of Corpak MedSystems, a private equity-backed medical device company in the field of enteral feeding. Corpak was sold to Halyard Health (HYH: NYSE) for $174 million in May 2016. Prior to Corpak, he was the founder and CEO of Nitric BioTherapeutics, a venture backed-medical technology company from 2006 until 2012. Prior to Nitric Bio, he was a senior executive at Viasys Healthcare, Inc. (VAS: NYSE), a medical technology company focusing on respiratory, neurology, medical disposable and orthopedic products and had a lead role in spinning Viasys out of Thermo Electron Corporation (TMO: NYSE). While at Viasys, Mr. McCaney had several responsibilities including strategy, business development and investor relations. He currently serves as a director of Diasome Pharmaceuticals, a privately-held company.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and notes to condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements that involve risks and uncertainties. These forward-looking statements include, but are not limited to, statements about the plans, objectives, expectations and intentions of STRATA Skin Sciences, Inc., a Delaware corporation (referred to in this Report as "we," "us," "our," "STRATA," "STRATA Skin Sciences" or "registrant") and other statements contained in this Report that are not historical facts. When reviewing the discussion below, you should keep in mind the substantial risks and uncertainties that characterize our business. In particular, we encourage you to review the risks and uncertainties described in Item 1A "Risk Factors" included elsewhere in this report, in our Annual Report on Form 10-K for the year ended December 31, 2015 and this report on Form 10-Q. These risks and uncertainties could cause actual results to differ materially from those projected in forward-looking statements contained in this report or implied by past results and trends. Forward-looking statements are statements that attempt to forecast or anticipate future developments in our business, financial condition or results of operations and statements — see "Cautionary Note Regarding Forward-Looking Statements" that appears at the end of this discussion. These statements, like all statements in this report, speak only as of their date (unless another date is indicated), and we undertake no obligation to update or revise these statements in light of future developments.

The following financial data, in this narrative, are expressed in thousands, except for the earnings per share.

Introduction, Outlook and Overview of Business Operations

STRATA Skin Sciences, Inc. ("STRATA" or "we" or the "Company") is a medical technology company dedicated to developing and commercializing innovative products for the diagnosis and treatment of serious dermatological disorders. In June 2015 we completed the acquisition of the XTRAC system and the VTRAC system businesses. The XTRAC and VTRAC products are FDA cleared devices for the treatment of psoriasis, vitiligo and other skin disorders. The purchase price was $42,528 plus the assumption of certain business-related liabilities. These products generated $32,874 in revenues in 2015 with a gross margin of 60.7% on a pro forma basis. Management believes that these businesses acquired create a platform on which to transform STRATA into a leading medical dermatology company.

The XTRAC device is utilized to treat psoriasis, vitiligo and other skin diseases. The XTRAC device received FDA clearance in 2000 and has since become a widely recognized treatment among dermatologists. The system delivers targeted 308um ultraviolet light to affected areas of skin, leading to psoriasis clearing and vitiligo repigmentation, following a series of treatments. As of September 30, 2016, there were 760 XTRAC systems placed in dermatologists' offices in the United States under our recurring revenue model, up from 698 at September 30, 2015. Under the recurring revenue model, the XTRAC system is placed in a physician's office and revenue is recognized on a per procedure basis. The XTRAC system's use for psoriasis is covered by nearly all major insurance companies, including Medicare. The VTRAC Excimer Lamp system, offered internationally in addition to the XTRAC system, provides targeted therapeutic efficacy demonstrated by excimer technology with the simplicity of design and reliability of a lamp system. There are approximately 7.5 million people in the United States and up to 125 million people worldwide suffering from psoriasis, and 1% to 2% of the world's population suffers from vitiligo. In 2015, over 354,000 XTRAC laser treatments were performed on approximately 22,000 patients in the United States.

The financial results of the XTRAC and VTRAC businesses have been included in the results of operations subsequent to June 22, 2015, the date of the acquisition. The assets of the businesses purchased and liabilities assumed have been consolidated as of June 22, 2015.

MelaFind is a non-invasive, point-of-care (i.e., in the doctor's office) instrument designed to aid in the dermatologists' decision to biopsy pigmented skin lesions, particularly melanoma. The successful commercialization of MelaFind is dependent on many factors, one of which is the establishment of reimbursement policies that include the use of the MelaFind's capabilities to assist in the biopsy decision. Management anticipates that it may require several years of continued effort for insurance companies to establish such policies.

In July 2015, the CPT® Editorial Panel of the American Medical Association posted to the AMA's website the list of Category III codes that became effective January 16, 2016. These codes included T0400 and T0401, which apply to our MelaFind system. This action followed from our application submitted in July 2014 for a Current Procedural Terminology ("CPT") code, which is necessary for Medicare Part B reimbursement by the Centers for Medicare and Medicaid Services ("CMS").

Key Technology

- *XTRAC® Excimer Laser*. XTRAC received FDA clearance in 2000 and has since become a widely recognized treatment among dermatologists for psoriasis and other skin diseases. The XTRAC System delivers ultra-narrowband ultraviolet B ("UVB") light to affected areas of skin. Following a series of treatments typically performed twice weekly, psoriasis remission can be achieved and vitiligo patches can be re-pigmented. XTRAC is endorsed by the National Psoriasis Foundation, and its use for psoriasis is covered by nearly all major insurance companies, including Medicare. We estimate that more than half of all major insurance companies now offer reimbursement for vitiligo as well, a figure that is increasing.
- *VTRAC® Lamp*. VTRAC received FDA clearance in 2005 and provides targeted therapeutic efficacy demonstrated by excimer technology with the simplicity of design and reliability of a lamp system.
- *MelaFind®*. MelaFind received a Pre-Market Approval, or PMA, from the FDA, in November 2011, having already received in September 2011 Conformité Européenne ("CE") Mark approval. MelaFind is a non-invasive, point–of-care, (i.e. in the doctor's office) instrument to aid dermatologists in their decision to biopsy suspicious pigmented lesions, (e.g. melanoma). MelaFind aids in the evaluation of clinically atypical pigmented skin lesions, when a dermatologist chooses to obtain additional information before making a final decision to biopsy in order to rule out melanoma. MelaFind acquires and displays multi-spectral (from blue to near infrared) images and dermoscopic Red Green Blue ("RGB") digital data from pigmented skin lesions.

Sales and Marketing

As of September 30, 2016, our sales and marketing personnel consisted of 48 full-time positions, inclusive of a direct sales organization as well as an in-house call center staffed with patient advocates and a reimbursement group that provides necessary insurance information to our physician partners and their patients.

Critical Accounting Policies and Estimates

There have been no changes to our critical accounting policies in the three and nine months ended September 30, 2016. Critical accounting policies and the significant estimates made in accordance with such policies are regularly discussed with our Audit Committee. Those policies are discussed under "*Critical Accounting Policies*" in our "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" included in Item 7, as well as in our consolidated financial statements and the footnotes thereto for the fiscal year ended December 31, 2015, as filed with the SEC with our Annual Report on Form 10-K filed on March 15, 2016.

Results of Operations (The following financial data, in this narrative, are expressed in thousands, except for the earnings per share.)

Revenues

The following table presents revenues from our three segments for the periods indicated below:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Dermatology Recurring Procedures	$ 6,205	$ 7,033	$ 17,826	$ 7,138
Dermatology Procedures Equipment	1,550	1,189	5,174	1,638
Dermatology Imaging	12	101	126	239
Total Revenues	$ 7,767	$ 8,323	$ 23,126	$ 9,015

We completed the asset purchase of the XTRAC and VTRAC businesses on June 22, 2015 and as such, for the 2015 periods, revenues were included only for the period of June 23, 2015 through September 30, 2015.

Dermatology Recurring Procedures

Recognized treatment revenue for the three months ended September 30, 2016 was $6,205, which approximates 89,000 treatments, with prices between $65 to $95 per treatment. Recognized treatment revenue for the nine months ended September 30, 2016 was $17,826, which approximates 244,000 treatments. Increases in procedures are dependent upon building market acceptance through marketing programs with our physician partners and their patients to show that the XTRAC procedures will be of clinical benefit and will be generally reimbursed by insurers. We have a direct to patient program for XTRAC advertising in the United States targeted at psoriasis and vitiligo patients through a variety of media including television and radio; and through our use of social media such as Facebook and Twitter. Our advertising expenditures in this area are aimed at reaching the more than 10 million patients in the United States afflicted with these diseases.

Recognized treatment revenue for the three and nine months ended September 30, 2015 was $7,033 and $7,138, respectively, which approximates 94,000 and 95,000 treatments. We completed the asset purchase of the XTRAC and VTRAC businesses on June 22, 2015 and as such revenues were included only for the period of June 23, 2015 through September 30, 2015.

We defer substantially all sales of treatment codes ordered by and delivered to the customer within the last two weeks of the period in determining the amount of procedures performed by our physician-customers. Management believes this approach closely approximates the actual amount of unused treatments that existed at the end of a period. For the three months ended September 30, 2016, we deferred net revenues of $213 under this approach.

Dermatology Procedures Equipment

For the three months ended September 30, 2016 dermatology equipment revenues were $1,550. Internationally, we sold 19 systems for the three months ended September 30, 2016, 9 XTRAC and 10 VTRAC systems. For the nine months ended September 30, 2016 dermatology equipment revenues were $5,174. Internationally, we sold 65 systems for the nine months ended September 30, 2016, 39 XTRAC and 26 VTRAC systems.

For the three and nine months ended September 30, 2015 dermatology equipment revenues were $1,189 and $1,638, respectively. Internationally, we sold 17 systems for the three months ended September 30, 2015, 4 XTRAC and 13 VTRAC systems. Internationally, we sold 25 systems for the nine months ended September 30, 2015, 11 XTRAC and 14 VTRAC systems. We completed the asset purchase of the XTRAC and VTRAC businesses on June 22, 2015 and as such, revenues were included only for the period of June 23, 2015 through September 30, 2015.

Dermatology Imaging

For the three months ended September 30, 2016 and 2015, imaging revenues were $12 and $101, respectively. For the nine months ended September 30, 2016 and 2015, imaging revenues were $126 and $239, respectively. Imaging revenues are generated from the MelaFind systems, through direct capital equipment sales and through a leasing model. Under the leasing model, there is an upfront installation fee and a monthly usage fee based on the number of lesions examined.

Cost of Revenues

The following table illustrates cost of revenues from our three business segments for the periods listed below:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Dermatology Recurring Procedures	$ 2,162	$ 2,326	$ 6,723	$ 2,386
Dermatology Procedures Equipment	877	607	2,641	891
Dermatology Imaging	31	109	267	6,949
Total Cost of Revenues	$ 3,070	$ 3,042	$ 9,631	$ 10,226

As we completed the asset purchase of XTRAC and VTRAC businesses on June 22, 2015, cost of revenues for 2015, related to this business, was included from June 23, 2015 through September 30, 2015.

Cost of revenues of $3,070 for the three months ended September 30, 2016 was consistent with $3,042 for the three months ended September 30, 2015. Cost of revenues have decreased to $9,631 for the nine months ended September 30, 2016 compared to $10,226 for the nine months ended September 30, 2015. During the nine months ended September 30, 2015 we initiated plans to develop an updated version of the MelaFind system and, accordingly, determined that a majority of our existing inventory of MelaFind systems and related parts exceeded our requirements. As a result, we wrote-off the excess and obsolete inventory on our MelaFind systems and related components and incurred a charge of $4,818. We also had an impairment charge of $920 of property and equipment related to the MelaFind systems. Offsetting these expense for the 2015 periods, were the XTRAC and VTRAC expenses that were included only from June 23, 2015 through September 30, 2015 compared to the entire periods presented for 2016.

Gross Profit Analysis

Gross profit decreased to $4,697 for the three months ended September 30, 2016 from $5,281 during the same period in 2015. As a percentage of revenues, the gross margin was 60.5% for the three months ended September 30, 2016 down from 63.5% during the same period in 2015.

Gross profit increased to $13,495 for the nine months ended September 30, 2016 from ($1,211) during the same period in 2015. As a percentage of revenues, the gross margin was 58.4% for the nine months ended September 30, 2016 up from (13.4%) during the same period in 2015.

The following tables analyze changes in our gross margin, by segment, for the periods presented below:

Company Profit Analysis	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues	$ 7,767	$ 8,323	$ 23,126	$ 9,015
Percent (decrease) increase	(6.7%)		156.5%	
Cost of revenues	3,070	3,042	9,631	10,226
Percent increase (decrease)	0.9%		(5.8%)	
Gross profit	$ 4,697	$ 5,281	$ 13,495	$ (1,211)
Gross margin percentage	60.5%	63.5%	58.4%	(13.4%)

Dermatology Recurring Procedures	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues	$ 6,205	$ 7,033	$ 17,826	$ 7,138
Percent (decrease) increase	(11.8%)		149.7%	
Cost of revenues	2,162	2,326	6,723	2,386
Percent (decrease) increase	(7.1%)		181.8%	
Gross profit	$ 4,043	$ 4,707	$ 11,103	$ 4,752
Gross margin percentage	65.2%	66.9%	62.3%	66.6%

The primary reason for the change in gross profit for the three months ended September 30, 2016, compared to the same period in 2015 was the decrease in treatment revenues. Incremental treatments delivered on existing equipment incur negligible incremental costs. The primary reason for the change in gross profit for the nine months ended September 30, 2016, compared to the same period in 2015, was the acquisition of the XTRAC and VTRAC businesses on June 22, 2015. The gross profit related to these businesses for the 2015 periods was included from June 23, 2015 through September 30, 2015 and was allocated to the two Dermatology Procedures segments.

Dermatology Procedures Equipment	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues	$ 1,550	$ 1,189	$ 5,174	$ 1,638
Percent increase	30.4%		215.9%	
Cost of revenues	877	607	2,641	891
Percent increase	44.5%		196.4%	
Gross profit	$ 673	$ 582	$ 2,533	$ 747
Gross margin percentage	43.4%	48.9%	49.0%	45.6%

The primary reason for the change in gross profit for the three months ended September 30, 2016, compared to the same period in 2015, was due to the mix of products sold in both types of units and parts. The primary reason for the change in gross profit for the nine months ended September 30, 2016, compared to the same period in 2015, was the acquisition of the XTRAC and VTRAC businesses on June 22, 2015. The gross profit related to these businesses for the 2015 periods was included from June 23, 2015 through September 30, 2015 and was allocated to the two Dermatology Procedures segments.

Dermatology Imaging	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2016		2015		2016		2015	
Revenues	$	12	$	101	$	126	$	239
Percent decrease		(88.1%)				(47.3%)		
Cost of revenues		31		109		267		6,949
Percent decrease		(71.6%)				(96.2%)		
Gross profit	$	(19)	$	(8)	$	(141)	$	(6,710)
Gross margin percentage		(158.3%)		(7.9%)		(111.9%)		(2,807.5%)

During the nine months ended September 30, 2015 we initiated plans to develop an updated version of the MelaFind system and, accordingly, determined that a majority of our existing inventory of MelaFind systems and related parts exceeded our requirements. As a result, we wrote-off the excess and obsolete inventory on our MelaFind systems and related components and incurred a charge of $4,818. We also had an impairment charge of $920 of property and equipment related to the MelaFind systems.

Engineering and Product Development

Engineering and product development expenses for the three months ended September 30, 2016 decreased to $382 from $560 for the three months ended September 30, 2015. This decrease was due to planned reductions in the ongoing research and development efforts for MelaFind.

Engineering and product development expenses for the nine months ended September 30, 2016 increased to $1,541 from $1,289 for the nine months ended September 30, 2015. The increase was due to $1,051 in engineering and product development expenses related to the XTRAC and VTRAC businesses for the nine months ended September 30, 2016 as compared to $417 for the nine months ended September 30, 2015. As the XTRAC and VTRAC acquisition was completed on June 22, 2015, the 2015 expenses were included only from June 23, 2015 through September 30, 2015.

Selling and Marketing Expenses

For the three months ended September 30, 2016, selling and marketing expenses decreased to $2,840 from $3,912 for the three months ended September 30, 2015. The decrease was related to a decrease in the media and marketing programs for the XTRAC procedures. The Company is refocusing the media programs to different outlets and demographics and have reduced the spend levels until this is completed, likely in early 2017.

For the nine months ended September 30, 2016, selling and marketing expenses increased to $10,073 from $5,641 for the nine months ended September 30, 2015. The increase was related to the inclusion of sales and marketing expenses related to the acquired XTRAC and VTRAC businesses of $9,872 for the nine months ended September 30, 2016 as compared to $3,850 for the nine months ended September 30, 2015. As the XTRAC and VTRAC acquisition was completed on June 22, 2015, the 2015 expenses were included only from June 23, 2015 through September 30, 2015. Partially offsetting the increases, were decreases in the MelaFind Division sales and marketing expenses primarily related to salary and headcount decreases and the overall impact of cost reduction initiatives.

General and Administrative Expenses

For the three months ended September 30, 2016, general and administrative expenses decreased to $1,880 from $3,132 for the three months ended September 30, 2015. For the nine months ended September 30, 2016, general and administrative expenses decreased to $5,882 from $6,819 for the nine months ended September 30, 2015. The changes were due to the following reasons:

- In the three and nine months ended September 30, 2015, we recorded $826 in stock-based compensation expense related to the special option issuance to certain board directors.
- In the nine months ended September 30, 2015, we recorded $456 in costs related to the asset purchase.

Interest Expense, Net

Interest expense for the three months ended September 30, 2016 was $1,175 compared to $5,577 in the three months ended September 30, 2015. Interest expense for the nine months ended September 30, 2016 was $3,571 compared to $8,738 in the nine months ended September 30, 2015. Interest expense during the periods of 2016 and 2015 relate to the 4% senior convertible debentures issued in July 2014, which includes amortization of the related debt discount and deferred financing fees. The periods also include interest expense related to the 2.25% senior convertible debentures issued on June 22, 2015. The 2015 periods included interest and related amortization of debt discount on the June 22, 2015 short-term senior notes. Additionally, approximately $203 of interest expense was recognized as a result of the conversion of $248 of debentures into common stock during the nine months ended September 30, 2016.

Change in Fair Value of Warrant Liability

In accordance with FASB ASC 815, ("ASC Topic 815") and FASB ASC 820, *Fair Value Measurements and Disclosures* ("ASC Topic 820") and further discussed in Note 10 to the financial statements, we measured the fair value of our warrants that were recorded at their fair value and recognized as liabilities as of September 30, 2016, and recorded $132 and $5,316 in other income for the three and nine months ended September 30, 2016, respectively. We measured the fair value of these warrants as of September 30, 2015, and recorded $1,329 and $679 in other expense for the three and nine months ended September 30, 2015, respectively.

Other Income (Expense), net

Other income, net for the three months ended September 30, 2016 was $3 compared to other expense, net of $5 for the three months ended September 30, 2015. Other expense, net for the nine months ended September 30, 2016 was $1 compared to other income, net $23 for the nine months ended September 30, 2015. Other income mainly represents royalty income we earn each quarter from Kavo Dental GmbH on the licensing of certain technology patents.

Income Taxes

Income tax expense for the three and nine months ended September 30, 2016 was $64 and $191, respectively. The expense is comprised of the change in deferred tax liability related to goodwill. Goodwill is an amortizing asset according to tax regulations. This generates a deferred tax liability that is not used to offset deferred tax assets for valuation allowance considerations.

Net Loss

The factors described above resulted in net loss of $1,509 during the three months ended September 30, 2016, as compared to net loss of $9,234 during the three months ended September 30, 2015. The factors described above resulted in net loss of $2,448 during the nine months ended September 30, 2016, as compared to $24,354 during the nine months ended September 30, 2015.

Non-GAAP adjusted EBITDA

As a result of our acquisition of the XTRAC and VTRAC products, we have determined to supplement our condensed consolidated financial statements, prepared in accordance with GAAP, presented elsewhere within this report, we will provide certain non-GAAP measures of financial performance. These non-GAAP measures include non-GAAP adjusted EBITDA.

We consider these non-GAAP measures in addition to our results prepared under current accounting standards, but they are not a substitute for, nor superior to, GAAP measures. These non-GAAP measures are provided to enhance readers' overall understanding of our current financial performance and to provide further information for comparative purposes.

Specifically, we believe the non-GAAP measures provide useful information to management and investors by isolating certain expenses, gains and losses that may not be indicative of our core operating results and business outlook. In addition, we believe non-GAAP measures enhance the comparability of results against prior periods. Reconciliation to the most directly comparable GAAP measure of all non-GAAP measures included in this report is as follows:

	For the Three Months Ended September 30,		
	2016	2015	Change
Net loss	$ (1,509)	$ (9,234)	$ 7,725
Adjustments:			
Income taxes	64	-	64
Depreciation and amortization *	1,521	1,710	(189)
Interest expense, net	537	506	31
Non-cash interest expense	638	5,071	(4,433)
EBITDA	1,251	(1,947)	3,198
Stock-based compensation expense	116	1,007	(891)
Change in fair value of warrants	(132)	1,329	(1,461)
Non-GAAP adjusted EBITDA	$ 1,235	$ 389	$ 846

* Includes depreciation on lasers placed-in-service of $1,040 and $1,169 for the three months ended September 30, 2016 and 2015, respectively.

	For the Nine Months Ended September 30,		
	2016	2015	Change
Net loss	$ (2,448)	$ (24,354)	$ 21,906
Adjustments:			
Income taxes	191	-	191
Depreciation and amortization *	4,844	2,348	2,496
Interest expense, net	1,604	794	810
Non-cash interest expense	1,967	7,944	(5,977)
EBITDA	6,158	(13,268)	19,426
Stock-based compensation expense	401	1,483	(1,082)
Change in fair value of warrants	(5,316)	679	(5,995)
Acquisition costs	-	456	(456)
Impairment of property and equipment	-	920	(920)
Inventory valuation reserves	-	4,818	(4,818)
Non-GAAP adjusted EBITDA	$ 1,243	$ (4,912)	$ 6,155

* Includes depreciation on lasers placed-in-service of $3,329 and $1,169 for the nine months ended September 30, 2016 and 2015, respectively.

Liquidity and Capital Resources

As of September 30, 2016 we had $4,767 of working capital compared to $4,900 as of December 31, 2015. Cash and cash equivalents were $2,957 as of September 30, 2016, as compared to $3,303 as of December 31, 2015.

In June 2015, we raised additional gross proceeds of approximately $42,500 through the issuance of $32,500 of 2.25% senior secured convertible debentures due June 2020, $10,000 of Senior secured notes and warrants to purchase common stock. The debentures are convertible at any time into an aggregate of approximately 43.3 million shares of our common stock at a price of $0.75 per share. Our obligations under the debentures are secured by a subordinated first priority lien on all of our assets. Through the nine months of 2016, $248 of debentures were converted into common stock.

On December 30, 2015, the Company entered into a $12,000 credit facility pursuant to a Credit and Security Agreement (the "Agreement") and related financing documents with MidCap Financial Trust ("MidCap") and the lenders listed therein. Under the Agreement, the credit facility may be drawn down in two tranches, the first of which was drawn for $10,500 on December 30, 2015. The proceeds of this first tranche were used to repay $10,000 principal amount of short-term senior secured promissory notes, plus associated interest, loan fees and expenses. The second tranche was drawn for $1,500 on January 29, 2016. The Company's obligations under the credit facility are secured by a first priority lien on all of the Company's assets. Other financing documents included subordination agreements and other amendments with the Company's existing debenture holders from its 2014 and 2015 financings.

We have experienced recurring losses and negative cash flow from operations since inception. Historically, we have been dependent on raising capital from the sale of securities in order to continue to operate and to meet our obligations in the ordinary course of business. We believe that our cash as of September 30, 2016 combined with the anticipated revenues from the sale of our products will be sufficient to satisfy our working capital needs, capital asset purchases, outstanding commitments and other liquidity requirements associated with our existing operating through the fourth quarter of 2017.

Net cash and cash equivalents used in operating activities was $1,084 for the nine months ended September 30, 2016 compared to cash used in operating activities of $6,945 for the nine months ended September 30, 2015.

Net cash and cash equivalents used in investing activities was $467 for the nine months ended September 30, 2016 compared to cash used in investing activities of $43,683 for the nine months ended September 30, 2015. The primary reason for the change was the asset purchase of XTRAC and VTRAC business during the nine months ended September 30, 2015.

Net cash and cash equivalents provided by financing activities was $1,201 for the nine months ended September 30, 2016 compared to cash provided by financing activities of $42,346 for the nine months ended September 30, 2015. In the nine months ended September 30, 2016, we drew down $1,500 on a long-term debt facility. In the nine months ended September 30, 2015, we completed a financing consisting of senior notes amounting to $10,000 and convertible debentures of $32,500.

Commitments and Contingencies

There were no items, except as described above, that significantly impacted our commitments and contingencies as discussed in the notes to our 2015 annual financial statements included in our Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

At September 30, 2016, we had no off-balance sheet arrangements.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the "safe harbor" created by those sections. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "intend," "potential" and similar expressions intended to identify forward-looking statements. These statements, including statements relating to our anticipated revenue streams and our belief that the cash flow generated by these businesses will be sufficient to finance our operations, involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance, time frames or achievements to be materially different from any future results, performance, time frames or achievements expressed or implied by the forward-looking statements. We discuss many of these risks, uncertainties and other factors in our Annual Report on Form 10-K for the year ended December 31, 2015, and in this Quarterly Report on Form 10-Q in greater detail under Item 1A. "Risk Factors." Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this filing. You should read this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We hereby qualify our forward-looking statements by our cautionary statements. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

Our exposure to market risk is confined to our cash, cash equivalents, and short-term investments. We invest in high-quality financial instruments, primarily money market funds, with the average effective duration of the portfolio within one year which we believe are subject to limited credit risk. We currently do not hedge interest rate exposure. Due to the short-term nature of our investments, we do not believe that we have any material exposure to interest rate risk arising from our investments. We are exposed to credit risks in the event of default by the financial institutions or issuers of investments in excess of FDIC insured limits. We perform periodic evaluations of the relative credit standing of these financial institutions and limit the amount of credit exposure with any institution.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures, (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")), as of September 30, 2016. Based on that evaluation, management has concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level described below.

Limitations on the Effectiveness of Controls.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within an organization have been detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met and, as set forth above, our Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by this report, that our disclosure controls and procedures were effective to provide reasonable assurance that the objectives of our disclosure control system were met.

Changes in Internal Control over Financial Reporting

There have been no change in our internal control over financial reporting in our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - Other Information

ITEM 1. Legal Proceedings

From time to time in the ordinary course of our business, we may be involved in certain other legal actions and claims, incidental to the normal course of our business. These may include controversies relating to contract claims and employment related matters, some of which claims may be material in which case we will make separate disclosure as required.

ITEM 1A. Risk Factors

We are not currently in compliance with the $1.00 minimum bid Nasdaq listing requirement. Failure to maintain the listing of our common stock on the NASDAQ Capital Market could adversely affect us, including our ability to maintain compliance with certain debt covenants and to raise funds.

On April 27, 2016, we received a letter (the "Notice") from the Listing Qualifications Staff of the NASDAQ Stock Market (the "Staff") notifying us that we are not in compliance with the $1.00 minimum closing bid price requirement under the NASDAQ Listing Rules (the "Listing Rules"). The Listing Rules require listed securities to maintain a minimum bid price of $1.00 per share. If a NASDAQ-listed company trades below the minimum bid price requirement for 30 consecutive business days, it is notified of the deficiency. Based upon the Staff's review, we no longer satisfy this requirement. The Listing Rules provide us with a compliance period of 180 calendar days, or until October 24, 2016, to regain compliance with this requirement.

To regain compliance with the minimum bid price requirement, we must have a closing bid price of $1.00 per share or more for a minimum of ten consecutive business days during this compliance period. In the event that we do not regain compliance within this period, we may be eligible for additional time to regain compliance by satisfying certain requirements. However, if it appears to the Staff that we will not be able to cure the deficiency, or if we are otherwise not eligible, the Staff will notify us that our common stock will be delisted from the NASDAQ Capital Market. We may appeal the Staff's determination to delist our common stock to a Hearing Panel. During any appeal process, our common stock would continue to trade on the NASDAQ Capital Market. The Notice has no immediate effect on the listing or trading of our common stock on the NASDAQ Capital Market.

We did not regain compliance during the cure period which ran for 180 days and began on April 27, 2016.

On October 25, 2016 the Company was notified by NASDAQ that NASDAQ had granted an extension of the deadline to April 24, 2017 to demonstrate compliance with NASDAQ's continued listing requirements.

We will continue to monitor the closing bid price for our common stock and to assess our options for maintaining the listing of its common stock on the NASDAQ Capital Market in light of the Notice. Failure to maintain the listing of our common stock on the NASDAQ Capital Market would lead to an event of default under the debentures issued in our 2015 financing. Also, if delisting were to occur, selling our common stock could be more difficult because smaller quantities of shares would likely be bought and sold, transactions could be delayed, and security analysts' coverage of us may be reduced. Furthermore, while we believe that our common stock would trade on the OTC Bulletin Board, we would lose various advantages attendant to listing on a national securities exchange, including but not limited to, eligibility to register the sale or resale of our shares on Form S-3 and the automatic exemption from registration under state securities laws for exchange-listed securities, which could have a negative effect on our ability to raise funds. Additionally it would be deemed a default under the 2015 debentures and a breach of our affirmative covenants and therefore an event of default under our financing documents with Midcap.

Our risk factors have not changed materially from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015.

ITEM 2. Unregistered sales of equity securities and use of proceeds

None.

ITEM 3. Defaults upon senior securities.

None.

ITEM 4. Mine Safety Disclosures

None.

ITEM 5. Other Information

Effective on October 31, 2016, Michael R. Stewart resigned as the Company's President and Chief Executive Officer and as a member of the Company's Board of Directors (our "Board"). The Company entered into a severance agreement and general release with Mr. Stewart and into a separate consulting agreement. Under the severance agreement, Mr. Stewart is entitled to receive severance payments and applicable insurance benefits through October 31, 2017. Also, any vested options as of the termination date shall continue to be exercisable until the later of 90 days or the termination of his consulting agreement.

On October 31, 2016, The Company entered into a consulting agreement with Mr. Stewart, pursuant to which Mr. Stewart will provide consulting services to us for a term of six months. Mr. Stewart will receive a monthly consulting fee of $12,500 during the term of the consulting agreement.

On October 31, 2016, our Board appointed Frank J. McCaney to our Board and as the Company's President and Chief Executive Officer. Mr. McCaney was most recently the chief executive officer of Corpak MedSystems, a private equity-backed medical device company in the field of enteral feeding. Corpak was sold to Halyard Health (HYH: NYSE) for $174 million in May 2016. Prior to Corpak, he was the founder and CEO of Nitric BioTherapeutics, a venture backed-medical technology company from 2006 until 2012. Prior to Nitric Bio, he was a senior executive at Viasys Healthcare, Inc. (VAS: NYSE), a medical technology company focusing on respiratory, neurology, medical disposable and orthopedic products and had a lead role in spinning Viasys out of Thermo Electron Corporation (TMO: NYSE). While at Viasys, Mr. McCaney had several responsibilities including strategy, business development and investor relations. He currently serves as a director of Diasome Pharmaceuticals, a privately-held company.

ITEM 6. Exhibits

3.1 Fifth Amended and Restated Certificate of Incorporation of the Company (Incorporated by reference to Exhibit 3.1 contained in our Registration Statement on Form S-3 (File No. 333-167113), as filed on May 26, 2010).

3.2 Fourth Amended and Restated Bylaws of the Company (Incorporated by reference to Exhibit 3.2 contained in our Form 8-K current report as filed on July 21, 2015).

3.3 Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation of the Company (Incorporated by reference to Exhibit 3.1 contained in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013 filed on August 7, 2014).

3.4 Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation of the Company (Incorporated by reference to Exhibit 3.1 contained in our Current Report on Form 8-K, filed on July 10, 2014).

3.5 Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock (Incorporated by reference to Exhibit 3.1 contained in our Current Report on Form 8-K, filed on February 3, 2014).

3.6 Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock (Incorporated by reference to Exhibit 3.1 contained in our Current Report on Form 8-K, filed on July 23, 2014).

3.7 Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation of the Company (Incorporated by reference to Exhibit 3.1 contained in our Current Report on Form 8-K, as filed on September 30, 2015).

10.40 Extension Agreement dated as of July 20, 2016 between Strata Skin Sciences, Inc. and Jeffrey F. O'Donnell, Sr. (Incorporated by reference to Exhibit 3.1 contained in our Current Report on Form 8-K, as filed on July 22, 2016).

10.41	Extension Agreement dated as of July 20, 2016 between Strata Skin Sciences, Inc. and Samuel E. Navarro (Incorporated by reference to Exhibit 3.1 contained in our Current Report on Form 8-K, as filed on July 22, 2016).
10.42	First Amendment to Credit and Security Agreement dated as of August 8, 2016 among MidCap Financial Trust, as administrative agent, the Lenders as listed on the signature pages thereto and the Company.
10.43	Amended and Restated Fee Letter Agreement dated as of August 8, 2016, by and between Midcap Financial Trust as Agent and the Company.
10.44	STRATA Skin Sciences 2016 Omnibus Option Plan (Filed herewith)
10.45	Employment Agreement between the Company and Frank J. McCaney dated as of October 31, 2016. (Filed herewith)
10.46	Stock Option Agreement between the Company and Frank J. McCaney dated as of October 31, 2016.(Filed herewith)
10.47	Severance and Release Agreement between the Company and Michael R. Stewart dated as of October 31, 2016. (Filed herewith)
10.48	Consulting Agreement between the Company and Michael R. Stewart dated as of October 31, 2016. (Filed herewith)
31.1	Rule 13a-14(a) Certificate of Chief Executive Officer
31.2	Rule 13a-14(a) Certificate of Chief Financial Officer
32.1*	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Schema
101.CAL	XBRL Taxonomy Calculation Linkbase
101.DEF	XBRL Taxonomy Definition Linkbase
101.LAB	XBRL Taxonomy Label Linkbase
101.PRE	XBRL Taxonomy Presentation Linkbase

* The certifications attached as Exhibit 32.1 accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

SIGNATURES

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

STRATA SKIN SCIENCES, INC.

Date November 14, 2016

By: /s/ Frank J. McCaney
Name Frank J. McCaney
Title Chief Executive Officer

Date November 14, 2016

By: /s/ Christina L. Allgeier
Name Christina L. Allgeier
Title Chief Financial Officer

EXHIBIT 10.44

STRATA SKIN SCIENCES, INC.

2016 OMNIBUS INCENTIVE PLAN

Adopted by the Board of Directors: August 5, 2016
Approved by Stockholders: October 27, 2016

STRATA SKIN SCIENCES, INC.

2016 OMNIBUS INCENTIVE PLAN

ARTICLE I

PURPOSE AND ADOPTION OF THE PLAN

1.1 Purpose. The purpose of the STRATA Skin Sciences, Inc. 2016 Omnibus Incentive Plan (as amended from time to time, the "Plan") is to assist in attracting and retaining highly competent employees, directors and consultants, to act as an incentive in motivating selected employees, directors and consultants of the Company and its Subsidiaries to achieve long-term corporate objectives and to enable stock-based and cash-based incentive awards to qualify as performance-based compensation for purposes of the tax deduction limitations under Section 162(m) of the Code. Pursuant to an amendment to the Company's Amended and Restated 2013 Stock Incentive Plan (the "2013 Plan") effective as of the effective date of the Plan, the maximum aggregate number of shares of Common Stock that may be issued pursuant to all awards under the 2013 Plan is 2,684,352 shares, and the 10,565,648 shares of Common Stock that remained available for awards under the 2013 Plan shall no longer be available for grant or issuance under the 2013 Plan and shall instead be available for Awards under the Plan.

1.2 Adoption and Term. The Plan has been adopted by the Board as of August 5, 2016, subject to the approval of the stockholders of the Company. The initial effective date of the Plan is the date the stockholders of the Company approve the Plan. The Plan shall remain in effect until terminated by action of the Board; provided, however, that no Awards may be granted hereunder after the tenth anniversary of its initial effective date.

ARTICLE II

DEFINITIONS

For the purpose of the Plan, capitalized terms shall have the following meanings:

2.1 Award means any one or a combination of Non-Qualified Stock Options or Incentive Stock Options described in Article VI, Stock Appreciation Rights described in Article VI, Restricted Shares and Restricted Stock Units described in Article VII, Performance Awards described in Article VIII, other stock-based Awards described in Article IX, short-term cash incentive Awards described in Article X or any other Award made under the terms of the Plan.

2.2 Award Agreement means a written agreement between the Company and a Participant or a written acknowledgment from the Company to a Participant specifically setting forth the terms and conditions of an Award granted under the Plan.

2.3 Assumed means that pursuant to a Merger or Change in Control either (i) the Award is expressly affirmed by the Company, (ii) the contractual obligations represented by the Award are expressly assumed (and not simply by operation of law) by the successor entity or its parent in connection with the Merger or Change in Control with appropriate adjustments to the number and type of securities of the successor entity or its parent subject to the Award and the exercise or purchase price thereof which at least preserves the compensation element of the Award existing at the time of the Merger or Change in Control as determined in accordance with the instruments evidencing the agreement to assume the Award, or (iii) the Award is otherwise to continue in effect following the Merger or Change in Control.

2.4 Award Period means, with respect to an Award, the period of time, if any, set forth in the Award Agreement during which specified target performance goals must be achieved or other conditions set forth in the Award Agreement must be satisfied.

2.5 Beneficiary means an individual, trust or estate who or which, by a written designation of the Participant filed with the Company, or if no such written designation is filed, by operation of law, succeeds to the rights and obligations of the Participant under the Plan and the Award Agreement upon the Participant's death.

2.6 Board means the Board of Directors of the Company.

2.7 Change in Control means the occurrence of subparagraph (a), (b), or (c) below or any combination of said event(s). Notwithstanding the foregoing, the term "Change of Control" shall also have such additional meanings as are permitted or required under Section 409A:

(a) Change of Ownership of the Company. A change of ownership of the Company occurs on the date that any one person or persons acting as a Group (as that term is defined in Subparagraph (2) below) acquires ownership of the stock of the Company, that, together with stock held by such person or Group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company or of any corporation that owns at least fifty percent (50%) of the total fair market value and total voting power of Company.

(1) However, if any person or Group is considered to own more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same person or Group of persons is not considered to cause a Change of Control. In addition, the term Change of Control shall apply if

there is an increase in the percentage of stock owned by any one person or persons, acting as a Group, as a result of a transaction in which the Company acquires its stock in exchange for property. The rule set forth in the immediately preceding sentence applies only when there is a transfer of stock of Company (or issuance of stock of Company) and the stock of Company remains outstanding after the transaction.

(2) Persons will not be considered to be acting as a Group solely because they purchase or own stock of the Company at the same time, or as a result of the same public offering. However, persons will be considered to be acting as a Group if they are stockholders of Company and it, or its parent, enters into a merger, consolidation, purchase or acquisition of stock or similar business transaction with another corporation. If a person owns stock in Company and another corporation is involved in a business transaction, then the stockholder of Company is deemed to be acting as a Group with other stockholders in the Company prior to the transaction

(b) Effective Change of Control. If the Company does not qualify under Subparagraph (a), above, then it may still meet the definition of Change of Control, on either of the following dates:

(1) The date any one person, or more than one person, acting as a Group acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of Company possessing thirty percent (30%) or more of the total voting power of the stock of Company; or

(2) The date a majority of the numbers of the Company's Board of Directors are replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company's Board of Directors before the date of the appointment or election.

(c) Change in Ownership of Company's Assets. A change in the ownership of a substantial portion of Company's assets occurs on the date that any person, or more than one person acting as a Group, acquires or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total fair market value equal to more than forty percent (40%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

(1) There will be no Change in Control under this Subparagraph (c) when there is a transfer to an entity that is controlled by the stockholders of the Company immediately after the transfer. A transfer of assets by Company is not treated as a change in ownership of such assets if the assets are transferred to:

(i) A stockholder of Company (immediately before the asset transfer) in exchange for or with respect to its stock;

(ii) An entity, fifty percent (50%) or more of the total value or voting power of which is owned directly or indirectly, by the Company;

(iii) A person, or more than one person, acting as a Group, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all the outstanding stock of the Company; or

(iv) An entity, at least fifty percent (50%) of the total value or voting power of which is owned, directly or indirectly, by a person described in Subparagraph c., above.

(d) The consummation (*i.e.* closing) of a sale or other disposition of all or substantially all the assets of the Company, unless, following such sale or disposition, all or substantially all of the individuals and entities who were the respective beneficial owners of the Outstanding Common Stock and Company Voting Securities immediately prior to such reorganization, merger or consolidation, following such reorganization, merger or consolidation beneficially own, directly or indirectly, more than seventy five percent (75%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors or trustees, as the case may be, of the entity purchasing such assets in substantially the same proportion as their ownership of the Outstanding Common Stock and Company Voting Securities immediately prior to such sale or disposition, as the case may be; or

(e) a complete liquidation or dissolution of the Company.

2.8 Code means the Internal Revenue Code of 1986, as amended. References to a section of the Code shall include that section and any comparable section or sections of any future legislation that amends, supplements or supersedes said section.

2.9 Committee means the Compensation Committee of the Board.

2.10 Company means STRATA Skin Sciences, Inc. and its successors.

2.11 Common Stock means the common stock of the Company, par value $0.001 per share.

2.12 Company Voting Securities means the combined voting power of all outstanding voting securities of the Company entitled to vote generally in the election of directors to the Board.

2.13 Date of Grant means the date designated by the Committee as the date as of which it grants an Award, which shall not be earlier than the date on which the Committee approves the granting of such Award.

2.14 Dividend Equivalent Account means a bookkeeping account in accordance with under Section 11.17 and related to an Award that is credited with the amount of any cash dividends or stock distributions that would be payable with respect to the shares of Common Stock subject to such Awards had such shares been outstanding shares of Common Stock.

2.15 Exchange Act means the Securities Exchange Act of 1934, as amended.

2.16 Exercise Price means, with respect to a Stock Appreciation Right, the amount established by the Committee in the Award Agreement which is to be subtracted from the Fair Market Value on the date of exercise in order to determine the amount of the payment to be made to the Participant, as further described in Section 6.2(b).

2.17 Fair Market Value means, on any date, (i) the closing sale price of a share of Common Stock, as reported on the Nasdaq Stock Market (or other established stock exchange on which the Common Stock is regularly traded) on such date or, if there were no sales on such date, on the last date preceding such date on which a sale was reported; or (ii) if shares of Common Stock are not listed for trading on an established stock exchange, Fair Market Value shall be determined by the Committee in good faith.

2.18 Incentive Stock Option means a stock option within the meaning of Section 422 of the Code.

2.19 Merger means any merger, reorganization, consolidation, exchange, transfer of assets or other transaction having similar effect involving the Company.

2.20 Non-Qualified Stock Option means a stock option which is not an Incentive Stock Option.

2.21 Options means all Non-Qualified Stock Options and Incentive Stock Options granted at any time under the Plan.

2.22 Outstanding Common Stock means, at any time, the issued and outstanding shares of Common Stock.

2.23 Participant means a person designated to receive an Award under the Plan in accordance with Section 5.1.

2.24 Performance Awards means Awards granted in accordance with Article VIII.

2.25 Performance Goals are based on one or more of the following measures and intended to comply with the performance-based compensation exception under Code Section 162(m):

- Net earnings or net income (before or after taxes)
- Earnings per share or earnings per share growth, total units, or unit growth
- Net sales, sales growth, total revenue, or revenue growth
- Net operating profit
- Return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales, or revenue)
- Cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment)
- Earnings before or after taxes, interest, depreciation, and/or amortization
- Gross or operating margins
- Productivity ratios
- Share price or relative share price (including, but not limited to, growth measures and total stockholder return)
- Expense targets
- Margins
- Operating efficiency
- Market share or change in market share
- Customer retention or satisfaction
- Working capital targets

- Completion of strategic financing goals, acquisitions or alliances and clinical progress
- Company project milestones
- Economic value added or EVA® (net operating profit after tax minus the sum of capital multiplied by the cost of capital)

Without limiting the generality of the foregoing (and to the degree consistent with Code Section 162(m)), the Committee shall have the authority, at the time it establishes the performance objectives for any given performance period, to make equitable adjustments in the business criteria in recognition of unusual or non-recurring events affecting the Company or its operating units, in response to changes in applicable laws or regulations, or to account for items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in generally accepted accounting principles, or as the Committee determines to be appropriate to reflect a true measurement of the profitability of the Company or its operating units, as applicable and to otherwise satisfy the objectives of the Plan.

2.26 Plan has the meaning given to such term in Section 1.1.

2.27 Purchase Price, with respect to Options, shall have the meaning set forth in Section 6.1(b).

2.28 Restricted Shares means Common Stock subject to restrictions imposed in connection with Awards granted under Article VII.

2.29 Restricted Stock Unit means a unit representing the right to receive Common Stock or the value thereof in the future subject to restrictions imposed in connection with Awards granted under Article VII.

2.30 Rule 16b-3 means Rule 16b-3 promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act, as the same may be amended from time to time, and any successor rule.

2.31 Stock Appreciation Rights means awards granted in accordance with Article VI.

2.32 Subsidiary means a subsidiary of the Company within the meaning of Section 424(f) of the Code.

2.33 Termination of Service means the voluntary or involuntary termination of a Participant's service as an employee, director or consultant with the Company or a Subsidiary for

any reason, including death, disability, retirement or as the result of the divestiture of the Participant's employer or any similar transaction in which the Participant's employer ceases to be the Company or one of its Subsidiaries. Whether entering military or other government service shall constitute Termination of Service, or whether and when a Termination of Service shall occur as a result of disability, shall be determined in each case by the Committee in its sole discretion.

ARTICLE III

ADMINISTRATION

3.1 Committee.

(a) Duties and Authority. The Plan shall be administered by the Committee and the Committee shall have exclusive and final authority in each determination, interpretation or other action affecting the Plan and its Participants. The Committee shall have the sole discretionary authority to interpret the Plan, to establish and modify administrative rules for the Plan, to impose such conditions and restrictions on Awards as it determines appropriate, and to make all factual determinations with respect to and take such steps in connection with the Plan and Awards granted hereunder as it may deem necessary or advisable. The Committee shall not, however, have or exercise any discretion that would disqualify amounts payable under Article X as performance-based compensation for purposes of Section 162(m) of the Code. The Committee may delegate such of its powers and authority under the Plan as it deems appropriate to a subcommittee of the Committee or designated officers or employees of the Company. In addition, the full Board may exercise any of the powers and authority of the Committee under the Plan. In the event of such delegation of authority or exercise of authority by the Board, references in the Plan to the Committee shall be deemed to refer, as appropriate, to the delegate of the Committee or the Board. Actions taken by the Committee or any subcommittee thereof, and any delegation by the Committee to designated officers or employees, under this Section 3.1 shall comply with Section 16(b) of the Exchange Act, the performance-based provisions of Section 162(m) of the Code, and the regulations promulgated under each of such statutory provisions, or the respective successors to such statutory provisions or regulations, as in effect from time to time, to the extent applicable.

(b) Indemnification. Each person who is or shall have been a member of the Board or the Committee, or an officer or employee of the Company to whom authority was delegated in accordance with the Plan shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such individual in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of

any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf; provided, however, that the foregoing indemnification shall not apply to any loss, cost, liability, or expense that is a result of his or her own willful misconduct. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, conferred in a separate agreement with the Company, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

ARTICLE IV

SHARES

4.1 Number of Shares Issuable. The maximum aggregate number of shares of Common Stock that may be issued pursuant to Awards shall be 10,565,648 shares of Common Stock, all of which shares of Common Stock may be issued under the Plan as Incentive Stock Options. The foregoing share limits shall be subject to adjustment in accordance with Section 11.7. The shares to be offered under the Plan shall be authorized and unissued Common Stock, or issued Common Stock that shall have been reacquired by the Company.

4.2 Shares Subject to Terminated Awards. Common Stock covered by any unexercised portions of terminated or forfeited Options (including canceled Options) granted under Article VI, Common Stock forfeited as provided in Section 7.2(a), Stock Units and other stock-based Awards terminated or forfeited as provided in Article IX, and Common Stock subject to any Awards that are otherwise surrendered by the Participant may again be subject to new Awards under the Plan.

ARTICLE V

PARTICIPATION

5.1 Eligible Participants. Participants in the Plan shall be such employees, directors and consultants of the Company and its Subsidiaries as the Committee, in its sole discretion, may designate from time to time. The Committee's designation of a Participant in any year shall not require the Committee to designate such person to receive Awards or grants in any other year. The designation of a Participant to receive Awards or grants under one portion of the Plan does not require the Committee to include such Participant under other portions of the Plan. The

Committee shall consider such factors as it deems pertinent in selecting Participants and in determining the type and amount of their respective Awards. Incentive Stock Options may only be granted to employees of the Company or its Subsidiaries. Subject to adjustment in accordance with Section 11.7, in any calendar year, no Participant shall be granted Awards in respect of more than 1,800,000 shares of Common Stock (whether through grants of Options or Stock Appreciation Rights or other Awards of Common Stock or rights with respect thereto) or cash-based Awards for more than $500,000.00. Furthermore, subject to adjustment in accordance with Section 11.7, in any calendar year, no non-employee director of the Company shall be granted Awards in respect of more than 75,000 shares of Common Stock (whether through grants of Options or Stock Appreciation Rights or other Awards of Common Stock or rights with respect thereto) under the Plan.

ARTICLE VI

STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

6.1 Option Awards.

(a) Grant of Options. The Committee may grant, to such Participants as the Committee may select, Options entitling the Participant to purchase shares of Common Stock from the Company in such number, at such price, and on such terms and subject to such conditions, not inconsistent with the terms of the Plan, as may be established by the Committee. The terms of any Option granted under the Plan shall be set forth in an Award Agreement.

(b) Purchase Price of Options. The Purchase Price of each share of Common Stock which may be purchased upon exercise of any Option granted under the Plan shall be determined by the Committee; provided, however, that in no event shall the Purchase Price be less than the Fair Market Value on the Date of Grant. In the case of an Incentive Stock Option granted to a Participant who, on the Date of Grant owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or its Subsidiaries, the per share exercise price shall be not less than one hundred ten percent (110%) of the Fair Market Value per share of Common Stock on the Date of Grant.

(c) Designation of Options. The Committee shall designate, at the time of the grant of each Option, the Option as an Incentive Stock Option or a Non-Qualified Stock Option.

(d) Incentive Stock Option Share Limitation. Notwithstanding an Option's designation as an Incentive Stock Option, an Option will qualify as an Incentive Stock Option under the Code only to the extent the $100,000 limitation of Section 422(d) of the Code is not exceeded. The $100,000 limitation of Section 422(d) of the Code is calculated based on the

aggregate Fair Market Value (measured on the Date of Grant) of the shares of Common Stock subject to Options designated as Incentive Stock Options which first become exercisable in any one calendar year (under the Plan or any other plans of the Company and its Subsidiaries). For purposes of this calculation, Incentive Stock Options shall be taken into account in the order in which they were granted.

(e) Rights As a Stockholder. A Participant or a transferee of an Option pursuant to Section 11.4 shall have no rights as a stockholder with respect to Common Stock covered by an Option until the Participant or transferee shall have become the holder of record of any such shares, and no adjustment shall be made for dividends in cash or other property or distributions or other rights with respect to any such Common Stock for which the record date is prior to the date on which the Participant or a transferee of the Option shall have become the holder of record of any such shares covered by the Option; provided, however, that Participants are entitled to share adjustments to reflect capital changes under Section 11.7.

6.2 Stock Appreciation Rights.

(a) Stock Appreciation Right Awards. The Committee is authorized to grant to any Participant one or more Stock Appreciation Rights. Such Stock Appreciation Rights may be granted either independent of or in tandem with Options granted to the same Participant. Stock Appreciation Rights granted in tandem with Options may be granted simultaneously with, or, in the case of Non-Qualified Stock Options, subsequent to, the grant to such Participant of the related Option; provided however, that: (i) any Option covering any share of Common Stock shall expire and not be exercisable upon the exercise of any Stock Appreciation Right with respect to the same share, (ii) any Stock Appreciation Right covering any share of Common Stock shall expire and not be exercisable upon the exercise of any related Option with respect to the same share, and (iii) an Option and Stock Appreciation Right covering the same share of Common Stock may not be exercised simultaneously. Upon exercise of a Stock Appreciation Right with respect to a share of Common Stock, the Participant shall be entitled to receive an amount equal to the excess, if any, of (A) the Fair Market Value of a share of Common Stock on the date of exercise over (B) the Exercise Price of such Stock Appreciation Right established in the Award Agreement, which amount shall be payable as provided in Section 6.2(c).

(b) Exercise Price. The Exercise Price established under any Stock Appreciation Right granted under the Plan shall be determined by the Committee, but in the case of Stock Appreciation Rights granted in tandem with Options shall not be less than the Purchase Price of the related Option; provided, however, that in no event shall the Exercise Price be less than the Fair Market Value on the Date of Grant. Upon exercise of Stock Appreciation Rights granted in tandem with options, the number of shares subject to exercise under any related Option shall automatically be reduced by the number of shares of Common Stock represented by

the Option or portion thereof which are surrendered as a result of the exercise of such Stock Appreciation Rights.

(c) Payment of Incremental Value. Any payment which may become due from the Company by reason of a Participant's exercise of a Stock Appreciation Right may be paid to the Participant as determined by the Committee (i) all in cash, (ii) all in Common Stock, or (iii) in any combination of cash and Common Stock. In the event that all or a portion of the payment is made in Common Stock, the number of shares of Common Stock delivered in satisfaction of such payment shall be determined by dividing the amount of such payment or portion thereof by the Fair Market Value on the Exercise Date. No fractional share of Common Stock shall be issued to make any payment in respect of Stock Appreciation Rights; if any fractional share would be issuable, the combination of cash and Common Stock payable to the Participant shall be adjusted as directed by the Committee to avoid the issuance of any fractional share.

6.3 Terms of Stock Options and Stock Appreciation Rights.

(a) Conditions on Exercise. An Award Agreement with respect to Options or Stock Appreciation Rights may contain such waiting periods, exercise dates and restrictions on exercise (including, but not limited to, periodic installments) as may be determined by the Committee at the time of grant. Notwithstanding the foregoing, unless otherwise provided in the grant document, Options or Stock Appreciation Rights shall be granted with a minimum vesting period of at least one year.

(b) Duration of Options and Stock Appreciation Rights. Options and Stock Appreciation Rights shall terminate upon the first to occur of the following events:

(i) Expiration of the Option or Stock Appreciation Right as provided in the Award Agreement; or

(ii) Termination of the Award in the event of a Participant's disability, retirement, death or other Termination of Service as provided in the Award Agreement; or

(iii) Ten years from the Date of Grant;

(iv) In the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any of its Subsidiaries, five years from the Date of Grant or

(v) Solely in the case of a Stock Appreciation Right granted in tandem with an Option, upon the expiration of the related Option.

(c) Acceleration or Extension of Exercise Time. The Committee, in its sole discretion, shall have the right (but shall not be obligated), exercisable on or at any time after the Date of Grant, to permit the exercise of an Option or Stock Appreciation Right (i) prior to the time such Option or Stock Appreciation Right would become exercisable under the terms of the Award Agreement, (ii) after the termination of the Option or Stock Appreciation Right under the terms of the Award Agreement, or (iii) after the expiration of the Option or Stock Appreciation Right.

6.4 Exercise Procedures. Each Option and Stock Appreciation Right granted under the Plan shall be exercised prior to the close of business on the expiration date of the Option or Stock Appreciation Right by notice to the Company or by such other method as provided in the Award Agreement or as the Committee may establish or approve from time to time. The Purchase Price of shares purchased upon exercise of an Option granted under the Plan shall be paid in full in cash by the Participant pursuant to the Award Agreement; provided, however, that the Committee may (but shall not be required to) permit payment to be made by delivery to the Company of either (a) Common Stock (which may include Restricted Shares or shares otherwise issuable in connection with the exercise of the Option, subject to such rules as the Committee deems appropriate) or (b) any combination of cash and Common Stock, or (c) such other consideration as the Committee deems appropriate and in compliance with applicable law (including payment under an arrangement constituting a brokerage transaction as permitted under the provisions of Regulation T applicable to cashless exercises promulgated by the Federal Reserve Board, unless prohibited by Section 402 of the Sarbanes-Oxley Act of 2002). In the event that any Common Stock shall be transferred to the Company to satisfy all or any part of the Purchase Price, the part of the Purchase Price deemed to have been satisfied by such transfer of Common Stock shall be equal to the product derived by multiplying the Fair Market Value as of the date of exercise times the number of shares of Common Stock transferred to the Company. The Participant may not transfer to the Company in satisfaction of the Purchase Price any fractional share of Common Stock. Any part of the Purchase Price paid in cash upon the exercise of any Option shall be added to the general funds of the Company and may be used for any proper corporate purpose. Unless the Committee shall otherwise determine, any Common Stock transferred to the Company as payment of all or part of the Purchase Price upon the exercise of any Option shall be held as treasury shares.

6.5 Assumption of Grants Upon a Change in Control. Upon a Change in Control where the Company is not the surviving corporation (or survives only as a subsidiary of another corporation), unless the Board determines otherwise, all outstanding Options and Stock

Appreciation Rights that are not exercised shall be Assumed by, or replaced with comparable Awards by the surviving corporation (or a parent or subsidiary of the surviving corporation), and outstanding Options and Stock Appreciation Rights shall be converted to Options and Stock Appreciation Rights of the surviving corporation (or a parent or subsidiary of the surviving corporation); provided, that, this sentence shall not be applicable to any Options or Stock Appreciation Rights granted to a Participant if any Change in Control results from such Participant's beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of Common Stock or Company Voting Securities. Notwithstanding the foregoing, in the event of a Change of Control, the Board, in its discretion, may take any of the following actions with respect to any or all outstanding grants: the Board may (i) determine that outstanding Options and/or Stock Appreciation Rights shall accelerate and become exercisable, in whole or in part, upon the Change of Control or upon such other event as the Board determines, (ii) determine that the restrictions and conditions on outstanding Options and Stock Appreciation Rights shall lapse, in whole or in part, upon the Change of Control or upon such other event as the Board determines, (iii) require that Participants surrender their outstanding Options and/or Stock Appreciation Rights in exchange for a payment by the Company, in cash or stock as determined by the Board, in an amount equal to the amount by which the then Fair Market Value of the shares of Company Stock subject to the Participant's unexercised Options and/or Stock Appreciation Rights exceeds the Exercise Price of the Options or (iv) after giving Participants an opportunity to exercise their outstanding Options and/or Stock Appreciation Rights, terminate any or all unexercised Options and/or Stock Appreciation Rights at such time as the Board deems appropriate. Such surrender or termination shall take place as of the date of the Change of Control or such other date as the Board may specify. The Board shall have no obligation to take any of the foregoing actions, and, in the absence of any such actions, outstanding Options and Stock Appreciation Rights shall continue in effect according to their terms (subject to any assumption discussed above).

ARTICLE VII

RESTRICTED SHARES AND RESTRICTED STOCK UNITS

7.1 Award of Restricted Stock and Restricted Stock Units. The Committee may grant to any Participant an Award of Restricted Shares consisting of a specified number of shares of Common Stock issued to the Participant subject to such terms, conditions and forfeiture and transfer restrictions, whether based on performance standards, periods of service, retention by the Participant of ownership of specified shares of Common Stock or other criteria, as the Committee shall establish. The Committee may also grant Restricted Stock Units representing the right to receive shares of Common Stock in the future subject to such terms, conditions and restrictions, whether based on performance standards, periods of service, retention by the

Participant of ownership of specified shares of Common Stock or other criteria, as the Committee shall establish. With respect to performance-based Awards of Restricted Shares or Restricted Stock Units intended to qualify as "performance-based" compensation for purposes of Section 162(m) of the Code, performance targets will consist of specified levels of one or more of the Performance Goals. The terms of any Restricted Share and Restricted Stock Unit Awards granted under the Plan shall be set forth in an Award Agreement which shall contain provisions determined by the Committee and not inconsistent with the Plan.

7.2 Restricted Shares.

(a) Issuance of Restricted Shares. As soon as practicable after the Date of Grant of a Restricted Share Award by the Committee, the Company shall cause to be transferred on the books of the Company, or its agent, Common Stock, registered on behalf of the Participant, evidencing the Restricted Shares covered by the Award, but subject to forfeiture to the Company as of the Date of Grant if an Award Agreement with respect to the Restricted Shares covered by the Award is not duly executed by the Participant and timely returned to the Company. All Common Stock covered by Awards under this Article VII shall be subject to the restrictions, terms and conditions contained in the Plan and the Award Agreement entered into by the Participant. Until the lapse or release of all restrictions applicable to an Award of Restricted Shares, the share certificates representing such Restricted Shares may be held in custody by the Company, its designee, or, if the certificates bear a restrictive legend, by the Participant. Upon the lapse or release of all restrictions with respect to an Award as described in Section 7.2(d), one or more share certificates, registered in the name of the Participant, for an appropriate number of shares as provided in Section 7.2(d), free of any restrictions set forth in the Plan and the Award Agreement shall be delivered to the Participant.

(b) Stockholder Rights. Beginning on the Date of Grant of the Restricted Share Award and subject to execution of the Award Agreement as provided in Section 7.2(a), the Participant shall become a stockholder of the Company with respect to all shares subject to the Award Agreement and shall have all of the rights of a stockholder, including, but not limited to, the right to vote such shares and the right to receive dividends; provided, however, that any Common Stock distributed as a dividend or otherwise with respect to any Restricted Shares as to which the restrictions have not yet lapsed, shall be subject to the same restrictions as such Restricted Shares and held or restricted as provided in Section 7.2(a).

(c) Restriction on Transferability. None of the Restricted Shares may be assigned or transferred (other than by will or the laws of descent and distribution, or to an inter vivos trust with respect to which the Participant is treated as the owner under Sections 671 through 677 of the Code, except to the extent that Section 16 of the Exchange Act limits a

Participant's right to make such transfers), pledged or sold prior to lapse of the restrictions applicable thereto.

(d) Delivery of Shares upon Vesting. Upon expiration or earlier termination of the forfeiture period without a forfeiture and the satisfaction of or release from any other conditions prescribed by the Committee, or at such earlier time as provided under the provisions of Section 7.4, the restrictions applicable to the Restricted Shares shall lapse. As promptly as administratively feasible thereafter, subject to the requirements of Section 11.5, the Company shall deliver to the Participant or, in case of the Participant's death, to the Participant's Beneficiary, one or more share certificates for the appropriate number of shares of Common Stock, free of all such restrictions, except for any restrictions that may be imposed by law.

(e) Forfeiture of Restricted Shares. Subject to Sections 7.2(f) and 7.4, all Restricted Shares shall be forfeited and returned to the Company and all rights of the Participant with respect to such Restricted Shares shall terminate unless the Participant continues in the service of the Company or a Subsidiary as an employee until the expiration of the forfeiture period for such Restricted Shares and satisfies any and all other conditions set forth in the Award Agreement. The Committee shall determine the forfeiture period (which may, but need not, lapse in installments) and any other terms and conditions applicable with respect to any Restricted Share Award.

(f) Waiver of Forfeiture Period. Notwithstanding anything contained in this Article VII to the contrary, the Committee may, in its sole discretion, waive the forfeiture period and any other conditions set forth in any Award Agreement under appropriate circumstances (including the death, disability or retirement of the Participant or a material change in circumstances arising after the date of an Award) and subject to such terms and conditions (including forfeiture of a proportionate number of the Restricted Shares) as the Committee shall deem appropriate.

7.3 Restricted Stock Units.

(a) Settlement of Restricted Stock Units. Payments shall be made to Participants with respect to their Restricted Stock Units as soon as practicable after the Committee has determined that the terms and conditions applicable to such Award have been satisfied or at a later date if distribution has been deferred. Payments to Participants with respect to Restricted Stock Units shall be made in the form of Common Stock, or cash or a combination of both, as the Committee may determine. The amount of any cash to be paid in lieu of Common Stock shall be determined on the basis of the Fair Market Value of the Common Stock on the date any such payment is processed. As to shares of Common Stock which constitute all or any part of such payment, the Committee may impose such restrictions concerning their

transferability and/or their forfeiture as may be provided in the applicable Award Agreement or as the Committee may otherwise determine, provided such determination is made on or before the date certificates for such shares are first delivered to the applicable Participant.

(b) Stockholder Rights. Until the lapse or release of all restrictions applicable to an Award of Restricted Stock Units, no shares of Common Stock shall be issued in respect of such Awards and no Participant shall have any rights as a stockholder of the Company with respect to the shares of Common Stock covered by such Award of Restricted Stock Units.

(c) Waiver of Forfeiture Period. Notwithstanding anything contained in this Section 7.3 to the contrary, the Committee may, in its sole discretion, waive the forfeiture period and any other conditions set forth in any Award Agreement under appropriate circumstances (including the death, disability or retirement of the Participant or a material change in circumstances arising after the date of an Award) and subject to such terms and conditions (including forfeiture of a proportionate number of shares issuable upon settlement of the Restricted Stock Units constituting an Award) as the Committee shall deem appropriate.

(d) Deferral of Payment. If approved by the Committee and set forth in the applicable Award Agreement, a Participant may elect to defer the amount payable with respect to the Participant's Restricted Stock Units in accordance with such terms as may be established by the Committee.

7.4 Change in Control. Unless otherwise provided by the Committee in the applicable Award Agreement, in the event of a Change in Control, all restrictions applicable to Restricted Shares and Restricted Stock Unit Awards shall terminate fully and the Participant shall immediately have the right to the delivery in accordance with Section 7.2(d) of a share certificate or certificates evidencing a number of shares of Common Stock equal to the full number of shares subject to each such Award (in the case of Restricted Stock) or payment in accordance with Section 7.3(a) of a number of shares of Common Stock determined by the Committee, in its discretion, but, in the case of a performance-based or other contingent Award, in no event less than the number of shares payable at the "target" level for each such Award (in the case of Restricted Stock Units). The provisions of this Section 7.4 shall not be applicable to any Restricted Share or Restricted Stock Unit Award granted to a Participant if any Change in Control results from such Participant's beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of Common Stock or Company Voting Securities.

ARTICLE VIII

PERFORMANCE AWARDS

8.1 Performance Awards.

(a) Award Periods and Calculations of Potential Incentive Amounts. The Committee may grant Performance Awards to Participants. A Performance Award shall consist of the right to receive a payment (measured by the Fair Market Value of a specified number of shares of Common Stock, increases in such Fair Market Value during the Award Period and/or a fixed cash amount) contingent upon the extent to which certain predetermined performance targets have been met during an Award Period. The Award Period shall be two or more fiscal or calendar years as determined by the Committee. The Committee, in its discretion and under such terms as it deems appropriate, may permit newly eligible Participants, such as those who are promoted or newly hired, to receive Performance Awards after an Award Period has commenced.

(b) Performance Targets. Subject to Section 11.18, the performance targets applicable to a Performance Award may include such goals related to the performance of the Company or, where relevant, any one or more of its Subsidiaries or divisions and/or the performance of a Participant as may be established by the Committee in its discretion. In the case of Performance Awards to "covered employees" (as defined in Section 162(m) of the Code), the targets will be limited to specified levels of one or more of the Performance Goals. The performance targets established by the Committee may vary for different Award Periods and need not be the same for each Participant receiving a Performance Award in an Award Period.

(c) Earning Performance Awards. A Participant's Performance Award shall be determined based on the attainment of written Performance Goals approved by the Committee for a performance period established by the Committee (i) while the outcome for that performance period is substantially uncertain and (ii) no more than 90 days after the commencement of the performance period to which the performance goal relates or, if less, the number of days which is equal to 25 percent of the relevant performance period.

(d) Payment of Earned Performance Awards. Subject to the requirements of Section 11.5, payments of earned Performance Awards shall be made in cash or Common Stock, or a combination of cash and Common Stock, in the discretion of the Committee. The Committee, in its sole discretion, may define, and set forth in the applicable Award Agreement, such terms and conditions with respect to the payment of earned Performance Awards as it may deem desirable. The Committee shall determine whether, with respect to a performance period, the applicable Performance Goals have been met with respect to a given Participant and, if they have, shall so certify and ascertain the amount of the applicable Performance Award. No

Performance Awards will be paid for such performance period until such certification is made by the Committee. The amount of the Performance Award actually paid to a given Participant may be less (but not more) than the amount determined by the applicable performance goal formula, at the discretion of the Committee. The amount of the Performance Award determined by the Committee for a performance period shall be paid to the Participant at such time as determined by the Committee in its sole discretion after the end of such performance period; provided, however, that a Participant may, if and to the extent permitted by the Committee and consistent with the provisions of Section 409A of the Code, elect to defer payment of a Performance Award.

8.2 Termination of Service. In the event of a Participant's Termination of Service during an Award Period, the Participant's Performance Awards shall be forfeited except as may otherwise be provided in the applicable Award Agreement.

8.3 Change in Control. Unless otherwise provided by the Committee in the applicable Award Agreement, in the event of a Change in Control, all Performance Awards for all Award Periods shall immediately become fully vested and payable to all Participants and shall be paid to Participants in accordance with Section 8.1(d), within 30 days after such Change in Control. The provisions of this Section 8.3 shall not be applicable to any Performance Award granted to a Participant if any Change in Control results from such Participant's beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of Common Stock or Company Voting Securities.

ARTICLE IX

OTHER STOCK-BASED AWARDS

9.1 Grant of Other Stock-Based Awards. Other stock-based awards, consisting of stock purchase rights (with or without loans to Participants by the Company containing such terms as the Committee shall determine), Awards of Common Stock, or Awards valued in whole or in part by reference to, or otherwise based on, Common Stock or dividends on Common Stock, may be granted either alone or in addition to or in conjunction with other Awards under the Plan. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the persons to whom and the time or times at which such Awards shall be made, the number of shares of Common Stock to be granted pursuant to such Awards, and all other conditions of the Awards. Any such Award shall be confirmed by an Award Agreement executed by the Committee and the Participant, which Award Agreement shall contain such provisions as the Committee determines to be necessary or appropriate to carry out the intent of the Plan with respect to such Award.

9.2 Terms of Other Stock-Based Awards. In addition to the terms and conditions specified in the Award Agreement, Awards made pursuant to this Article IX shall be subject to the following:

(a) Any Common Stock subject to Awards made under this Article IX may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses; and

(b) If specified by the Committee in the Award Agreement, the recipient of an Award under this Article IX shall be entitled to receive, currently or on a deferred basis, interest or dividends or dividend equivalents with respect to the Common Stock or other securities covered by the Award; and

(c) The Award Agreement with respect to any Award shall contain provisions dealing with the disposition of such Award in the event of a Termination of Service prior to the exercise, payment or other settlement of such Award, whether such termination occurs because of retirement, disability, death or other reason, with such provisions to take account of the specific nature and purpose of the Award.

ARTICLE X

SHORT-TERM CASH INCENTIVE AWARDS

10.1 Eligibility. Executive officers of the Company who are from time to time determined by the Committee to be "covered employees" for purposes of Section 162(m) of the Code will be eligible to receive short-term cash incentive awards under this Article X.

10.2 Awards.

(a) Performance Targets. The Committee shall establish objective performance targets based on specified levels of one or more of the Performance Goals. Such performance targets shall be established by the Committee on a timely basis to ensure that the targets are considered "preestablished" for purposes of Section 162(m) of the Code. A Participant's performance targets shall be determined based on the attainment of written Performance Goals approved by the Committee for a performance period established by the Committee (i) while the outcome for that performance period is substantially uncertain and (ii) no more than 90 days after the commencement of the performance period to which the performance goal relates or, if less, the number of days which is equal to 25 percent of the relevant performance period.

(b) Amounts of Awards. In conjunction with the establishment of performance targets for a fiscal year, the Committee shall adopt an objective formula (on the basis of percentages of Participants' salaries, shares in a bonus pool or otherwise) for computing the respective amounts payable under the Plan to Participants if and to the extent that the performance targets are attained. Such formula shall comply with the requirements applicable to performance-based compensation plans under Section 162(m) of the Code and, to the extent based on percentages of a bonus pool, such percentages shall not exceed 100% in the aggregate.

(c) Payment of Awards. Awards will be payable to Participants in cash each year upon prior written certification by the Committee of attainment of the specified performance targets for the preceding fiscal year. The Committee shall determine whether, with respect to a performance period, the applicable Performance Goals have been met with respect to a given Participant and, if they have, shall so certify and ascertain the amount of the applicable Performance Award. No awards will be paid for such performance period until such certification is made by the Committee. The amount of the award determined by the Committee for a performance period shall be paid to the Participant at such time as determined by the Committee in its sole discretion after the end of such performance period; provided, however, that a Participant may, if and to the extent permitted by the Committee and consistent with the provisions of Section 409A of the Code, elect to defer payment of an award.

(d) Negative Discretion. Notwithstanding the attainment by the Company of the specified performance targets, the Committee shall have the discretion, which need not be exercised uniformly among the Participants, to reduce or eliminate the award that would be otherwise paid.

(e) Guidelines. The Committee shall adopt from time to time written policies for its implementation of this Article X. Such guidelines shall reflect the intention of the Company that all payments hereunder qualify as performance-based compensation under Section 162(m) of the Code.

(f) Non-Exclusive Arrangement. The adoption and operation of this Article X shall not preclude the Board or the Committee from approving other short-term incentive compensation arrangements for the benefit of individuals who are Participants hereunder as the Board or Committee, as the case may be, deems appropriate and in the best of the Company.

ARTICLE XI

TERMS APPLICABLE GENERALLY TO AWARDS GRANTED UNDER THE PLAN

11.1 Plan Provisions Control Award Terms. Except as provided in Section 11.16, the terms of the Plan shall govern all Awards granted under the Plan, and in no event shall the Committee have the power to grant any Award under the Plan which is contrary to any of the provisions of the Plan. In the event any provision of any Award granted under the Plan shall conflict with any term in the Plan as constituted on the Date of Grant of such Award, the term in the Plan as constituted on the Date of Grant of such Award shall control. Except as provided in Section 10.2(d), Section 11.3 and Section 11.7, the terms of any Award granted under the Plan may not be changed after the Date of Grant of such Award so as to materially decrease the value of the Award without the express written approval of the holder.

11.2 Award Agreement. No person shall have any rights under any Award granted under the Plan unless and until the Company and the Participant to whom such Award shall have been granted shall have executed and delivered an Award Agreement or received any other Award acknowledgment authorized by the Committee expressly granting the Award to such person and containing provisions setting forth the terms of the Award.

11.3 Modification of Award After Grant. No Award granted under the Plan to a Participant may be modified (unless such modification does not materially decrease the value of the Award) after the Date of Grant except by express written agreement between the Company and the Participant, provided that any such change (a) shall not be inconsistent with the terms of the Plan, and (b) shall be approved by the Committee.

11.4 Limitation on Transfer. Except as provided in Section 7.1(c) in the case of Restricted Shares, a Participant's rights and interest under the Plan may not be assigned or transferred other than by will or the laws of descent and distribution, and during the lifetime of a Participant, only the Participant personally (or the Participant's personal representative) may exercise rights under the Plan. The Participant's Beneficiary may exercise the Participant's rights to the extent they are exercisable under the Plan following the death of the Participant. Notwithstanding the foregoing, to the extent permitted under Section 16(b) of the Exchange Act with respect to Participants subject to such Section, the Committee may grant Non-Qualified Stock Options that are transferable, without payment of consideration, to immediate family members of the Participant or to trusts or partnerships for such family members, and the

Committee may also amend outstanding Non-Qualified Stock Options to provide for such transferability.

11.5 Taxes. The Company shall be entitled, if the Committee deems it necessary or desirable, to withhold (or secure payment from the Participant in lieu of withholding) the amount of any withholding or other tax required by law to be withheld or paid by the Company with respect to any amount payable and/or shares issuable under such Participant's Award, or with respect to any income recognized upon a disqualifying disposition of shares received pursuant to the exercise of an Incentive Stock Option, and the Company may defer payment or issuance of the cash or shares upon exercise or vesting of an Award unless indemnified to its satisfaction against any liability for any such tax. The amount of such withholding or tax payment shall be determined by the Committee and shall be payable by the Participant at such time as the Committee determines in accordance with the following rules:

(a) The Participant shall have the right to elect to meet his or her withholding requirement (i) by having withheld from such Award at the appropriate time that number of shares of Common Stock, rounded up to the next whole share, whose Fair Market Value is equal to the amount of withholding taxes due, (ii) by direct payment to the Company in cash of the amount of any taxes required to be withheld with respect to such Award or (iii) by a combination of shares and cash.

(b) In the case of Participants who are subject to Section 16 of the Exchange Act, the Committee may impose such limitations and restrictions as it deems necessary or appropriate with respect to the delivery or withholding of shares of Common Stock to meet tax withholding obligations.

11.6 Surrender of Awards. Any Award granted under the Plan may be surrendered to the Company for cancellation on such terms as the Committee and the holder approve. With the consent of the Participant, the Committee may substitute a new Award under the Plan in connection with the surrender by the Participant of an equity compensation award previously granted under the Plan or any other plan sponsored by the Company; provided, however, that no such substitution shall be permitted without the approval of the Company's stockholders if such approval is required by the rules of any applicable stock exchange.

11.7 Adjustments to Reflect Capital Changes.

(a) Recapitalization. In the event of any corporate event or transaction (including, but not limited to, a change in the Common Stock or the capitalization of the Company) such as a merger, consolidation, reorganization, recapitalization, separation, partial or complete liquidation, stock dividend, stock split, reverse stock split, split up, spin-off, or other

distribution of stock or property of the Company, a combination or exchange of Common Stock, dividend in kind, or other like change in capital structure, number of outstanding shares of Common Stock, distribution (other than normal cash dividends) to stockholders of the Company, or any similar corporate event or transaction, the Committee, in order to prevent dilution or enlargement of Participants' rights under the Plan, shall make equitable and appropriate adjustments and substitutions, as applicable, to or of the number and kind of shares subject to outstanding Awards, the Purchase Price or Exercise Price for such shares, the number and kind of shares available for future issuance under the Plan and the maximum number of shares in respect of which Awards can be made to any Participant in any calendar year, and other determinations applicable to outstanding Awards. The Committee shall have the power and sole discretion to determine the amount of the adjustment to be made in each case.

(b) Merger. Effective upon the consummation of a Merger, all outstanding Awards under the Plan shall terminate. However, all such Awards shall not terminate to the extent they are Assumed in connection with the Merger. The Committee shall have the authority, exercisable either in advance of any actual or anticipated Merger or at the time of an actual Merger and exercisable at the Date of Grant of an Award under the Plan or any time while an Award remains outstanding, to provide for the full or partial automatic vesting and exercisability of one or more outstanding unvested Awards under the Plan and the release from restrictions on transfer and repurchase or forfeiture rights of such Awards in connection with a Merger, on such terms and conditions as the Committee may specify. The Committee also shall have the authority to condition any such Award vesting and exercisability or release from such limitations upon the subsequent Termination of Service of the Participant within a specified period following the effective date of the Merger. The Committee may provide that any Awards so vested or released from such limitations in connection with a Merger shall remain fully exercisable until the expiration or sooner termination of the Award. Any Incentive Stock Option accelerated under this Section 11.7(b) in connection with a Merger shall remain exercisable as an Incentive Stock Option under the Code only to the extent the $100,000 dollar limitation of Section 422(d) is not exceeded.

(c) Options to Purchase Shares or Stock of Acquired Companies. After any Merger in which the Company or a Subsidiary shall be a surviving corporation, the Committee may grant substituted options under the provisions of the Plan, pursuant to Section 424 of the Code, replacing old options granted under a plan of another party to the Merger whose shares or stock subject to the old options may no longer be issued following the Merger. The foregoing adjustments and manner of application of the foregoing provisions shall be determined by the Committee in its sole discretion. Any such adjustments may provide for the elimination of any fractional shares which might otherwise become subject to any Options.

11.8 No Right to Continued Service. No person shall have any claim of right to be granted an Award under the Plan. Neither the Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the service of the Company or any of its Subsidiaries.

11.9 Awards Not Includable for Benefit Purposes. Payments received by a Participant pursuant to the provisions of the Plan shall not be included in the determination of benefits under any pension, group insurance or other benefit plan applicable to the Participant which is maintained by the Company or any of its Subsidiaries, except as may be provided under the terms of such plans or determined by the Board.

11.10 Governing Law. All determinations made and actions taken pursuant to the Plan shall be governed by the laws of Delaware and construed in accordance therewith.

11.11 No Strict Construction. No rule of strict construction shall be implied against the Company, the Committee, or any other person in the interpretation of any of the terms of the Plan, any Award granted under the Plan or any rule or procedure established by the Committee.

11.12 Compliance with Rule 16b-3. It is intended that, unless the Committee determines otherwise, Awards under the Plan be eligible for exemption under Rule 16b-3. The Board is authorized to amend the Plan and to make any such modifications to Award Agreements to comply with Rule 16b-3, as it may be amended from time to time, and to make any other such amendments or modifications as it deems necessary or appropriate to better accomplish the purposes of the Plan in light of any amendments made to Rule 16b-3.

11.13 Captions. The captions (i.e., all Section headings) used in the Plan are for convenience only, do not constitute a part of the Plan, and shall not be deemed to limit, characterize or affect in any way any provisions of the Plan, and all provisions of the Plan shall be construed as if no captions have been used in the Plan.

11.14 Severability. Whenever possible, each provision in the Plan and every Award at any time granted under the Plan shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of the Plan or any Award at any time granted under the Plan shall be held to be prohibited by or invalid under applicable law, then (a) such provision shall be deemed amended to accomplish the objectives of the provision as originally written to the fullest extent permitted by law and (b) all other provisions of the Plan and every other Award at any time granted under the Plan shall remain in full force and effect.

11.15 Amendment and Termination.

(a) Amendment. The Board shall have complete power and authority to amend the Plan at any time; provided, however, that the Board shall not, without the requisite affirmative approval of stockholders of the Company, make any amendment which requires stockholder approval under the Code or under any other applicable law or rule of any stock exchange which lists Common Stock or Company Voting Securities. No termination or amendment of the Plan may, without the consent of the Participant to whom any Award shall theretofore have been granted under the Plan, adversely affect the right of such individual under such Award.

(b) Termination. The Board shall have the right and the power to terminate the Plan at any time. No Award shall be granted under the Plan after the termination of the Plan, but the termination of the Plan shall not have any other effect and any Award outstanding at the time of the termination of the Plan may be exercised after termination of the Plan at any time prior to the expiration date of such Award to the same extent such Award would have been exercisable had the Plan not terminated.

11.16 Foreign Qualified Awards. Awards under the Plan may be granted to such employees of the Company and its Subsidiaries who are residing in foreign jurisdictions as the Committee in its sole discretion may determine from time to time. The Committee may adopt such supplements to the Plan as may be necessary or appropriate to comply with the applicable laws of such foreign jurisdictions and to afford Participants favorable treatment under such laws; provided, however, that no Award shall be granted under any such supplement with terms or conditions inconsistent with the provision set forth in the Plan.

11.17 Dividend Equivalents. For any Award granted under the Plan, the Committee shall have the discretion, upon the Date of Grant or thereafter, to establish a Dividend Equivalent Account with respect to the Award, and the applicable Award Agreement or an amendment thereto shall confirm such establishment. If a Dividend Equivalent Account is established, the following terms shall apply:

(a) Terms and Conditions. Dividend Equivalent Accounts shall be subject to such terms and conditions as the Committee shall determine and as shall be set forth in the applicable Award Agreement. Such terms and conditions may include, without limitation, for the Participant's Account to be credited as of the record date of each cash dividend on the Common Stock with an amount equal to the cash dividends which would be paid with respect to the number of shares of Common Stock then covered by the related Award if such shares of Common Stock had been owned of record by the Participant on such record date.

(b) Unfunded Obligation. Dividend Equivalent Accounts shall be established and maintained only on the books and records of the Company and no assets or funds of the Company shall be set aside, placed in trust, removed from the claims of the Company's general creditors, or otherwise made available until such amounts are actually payable as provided hereunder.

11.18 Adjustment of Performance Goals and Targets. Notwithstanding any provision of the Plan to the contrary, the Committee shall have the authority to adjust any Performance Goal, performance target or other performance-based criteria established with respect to any Award under the Plan if circumstances occur (including, but not limited to, unusual or nonrecurring events, changes in tax laws or accounting principles or practices or changed business or economic conditions) that cause any such Performance Goal, performance target or performance-based criteria to be inappropriate in the judgment of the Committee; provided, that with respect to any Award that is intended to qualify for the "performance-based compensation" exception under Section 162(m) of the Code and the regulations thereunder, any adjustment by the Committee shall be consistent with the requirements of Section 162(m) and the regulations thereunder.

11.19 Legality of Issuance. Notwithstanding any provision of the Plan or any applicable Award Agreement to the contrary, the Committee shall have the sole discretion to impose such conditions, restrictions and limitations (including suspending exercises of Options or Stock Appreciation Rights and the tolling of any applicable exercise period during such suspension) on the issuance of Common Stock with respect to any Award unless and until the Committee determines that such issuance complies with (i) any applicable registration requirements under the Securities Act of 1933 or the Committee has determined that an exemption there from is available, (ii) any applicable listing requirement of any stock exchange on which the Common Stock is listed, and (iii) any other applicable provision of state, federal or foreign law, including foreign securities laws where applicable.

11.20 Restrictions on Transfer. Regardless of whether the offering and sale of Common Stock under the Plan have been registered under the Securities Act of 1933 or have been registered or qualified under the securities laws of any state, the Company may impose restrictions upon the sale, pledge, or other transfer of such Common Stock (including the placement of appropriate legends on stock certificates) if, in the judgment of the Company and its counsel, such restrictions are necessary or desirable to achieve compliance with the provisions of the Securities Act of 1933, the securities laws of any state, the United States or any other applicable foreign law.

11.21 Further Assurances. As a condition to receipt of any Award under the Plan, a Participant shall agree, upon demand of the Company, to do all acts and execute, deliver and

perform all additional documents, instruments and agreements which may be reasonably required by the Company, to implement the provisions and purposes of the Plan.

11.22 Clawback/Repayment. All Awards shall be subject to reduction, cancellation, forfeiture or recoupment to the extent necessary to comply with (i) any clawback, forfeiture or other similar policy adopted by the Board or Committee and as in effect from time to time; and (ii) applicable law. Further, to the extent that the Participant receives any amount in excess of the amount that the Participant should otherwise have received under the terms of the Award for any reason (including, without limitation, by reason of a financial restatement, mistake in calculations or other administrative error), the Participant shall be required to repay any such excess amount to the Company.

EXHIBIT 10.45

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, dated as of October 31, 2016 (this "Agreement"), by and between STRATA Skin Sciences, Inc. (the "Company"), a Delaware corporation, and Frank J. McCaney ("Employee"), an individual.

W I T N E S S E T H:

WHEREAS, the Company desires to employ Employee, and Employee wishes to be employed by the Company, on the terms and subject to the conditions herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereby agree as follows:

1. Term. The term of Employee's employment hereunder shall commence on November 1, 2016 (the "Effective Date") and end when terminated in accordance with Section 5 hereof (the "Term").

2. Duties and Services. Employee agrees to serve the Company as its President and Chief Executive Officer, reporting to the Board of Directors of the Company and any authorized committee thereof (the "Board") or the designated representative of the Board. Employee shall have the normal duties, responsibilities, functions and authority as provided in the Company's bylaws and as customarily exercised by the President and Chief Executive Officer of a company of similar size and nature as the Company, subject to the power and authority of the Board. Employee agrees to devote his full and entire business time, attention, skill and efforts to perform services for the Company and to faithfully and diligently discharge and fulfill his duties hereunder to the best of his abilities and shall be engaged in other business activities only to the extent that such other activities do not materially interfere or conflict with his obligations to the Company hereunder. In no event shall Employee's other business activities violate his obligations under Section 7 below. The foregoing also shall not be construed as preventing Employee from (a) with the prior consent of the Board, serving on civic, educational, philanthropic or charitable boards or committees, (b) managing personal investments, and (c) providing services to businesses as approved by the Company, so long as such activities are permitted under the Company's Code of Conduct and employment policies. Exhibit A to this Agreement contains a list of the other business and professional activities in which Employee is currently engaged and have been approved to the extent set forth on Exhibit A. Employee shall perform his duties hereunder at the Company's principal offices, currently located in Horsham, Pennsylvania, with travel to such other places and at such times as the needs of the Company may from time-to-time dictate or be desirable.

3. Compensation.

(a) Base Salary. During the Term, the Company agrees to pay or cause to be paid to Employee, and Employee agrees to accept, a salary for all of Employee's services at the rate of $375,000 per annum (the "Base Salary"), payable in accordance with the Company's payroll practices and policies in effect from time to time and subject to applicable withholding of

income taxes, social security taxes and other such other payroll deductions as are required by law or applicable employee benefit programs.

(b) Cash Bonus. With respect to each fiscal year of the Company during the continued full-time employment of Employee hereunder, commencing with the 2016 fiscal year, Employee will be eligible to receive an annual cash bonus of up to 55% of Employee's Base Salary (a "Cash Bonus") based on the achievement of certain performance-based targets and other objectives as may be established by the Board based on annual Company budgets approved by the Board from time to time; provided, however, that the Cash Bonus for the 2016 fiscal year shall be prorated based on the portion of such fiscal year during which Employee is actually employed by the Company pursuant to this Agreement. The terms of Employee's Cash Bonus opportunity for each fiscal year shall be separately communicated to Employee by the Board, after consultation with Employee, prior to the commencement of such fiscal year. Any Cash Bonus allocable to Employee hereunder shall be earned by Employee if and only if Employee remains actively employed on a full-time basis with the Company and is otherwise in compliance with Employee's obligations under this Agreement through the end of the fiscal year to which such Cash Bonus relates. Any Cash Bonus awarded to Employee hereunder will be payable in a single lump sum cash payment, less applicable taxes and withholdings, not later than two and one-half months after the end of the fiscal year to which it relates in accordance with the Company's customary practices for annual bonus payments.

(c) Equity Incentive Programs. Subject to the approval of the Board, on or promptly after the Effective Date, Employee shall be granted a stock option under the Company's 2016 Omnibus Incentive Plan (the "Plan") exercisable for the purchase of 1,550,000 shares of the Company's Common Stock, which shall vest as follows:

(i) stock options to purchase up to 542,500 shares of the Company's Common Stock shall vest in three substantially equal installments on the first, second and third anniversaries of the date of grant; and

(ii) stock options to purchase up to 1,007,500 shares of the Company's Common Stock shall vest in three substantially equal annual installments upon a determination by the Board that the Company has achieved the following milestones for the 2017, 2018 and 2019 fiscal years, respectively: (i) one-third if the Company achieves the revenue plan established by the Board for such fiscal year, (ii) one-third if the Company achieves the EBITDA plan established by the Board for such fiscal year, and (iii) one-third if the Company achieves the objectives established by the Board for such fiscal year.

If (i) a Change of Control of the Company (as defined in Section 5(d)) shall occur before the stock option vests in full and (ii) Employee is not offered post-Change of Control employment by the Company or any successor entity, or if offered such post-Change of Control employment Employee terminates his employment for Good Reason within a period of thirty (30) days after the date of the Change of Control, and Employee satisfies the requirements of Section 5(f)(iv)), such stock option shall vest in full upon the effective date of the termination of Employee's employment. The stock option shall be subject to the terms and conditions of the Plan and shall be issued pursuant to a stock option agreement in the form approved by the Company, which shall be executed by Employee as a condition to grant. Employee shall also be eligible to

participate in other equity incentive programs established by the Company from time to time to provide stock options and other equity-based incentives to key employees of the Company in accordance with the terms of those programs.

4. Employee Benefits; Vacation; Expenses. During the Term:

(a) Employee shall be eligible to participate, in accordance with the terms and conditions thereof, in any standard group benefit plans maintained generally for senior level employees of the Company, as the same may be in effect or amended from time to time. The foregoing, however, shall not be construed to require the Company to establish any such plans, or to prevent the Company from modifying or terminating any such plans once established.

(b) Employee shall receive four weeks of paid vacation per fiscal year (prorated to reflect the period of time for which Employee is actually employed by the Company pursuant to this Agreement), subject to the effective discharge of Employee's duties and responsibilities hereunder. Vacation time will accrue on a monthly basis during any such year, and any accrued vacation time not taken during the year in which it accrued shall not have a cash value and may be rolled over to the following or any subsequent year only to the extent permitted and in accordance with then current Company policy.

(c) The Company shall reimburse Employee for the reasonable and necessary out-of-pocket business expenses incurred by Employee for or on behalf of the Company in furtherance of the performance of Employee's duties hereunder in accordance with the Company's policies as approved by the Board from time to time, subject in all cases to the Company's requirements with respect to reporting and documentation of such expenses.

5. Termination.

(a) Notwithstanding anything to the contrary contained herein, Employee's employment under this Agreement, as well as Employee's right to any Base Salary, Cash Bonus and/or other benefits that thereafter otherwise would accrue to Employee hereunder, shall terminate upon the earliest to occur of the following events:

(i) The death of Employee;

(ii) The disability (as hereinafter defined) of Employee;

(iii) In the event of Employee's voluntary decision to terminate his employment with the Company, upon the date set forth therefor in a written notice of such termination received by the Company from or on behalf of Employee; provided that the termination date shall not be sooner than two weeks following the Company's receipt of such notice;

(iv) Upon written notice of such termination to Employee from or on behalf of the Company or the Board (or at such later date specified therein) if: (A) there shall be "Cause" (as hereinafter defined) or (B) Employee shall have advised the Company or the Board in writing of Employee's intention to terminate his employment with the Company;

(v) Upon a Change of Control (as defined in Section 5(d)) of the Company unless the new controlling person or entity of the Company's business and/or assets determines otherwise; or

(vi) Upon written notice of such termination to Employee from or on behalf of the Company or the Board, other than under a circumstance covered by, or when facts exist that would comprise, any of clauses (i), (ii), (iii), (iv) or (v) of this Section 5(a).

(b) Employee shall be deemed to be under a "disability" for purposes hereof, at the option of the Company by written notice to Employee, (i) if Employee and the Board agree that Employee is disabled, or (ii) in the event that Employee shall be unable to or shall fail to render and perform the services required of Employee under this Agreement for 30 consecutive days or an aggregate of 60 days in any consecutive 12-month period because of physical or mental incapacity or disability, such option to be exercisable by the Company.

(c) For purposes of this Agreement, the term "Cause" is defined as: (i) the conviction of Employee for (or Employee's plea of *nolo contendere* to) a felony or a crime involving moral turpitude; (ii) Employee's material violation of any written Company policy or the material terms of this Agreement after written notice of such failure and failure to cure within ten days; (iii) Employee's failure to follow a lawful direction of the Board after written notice of such failure and failure to cure within ten days; (iv) a breach by Employee of a fiduciary responsibility owing to the Company or any of its affiliates; (v) Employee's failure to perform such duties as are reasonably delegated or assigned to Employee after written notice of such failure and failure to cure within ten days; (vi) drug or alcohol abuse by Employee, but in the first instance of such drug or alcohol abuse, only if the Employee fails to seek appropriate counseling or fails to complete a prescribed counseling program to the satisfaction of the Board; and (vii) a breach by Employee of Section 7 of this Agreement or any other obligation relating to non-competition, non-solicitation of employees, customers, licensees or licensors, confidentiality, or ownership and/or rights as to creations and/or proprietary information or property, under any written agreement in effect from time to time, in favor of the Company.

(d) For purposes of this Agreement, the term "Change of Control" is defined as: (i) any "person," as such term is used in sections 13(d) and 14(d) of Securities Exchange Act of 1934, as amended, (the "Exchange Act") becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities; provided, however, that no Change of Control shall be deemed to occur by reason of the acquisition of securities of the Company by one or more investors in the Company in capital-raising transactions; (ii) the direct or indirect sale or exchange by the stockholders of the Company of all or substantially all of the outstanding capital stock of the Company; (iii) a merger or consolidation in which the Company is a party and in which the stockholders of the Company before such Change of Control do not retain, directly or indirectly, at a least majority of the beneficial interest in the voting stock of the Company after such transaction; or (iv) an agreement for the sale or disposition by the Company of all or substantially all the Company's assets.

(e) For purposes of this Agreement, the term "Good Reason" is defined as: Employee's decision to terminate his employment because the position offered to Employee following a Change in Control by the Company or any successor entity would result in a material reduction in Employee's duties, authority or responsibilities as in effect immediately prior to such Change of Control; provided, however, that a material reduction shall not be deemed to have occurred upon a Change of Control of the Company solely by virtue of the Company's having been acquired and made part of a larger organization or operated as a subsidiary or division of a larger company or organization and/or a change in Employee's title or reporting structure, so long as such new duties and responsibilities are reasonably commensurate with Employee's experience and there is no material reduction in Employee's Base Salary, bonus opportunity or other material term of this Agreement, including severance provisions.

(f) Severance; Release.

(i) In the event of, and only upon, the termination of the employment of Employee under this Agreement pursuant to: (A) Section 5(a)(v) and either (x) Employee is not offered post-Change of Control employment by the Company or any successor entity, or (y) if offered such post-Change of Control employment, Employee terminates his employment for Good Reason within a period of 30 days after the date of the Change of Control; or (B) Section 5(a)(vi): then Employee shall be entitled to receive (I) his Base Salary and the amount of any Cash Bonus, determined in accordance with Section 3(b), earned hereunder but unpaid through the date of such termination, any benefits referred to in the first sentence of Section 4(a) in which Employee has a vested right under the terms and conditions of the employee benefit plan pursuant to which such benefits were granted ("Vested Benefits"), and (II) (a) severance in an amount equal to Employee's then current Base Salary for the Applicable Severance Period (as defined below), payable in equal monthly installments, less applicable taxes and withholdings, pursuant to the Company's normal payroll procedures over the Applicable Severance Period as provided herein, (b) vesting of Employee's stock option as set forth in Section 3(c), and (c) provided Employee timely elects, and remains eligible for, continued group health plan benefits to the extent authorized by and consistent with 29 U.S.C. § 1161 et seq. (commonly known as "COBRA"), reimbursement, on a monthly basis upon presentation of proof of payment by Employee, for COBRA premiums in an amount such that Employee's net cost (after tax) for continued health insurance coverage is the same as Employee's cost for such benefits as in effect on the date of termination and such reimbursement shall continue until the earlier of: (i) the date that is 12 months after the date of termination, and (ii) the date Employee becomes eligible for health benefits through another employer or otherwise becomes ineligible for COBRA (collectively, the "Termination Benefits"). The term "Applicable Severance Period" shall mean (x) in the case of a termination of employment pursuant to clause (A) of this Section 5(f)(i), a period of 18 months, and (y) in the case of a termination of employment pursuant to clause (B) of this Section 5(f)(i), a period of 12 months.

(ii) Any Termination Benefits due under Section 5(f)(i) shall commence as soon as administratively feasible within 60 days after Employee's termination of employment provided Employee has timely executed and returned the Release referred to in Section 5(f)(iv) and, if a revocation period is applicable, Employee has not revoked the Release; provided, however, that if the 60-day period begins in one calendar year and ends in a second calendar year, the Termination Benefits shall begin to be paid in the second calendar year. On

the date that Termination Benefits commence, the Company will pay Employee in a single lump sum payment, less applicable taxes and withholding, the Termination Benefits that Employee would have received on or prior to such date but for the delay imposed by the immediately preceding sentence, with the balance of the Termination Benefits to be paid as originally scheduled. Solely for purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), each installment payment is considered a separate payment. To the full extent permitted by Code section 409A, it is intended that any severance amount shall be exempt from the requirements of Code section 409A by reason of either (1) the exemption set forth in Treas. Regs. 1.409A-1(b)(9)(iii) or (2) the short-term deferral rule under Treas. Regs. 1.409A-1(b)(4).

(iii) In the event that Employee's employment terminates under any circumstance other than as described in Section 5(f)(i), then the Company shall not be obligated to provide any Termination Benefits to Employee or to provide any other severance, termination or similar payments or compensation or benefits, regardless of any general or other policy, plan or practice as to severance or employment termination in effect from time to time, other than Base Salary earned but unpaid through the date of such termination.

(iv) Notwithstanding anything to the contrary set forth herein, the obligation to pay any Termination Benefits is expressly conditioned upon: (A) the execution by Employee and delivery to the Company of, and the effectiveness (after the expiration of any and all revocation and cancellation periods and rights) of, a separation agreement and general release from Employee, in such form as shall be required by the Company (the "Release"); (B) Employee's return of all Company property to the Company; and (C) Employee's resignation from all positions with the Company and any affiliated company. In no event shall any Termination Benefits be payable unless and until the Release becomes effective and all statutory rights to rescind, revoke or terminate the Release have expired unexercised.

(v) Any Termination Benefits paid hereunder shall be in lieu of any other claim by Employee for compensation whether under this Agreement, or under any wage continuation law or at common law or otherwise, or any and all claims to severance or similar payments or benefits which Employee may otherwise have or make, except that Employee may still seek unemployment insurance. Without limiting any other rights or remedies which the Company may have, the Company shall be under no obligation to pay any Termination Benefits, and Employee shall immediately reimburse the Company in full for any and all Termination Benefits paid to Employee hereunder if Employee violates any of the provisions of Section 7.

(g) Parachute Provisions. Payments under this Agreement shall be made without regard to whether the deductibility of such payments (or any other payments) would be limited or precluded by Section 280G of the Code, and without regard to whether such payments would subject Employee to the federal excise tax levied on certain "excess parachute payments" under Section 4999 of the Code; provided, however, that if the Total After-Tax Payments (as defined below) would be increased by the limitation or elimination of any amount payable under this Agreement, then the amount payable under this Agreement will be reduced to the extent necessary to maximize the Total After-Tax Payments. The determination of whether and to what extent payments under this Agreement are required to be reduced in accordance with the preceding sentence will be made by the Company's independent auditors. In the event of any

underpayment or overpayment under this Agreement (as determined after the application of this Section 5(g)), the amount of such underpayment or overpayment will be immediately paid by the Company to Employee or refunded by Employee to the Company, as the case may be, with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code. For purposes of this Agreement, "Total After-Tax Payments" means the total of all "parachute payments" (as that term is defined in Section 280G(b)(2) of the Code) made to or for the benefit of Employee (whether made hereunder or otherwise), after reduction for all applicable federal taxes (including, without limitation, the tax described in Section 4999 of the Code).

6. Deductions and Withholding. Employee agrees that the Company shall be entitled to withhold from any and all payments required to be made to Employee pursuant to this Agreement all federal, state, local and/or other taxes which it determines are required to be withheld in accordance with applicable statutes and/or regulations from time to time in effect.

7. Restrictive Covenants.

(a) For and in consideration of the Company's employment of Employee as set forth in this Agreement, including, but not limited to, the compensation and benefits provided to Employee pursuant to Sections 3 and 4, the adequacy and sufficiency of which are hereby irrevocably acknowledged by Employee, Employee agrees that Employee shall not, and shall not permit any person or entity directly or indirectly controlled by Employee (alone or together with others) (the "Employee Affiliates") to, directly or indirectly (including, without limitation, through ownership, management, operation or control of any other person or entity, or participation in the ownership, management, operation or control of any other person or entity, or by having any interest, as a stockholder, lender, investor, agent, consultant, employee, partner or otherwise, in or with respect to any other person or entity) do any of the following:

(i) during the period of Employee's employment with the Company and for 12 months following the date of termination of Employee's employment for any reason (the "Restricted Period"), own, manage, operate, control, invest in, participate in, provide consulting services to, or be involved or associated with in any capacity, any person or entity that competes directly or indirectly with the business conducted by the Company or proposed to be conducted by the Company during the time Employee was employed by the Company or during the Restricted Period, within the geographical areas in which the Company is doing business or proposes to do business at the time of Employee's termination of employment; provided that the foregoing shall not prohibit Employee and Employee Affiliates from owning in the aggregate less than one percent of any class of securities listed on a national securities exchange or traded publicly in the over-the-counter market. Employee acknowledges that the Company conducts business on a nationwide and international basis, that its sales and marketing prospects are for expansion into national and international markets not currently penetrated and that, therefore, the territorial and time limitations set forth in this Section are reasonable and properly required for the adequate protection of the business of the Company;

(ii) during the Restricted Period: (A) solicit, encourage or entice any client, customer, vendor, licensee, licensor, consultant or supplier of or to the Company to cease to do business with, or to reduce or modify the business such person or entity has done with or intends to do with, or to end, reduce or modify any relationship or proposed relationship of such

person or entity with, the Company, or (B) interfere with, disrupt or attempt to disrupt or otherwise jeopardize any relationship of the Company with any client, customer, vendor, licensee, licensor, consultant or supplier or any other person or entity with whom the Company has a business relationship;

(iii) during the Restricted Period, encourage, entice or induce any person who at the time of Employee's termination of employment or at any time during the 18-month period immediately preceding such termination is or was an employee of, or a consultant to, the Company to leave the employ of, or to terminate any such consulting arrangement with, the Company, or, with respect to any such employee or consultant who is then an employee of or consultant to the Company, to become an employee of, or consultant to, any other person or entity, or employ or retain any such person; or

(iv) during the Restricted Period and at all times thereafter, disparage, criticize or make statements which may be perceived as negative, detrimental or injurious to the Company, or any of the management, owners, business, policies or practices of the Company.

(b) Employee acknowledges and agrees that Employee's employment by the Company necessarily will involve Employee's understanding of and access to trade secrets and confidential or proprietary information and property, and personal information pertaining to the business and affairs of the Company, and its licensors, clients, customers, licensees, consultants and suppliers of or to any of them, including, without limitation, data, databases, know-how, trade secrets, marketing plans and opportunities, cost and pricing information, strategies, forecasts, licensee and customer lists, reports and surveys, concepts and ideas, computer software, systems and programs (including source code and documentation), and techniques and technical information, whether acquired by, or provided or made available to, Employee before, on or after the date of this Agreement by reason of Employee being or having been an employee of the Company and Employee agrees to keep all such information confidential. Employee and the Company have entered into that certain Employee Confidentiality and Invention Agreement dated as of the date hereof (the "Confidentiality Agreement") and attached hereto as Exhibit B, the terms and conditions of which are incorporated by reference herein and made a part hereof. The terms and provisions of this Agreement shall control and govern in respect of any conflict between the terms of this Agreement and the Confidentiality Agreement.

(c) Employee represents that his employment with the Company will not violate or conflict with any obligations to any previous employer or other party, including without limitation, obligations relating to nondisclosure, proprietary information, non-competition and non-solicitation.

(d) Because irreparable harm would be sustained by the Company in the event that there is a breach by Employee of any of the terms, covenants and agreements set forth in this Section 7, in addition to any other rights and remedies that the Company may otherwise have, the Company shall be entitled to obtain specific performance and/or injunctive relief against Employee from any court of competent jurisdiction, without making a showing that monetary damages would be inadequate and without the requirement of posting any bond or other security whatsoever, in order to enforce or prevent any breach or threatened breach of any of the terms, covenants and agreements set forth in this Section 7. In the event the Company obtains any such

injunction, order, decree or other relief, in law or in equity, Employee shall be responsible for reimbursing the Company for all costs associated with obtaining the relief, including reasonable attorneys' fees and expenses and costs of suit.

(e) Employee acknowledges that: (i) the enforcement of any of the restrictions on Employee or any other provisions contained in this Section 7 (the "Restrictive Covenants") against Employee would not impose any undue burden upon Employee; and (ii) none of the Restrictive Covenants are unreasonable as to duration or scope. If notwithstanding the foregoing, any provision of this Agreement would be held to be invalid, prohibited or unenforceable in any jurisdiction for any reason (including, without limitation, any provision which may be held unenforceable because of the scope, duration or area of its applicability), unless narrowed by construction, such provision shall, as to such jurisdiction, be construed as if such invalid, prohibited or unenforceable provision had been more narrowly drawn so as not to be invalid, prohibited or unenforceable (and the court making any such determination as to any provision shall have the power to, and shall, modify such scope, duration or area or all of them, and such provision shall then be applicable in such modified form in such jurisdiction only). If, notwithstanding the foregoing, any provision of this Agreement would be held to be invalid, prohibited or unenforceable in any jurisdiction for any reason, such provision, as to such jurisdiction, shall be ineffective only to the extent of such invalidity, prohibition or unenforceability, without invalidating the remaining provisions of this Agreement, or affecting the validity or enforceability of such provision in any other jurisdiction.

(f) In the event that Employee's employment with the Company is terminated for any reason and Employee thereafter obtains employment or engagement by another person or entity (a "Subsequent Employer"), Employee agrees to advise such Subsequent Employer of Employee's continuing obligations under this Agreement.

(g) The Restricted Period and any additional periods thereafter under this Section 7 shall be tolled and shall cease to run during the period of any violation by Employee of any of the Restrictive Covenants.

(h) Each of the obligations of Employee under this Section 7 shall survive the termination of this Agreement and Employee's employment by the Company for any reason whatsoever.

8. No Conflicts. Employee represents and warrants that Employee is not party to any agreement, contract or understanding, whether of employment, consultancy or otherwise, in conflict with this Agreement or which would in any way restrict or prohibit Employee from undertaking or performing services for the Company. Employee hereby acknowledges that Employee has not foregone any other opportunity, financial or otherwise, in connection with Employee's execution and delivery of this Agreement or Employee's rendering of services to the Company.

9. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given and effective: (a) on the date of delivery, if delivered personally; (b) on the first business day following the date of dispatch if delivered by a recognized next-day courier service; (c) on the earlier of the fourth (4th) day after

mailing or the date of the return receipt acknowledgment, if mailed, by certified or registered mail, return receipt requested, postage and fees prepaid; or (d) on the date of transmission (subject to written confirmation of receipt), if sent by facsimile or e-mail .pdf to the other party hereto. Any such notice, if to Employee, shall be sent to Employee's address set forth on the signature page hereto or Employee's principal residence address then known to the Company, and, if to the Company, shall be sent to the Chairman of the Board. A copy of all notices sent by Employee to the Company pursuant to this Agreement shall also be sent to Duane Morris LLP, 30 South 17th Street, Philadelphia, PA 19103, Attn: Kathleen M. Shay. Either party may change the address to which notices, requests, demands and other communications hereunder shall be sent by sending written notice of such change of address to the other party in the manner hereinabove provided.

10. Assignability and Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the heirs, executors, administrators, successors and legal representatives of Employee, and shall inure to the benefit of and be binding upon the Company and its successors and assigns, but the obligations of Employee may not be delegated or assigned. Employee shall not be entitled to assign, transfer, pledge, encumber, hypothecate or otherwise dispose of this Agreement, or any of his rights or obligations hereunder, and any such attempted delegation or disposition shall be null and void and without effect. It is hereby acknowledged and agreed that the Company shall have the right to assign all or any part of its rights in respect of the covenants and agreements set forth in Section 7 of this Agreement to one or more direct or indirect acquirors of any of the assets or business of, or control of, the Company, and that this Agreement and all of the Company's rights and obligations hereunder may be assigned or transferred by the Company to and in such event may be assumed by any assignee of or successor to the Company.

11. Waiver and Compliance; Consents. Except as otherwise provided in this Agreement, any failure of either party to this Agreement to comply with any obligation, covenant, agreement or condition herein may be waived by the other party hereto only by written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of a party, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 11.

12. Entire Agreement; Amendments. This Agreement and the Confidentiality Agreement referenced herein sets forth the entire agreement and understanding of the parties hereto relating to the subject matter hereof, and is expressly intended to supersede any and all prior agreements, arrangements and understandings, written or oral, relating to the subject matter hereof. With respect to the subject matter hereof, no representation, promise or inducement has been made by either party that is not embodied in this Agreement, and neither party shall be bound by or liable for any alleged representation, promise or inducement not so set forth. This Agreement shall not be altered, modified, amended or terminated except by written instrument signed by each of the parties hereto.

13. Headings, Construction, Interpretation. The captions and section headings contained in this Agreement are for convenience of reference only, do not form a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed followed by the words "without limitation." When used in this Agreement, words such as "herein", "hereinafter", "hereof", "hereto", and "hereunder" shall refer to this Agreement as a whole, unless the context clearly requires otherwise. The use of the words "either" and "any" shall not be exclusive.

14. Code Section 409A. This Agreement shall be interpreted and administered to the extent practicable in a manner consistent with the following statement of intent: All benefits and compensation payable to Employee pursuant to this Agreement are intended to be exempt from the definition of "nonqualified deferred compensation plan" or "deferral of compensation" under Code Section 409A in accordance with one or more exemptions available under the Treasury Regulations promulgated under Code Section 409A. To the extent that any benefit or payment is or becomes subject to Code Section 409A, this Agreement is intended to comply with the requirements of Code Section 409A as applicable to such benefit or payment.

15. Governing Law; Venue. This Agreement and the legal relations among the parties shall be governed by the internal laws of the Commonwealth of Pennsylvania, without regard to principles of conflict of laws. Any litigation arising in connection with or related to this Agreement or any of the subject hereof shall be tried solely by and in the United States District Court for the Eastern District of Pennsylvania, provided that, if such litigation shall not be permitted to be tried by such court, then such litigation shall be held solely in the state courts of Pennsylvania sitting in Montgomery County. Each party hereto irrevocably consents to and confers personal jurisdiction on the United States District Court for the Eastern District of Pennsylvania, or, if (but only if) the litigation in question shall not be permitted to be tried by such court, on the state courts of Pennsylvania sitting in Montgomery County, and expressly waives any objection to the venue of such court, as the case may be, and any argument that any case filed should be transferred to a more convenient forum.

16. Mutual Waiver of Jury Trial. EACH PARTY HERETO HEREBY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THIS AGREEMENT, OR THE EMPLOYMENT OF EMPLOYEE, WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE. EACH PARTY HERETO AGREES THAT EITHER OF THEM MAY FILE A COPY OF THIS AGREEMENT UNDER SEAL WITH THEY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY, AND BARGAINED AGREEMENT BETWEEN THE PARTIES IRREVOCABLY TO WAIVE TRIAL BY JURY, AND THAT ANY DISPUTE OR CONTROVERSY WHATSOEVER BETWEEN THEM SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

17. Knowing and Voluntary Agreement. The parties to this Agreement acknowledge and agree that each of them has had a full and fair opportunity to carefully read and review the terms and provisions of this Agreement and consult with their own attorney concerning the meaning and effect of this Agreement. By executing this Agreement, each of the parties hereto represents, acknowledges, and agrees that such party fully understands his or its right to discuss all aspects of this Agreement with his or its own attorney, that to the extent he or

it wanted to talk to his or its attorney he or it has availed himself or itself of that right, that he or it has carefully read and fully understands all the provisions of this Agreement, and that he or it is knowingly and voluntarily entering into this Agreement and signing it of his or its own free will.

18. Interpretation. In the event any ambiguity or question of intent or interpretation arises, this Agreement shall be construed as drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring either party by virtue of the authorship of any of the provisions of this Agreement. No provision of this Agreement shall be construed against either party on the grounds that such party or its counsel drafted that provision.

19. Counterparts; Signatures. This Agreement may be executed in any number of counterparts with the same effect as if all parties hereto had signed the same document. All counterparts shall be construed together and shall constitute one Agreement. This Agreement and any amendments hereto, to the extent signed and delivered by means of a facsimile machine or electronic transmission, shall be treated in all manner and respects as an original Agreement and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of either party hereto the other party hereto shall re-execute original forms thereof and deliver them to such requesting party. No party hereto shall raise the use of a facsimile machine or electronic transmission to deliver a signature or the fact that any signature was transmitted or communicated through the use of facsimile machine or electronic transmission as a defense to the formation of a contract and each such party forever waives any such defense.

[Balance of page intentionally left blank; signature page follows.]

IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement as of the day and year first above written.

COMPANY:

STRATA Skin Sciences, Inc.

By: /s/ Jeffrey F. O'Donnell
Jeffrey F. O'Donnell,
Chairman of the Board

EMPLOYEE:

/s/ Frank J. McCaney-----------
Frank J. McCaney

EXHIBIT A

Other Activities

Member, Board of Directors, Diasome Pharmaceuticals

Member, Board of Directors, D3D Technology

EXHIBIT B

Confidentiality Agreement

This EMPLOYEE CONFIDENTIALITY AND INVENTION AGREEMENT is made, as of October 31, 2016, by and between STRATA Skin Sciences, Inc. (the "Company"), a Delaware corporation, and Frank J. McCaney (the "Employee").

As a result of his employment by the Company, the Employee has had or will have access to and has or will become acquainted with various trade secrets and other proprietary and confidential information and property of the Company, the disclosure or use of which for any purposes other than in the Company's business would unreasonably and unfairly impair the Company's ability to conduct its business profitably.

THEREFORE, as a condition of and in consideration of the Company's employment or continuation of employment of the Employee, the Employee agrees with the Company as follows, intending to be legally bound hereby:

1. Certain Definitions. For purposes of this Agreement, the terms defined below have the meanings indicated.

1.1 "Affiliate." "Affiliate" means and includes any of the Company's subsidiaries (whenever formed or acquired), and any corporation, limited liability company, partnership, joint venture, association or other entity in which the Company owns or comes to own more than twenty percent of the voting stock or other ownership interest or which owns or comes to own twenty percent or more of the Company's outstanding common stock, and any of the Company's clients, customers, licensees, licensors, franchisees and franchisors.

1.2 "Confidential Matter." "Confidential Matter" means and includes the following:

All proprietary, confidential and/or trade secret information of the Company consisting of techniques; formulas; designs; processes; programs; marketing data; equipment; documents; files; electronically recordable data or concepts; computer software and hardware; inventions; improvements; books; papers; compilations of information; records; specifications; names, addresses, names of agents and employees, buying habits and practices of existing and potential clients, customers and other Affiliates; various financial and operating data; names, marketing methods, practices and related information regarding the Company's existing and potential joint venture partners, licensees, licensors, vendors, suppliers and distributors; costs of materials; prices the Company obtains or has obtained or at which it sells, has sold or intends to sell its products or services; lists or other written records used in the Company's business; information regarding the Company's financial condition; compensation paid to the Company's consultants and employees and other terms of employment; and any of the foregoing that may have been or may be conceived, originated, discovered or developed by the Company or the Employee or any other employees or consultants of the Company while employed or engaged by the Company or on the basis of or using any Confidential Matter. All of the foregoing are owned and held in strict confidence by the Company or by Affiliates to which the Company has a duty of confidentiality. Nevertheless, "Confidential Matter" excludes any of the foregoing that has entered the public

domain through no fault of the Employee, that an authorized executive officer of the Company has authorized for public dissemination, that was known to or possessed by the Employee prior to her employment by the Company and other than through disclosure or delivery by the Company, or that was learned or obtained by the Employee from sources having no duty of confidentiality to the Company that were or are unconnected with and unrelated to his employment by the Company.

2. Nondisclosure; Property.

2.1 Nondisclosure. The Employee acknowledges and agrees that, as an employee of the Company, he has had and/or will have access to and has and/or will become acquainted with Confidential Matter, all of which the Employee will regard and protect as trade secrets owned by the Company and all of which are used or contemplated to be used in the Company's business. The Employee represents, warrants and agrees that, except as required by the Company in the course of his employment with the Company, he will not at any time, whether during or after his employment by the Company (except as may be required to perform Employee's duties under his Employment Agreement or as required by applicable law), directly or indirectly, use or permit others to use, or disclose or communicate to any person or entity, any Confidential Matter, without the prior written consent of the Company's Board of Directors in the particular case.

2.2 Property. The Employee agrees that he will not make or retain any originals, copies or reproductions of or excerpts from any of the Confidential Matter for his use or the use of others, except as may be required to perform Employee's duties under his Employment Agreement. Employee agrees to deliver or return to the Company, at the Company's request at any time or upon termination of his employment (regardless of the reason): (a) all documents, computer tapes and disks, records, lists, data, drawings, prints, notes and written information (and all copies thereof) furnished by or on behalf of or for the benefit of the Company or its Affiliates or prepared by Executive during the term of his employment by the Company, regardless of whether Confidential Matter is contained therein; and (b) all physical property of the Company or its Affiliates which Executive received in connection with his employment with the Company including, without limitation, credit cards, passes, door and file keys, and computer hardware and software existing in tangible form.

2.3 The Defend Trade Secrets Act of 2016 (the "Act") provides that: (1) An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that: (A) is made – (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. The Act further provides that: an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual: (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

2.4 Nondisclosure to the Company. The Employee further represents and warrants that the Employee has not disclosed and will not disclose to the Company or any Affiliate any trade secrets or other proprietary or confidential information that may not lawfully be so disclosed by the Employee, by virtue of the ownership of the same by another person or entity or otherwise.

3. Inventions, Designs and Patents.

3.1 Disclosure and Assignment of Inventions. The Employee agrees that he will promptly and fully disclose to the Company all inventions, designs, creations, processes, technical or other developments, improvements, ideas and discoveries (collectively, "Inventions"), whether patentable or not, of which the Employee obtains knowledge or information during his employment with the Company and for a period of one year thereafter and which relate to the existing or contemplated products, services or business of or to any research or experimental, developmental or creative work carried on or contemplated by the Company, whether or not conceived, originated, made, developed or reduced to practice by the Employee alone or with others during regular working hours or at other times. All Inventions are and shall remain the exclusive property of the Company. The Employee agrees that he will assign, and hereby does assign, to the Company or its designee, all of the Employee's right, title and interest in and to all Inventions, whether patentable or not, conceived, originated, made, developed or reduced to practice by the Employee, alone or with others, while he is an employee with the Company.

3.2 Cooperation. The Employee agrees to assist the Company to obtain any and all patents, copyrights, trademarks and service marks relating to Inventions and to execute all documents and do all things necessary to obtain letters patent and copyright, trademark and service mark registrations therefor, to vest the Company or its designee with full and exclusive title thereto and to protect the same against infringement by others, all as and to the extent the Company may request and at the Company's expense, for no consideration to the Employee other than the Employee's salary or wages.

3.3 Exceptions. Sections 3.1 and 3.2 shall not, however, apply to an Invention which the Employee can prove, by clear and convincing evidence, was developed entirely on the Employee's own time without using the Company's or any Affiliate's equipment, supplies, facilities or trade secret information, except for those Inventions that either (a) relate at the time of conception or reduction to practice of the Invention to the Company's business or demonstrably anticipated research or development of the Company, or (b) result from any work performed by the Employee for the Company. The Employee has provided to the Company a complete and accurate written list, which the Company agrees to keep confidential, of all unpatented Inventions owned, conceived, originated, made, developed or reduced to practice by the Employee (whether or not prior to the Employee's employment with the Company) qualifying for the exception in the first sentence of this section 3.3.

4. Confidential Information of Third Parties. The Employee acknowledges and understands that, in dealing with existing and potential Affiliates, suppliers, contracting parties and other third parties with which the Company has business relations or potential business relations, the Company frequently receives confidential and proprietary information and

materials from such third parties subject to the Company's understanding that the Company will maintain the confidentiality thereof and will require its employees and consultants to do so. The Employee agrees to treat all such information and materials as Confidential Matter subject to this Agreement.

5. Injunctive Relief. The Employee acknowledges and agrees that his failure to perform any of his covenants in this Agreement would cause irreparable injury to the Company and cause damages to the Company that would be difficult or impossible to ascertain or quantify. Accordingly, without limiting any remedies that may be available with respect to any breach of this Agreement, the Employee consents to the entry of an injunction to restrain any breach of this Agreement. In the event the Company obtains any such injunction, order, decree or other relief, in law or in equity, to restrain a breach of this Agreement, Employee shall be responsible for reimbursing the Company for all costs associated with obtaining the relief, including reasonable attorneys' fees and expenses and costs of suit.

6. Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision hereof.

7. Headings. The section headings in this Agreement are for convenience of reference only and are not part of this Agreement.

8. Notices. Any notice, consent or other communication to be given under or in connection with this Agreement shall be in writing and shall be deemed duly given and received when delivered personally, one day after being deposited for next-day delivery with a nationally recognized overnight delivery service or three days after being mailed by first class mail, charges or postage prepaid, properly addressed, if to the Company, at 100 Lakeside Drive, Suite 100, Horsham, PA 19044, and, if to the Employee, at his address appearing in the records of the Company. Either the Company or the Employee may change its or his address for this purpose from time to time by notice to the other.

9. Successors. This Agreement shall inure to the benefit of and bind the Company and the Employee and their respective successors, assigns, heirs, legatees, devisees and personal representatives.

10. Entire Agreement. This Agreement contains the entire agreement of the Company and the Employee and supersedes all prior or contemporaneous negotiations, correspondence, understandings and agreements, whether written or oral, between them, with respect to the subject matter hereof, with the exception of the Employee's Employment Agreement.

11. Survival. All agreements, representations, warranties and acknowledgments herein shall survive any termination of the Employee's employment with the Company for any reason.

12. The Company's Right to Terminate. Nothing herein shall be interpreted to impair or otherwise affect the right and power of the Company to terminate its employment of the Employee, which is at-will, at any time, with or without advance notice and for any or no reason.

13. Acknowledgement. THE EMPLOYEE HEREBY WARRANTS AND ACKNOWLEDGES THAT HE HAS CAREFULLY READ AND UNDERSTANDS ALL OF THE PROVISIONS OF THIS AGREEMENT.

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

EMPLOYEE:

/s/ Frank J. McCaney
Frank J. McCaney

COMPANY:

Strata Skin Sciences, Inc.

By: /s/ Jeffrey F. O'Donnell
Jeffrey F. O'Donnell,
Chairman of the Board

EXHIBIT 10.46

STOCK OPTION AGREEMENT

THIS AGREEMENT, effective as of October 31, 2016, is made by and between Strata Skin Sciences, Inc. (the "Company"), a Delaware corporation, and Frank J. McCaney (the "Employee"), an employee of the Company.

Recitals:

WHEREAS, the Company has established the Strata Skin Sciences, Inc. 2016 Omnibus Incentive Plan (the "Plan"), the terms of which are hereby incorporated by reference and made a part of this Agreement; and

WHEREAS, the Company and Employee are parties to an Employment Agreement dated as of October 31, 2016 (the "Employment Agreement")

WHEREAS, the Committee (as hereinafter defined) has determined that it would be in the best interest of the Company to grant a stock option under the Plan, as provided for herein, to the Employee as an incentive for increased efforts during the Employee's employment by the Company, subject to the execution and delivery by the Employee of this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1
DEFINITIONS

Capitalized terms used herein and not defined in this Agreement shall have the meanings specified in the Plan. Whenever the following terms are used in this Agreement, they shall have the meanings specified below:

"Act" shall mean the Securities Act of 1933, as amended.

"Cause" shall have the meaning set forth in Section 5(c) of the Employment Agreement.

"Change of Control" shall have the meaning set forth in Section 5(d) of the Employment Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Committee" shall mean the Committee established in accordance with Section 3.1(a) of the Plan, if one has been appointed, or the Board of Directors of the Company if no such committee has been appointed.

"Common Stock" shall mean the Company's Common Stock, $.001 par value.

"Good Reason" shall have the meaning set forth in Section 5(e) of the Employment Agreement.

"Option" shall mean the stock option granted under this Agreement.

"Plan" shall have the meaning set forth in the first Recital paragraph above.

"Retirement" shall mean a termination of employment by reason of an Employee's retirement at or after the Employee's earliest permissible retirement date pursuant to and in accordance with a regular retirement plan or the personnel practices of the Company.

"Subsidiary" shall mean any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

"Termination of Employment" shall mean the time when the employee-employer relationship between the Employee and the Company or a Subsidiary is terminated for any reason, including, but not limited to, a termination by resignation, discharge, death or Retirement, but excluding any termination where there is a simultaneous reemployment by the Company or a Subsidiary. The Committee, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Employment, including, but not limited to, whether a Termination of Employment resulted from a discharge for Cause and whether a particular leave of absence constitutes a Termination of Employment; provided, however, that a leave of absence shall constitute a Termination of Employment if, and to the extent that, such leave of absence interrupts employment for purposes of Section 422(a)(2) of the Code and the then applicable Regulations and Revenue Rulings under Section 422(a)(2).

ARTICLE 2
GRANT OF OPTION

Section 2.1 - Grant of Option

In consideration of the Employee's employment by the Company and for other good and valuable consideration, on the date hereof the Company grants to the Employee the Option to purchase any part or all of a total of 1,550,000 shares of the Company's Common Stock upon the terms and conditions set forth in this Agreement. The Option shall be subject in all respects to the provisions of this Agreement, the Employment Agreement and of the Plan. To the extent permitted by applicable law, the Option is intended to be an incentive stock option under Section 422 of the Code; provided, however, that any portion of the Option that does not qualify for incentive stock option treatment shall be treated as a nonqualified stock options in accordance with Section 6.1(c) of the Plan.

Section 2.2 - Purchase Price

The purchase price of the shares of Common Stock covered by the Option shall be $0.55 per share without commission or other charge, which represents the fair market value on the date of grant.

Section 2.3 - Adjustments in Option

The number of shares subject to issuance upon exercise of the Option and the purchase price thereof are subject to adjustment in accordance with Section 11.7 of the Plan.

ARTICLE 3
EXERCISABILITY OF OPTIONS

Section 3.1 - Commencement of Exercisability

(a) Subject to the provisions of this Article 3, provided the Employee remains employed by the Company on such applicable dates, the Option shall vest and become exercisable as follows:

(i) options to purchase up to 542,500 shares shall vest in three equal installments of 180,834 shares on October 31, 2017, 180,833 shares on October 31, 2018 and 180,833 shares on October 31, 2019, respectively; and

(ii) options to purchase up to 1,007,500 shares shall vest in installments as follows per year over three years upon a determination by the Board of Directors of the Company (the "Board") that the Company has achieved the following milestones for each of the 2017, 2018 and 2019 fiscal years of the Company, respectively: (i) if the Company achieves the revenue plan established by the Board for the respective year: 111,945 shares with respect to 2017, 111,945 shares with respect to 2017, and 111,945 shares with respect to 2019; (ii) if the Company achieves the EBITDA plan established by the Board for the respective year: 111,945 shares with respect to 2017, 111,944 shares with respect to 2018, and 111,944 shares with respect to 2019; and (iii) if the Company achieves the respective goals established by the Board for the respective year: 111,944 shares with respect to 2017, 111,944 shares with respect to 2018, and 111,944 shares with respect to 2019; provided, however, that if the option(s) to purchase any such shares does not vest with respect to any particular year due to the failure to satisfy one or more milestone conditions for that year all rights with respect to those shares shall terminate as of the end of that year and shall no longer become exercisable.

(b) No portion of the Option that is not exercisable at the time of the Employee's Termination of Employment shall thereafter become exercisable.

Section 3.2 - Duration of Exercisability

Upon vesting, the installments provided for in Section 3.1 shall be cumulative. Each such installment that vests and becomes exercisable pursuant to Section 3.1 shall remain exercisable until it becomes unexercisable under Section 3.3.

Section 3.3 - Expiration of Option

The Option may not be exercised to any extent after the first to occur of the following events:

(a) the expiration of ten years from the date the Option was granted;

(b) the expiration of three months after the date of the Employee's Termination of Employment unless such Termination of Employment results from the Employee's (i) death, (ii) Retirement, (iii) disability (within the meaning of Section 22(e)(3) of the Code), or (iv) Cause;

(c) the expiration of one year from the date of the Employee's Termination of Employment by reason of the Employee's death, Retirement or disability (within the meaning of Section 22(e)(3) of the Code), provided that in the event that the Option is exercised more than three months after termination of employment due to Retirement, the Option shall lose its status as an incentive stock option and shall be treated as a nonqualified stock option; or

(d) the date of Employee's Termination of Employment if the Termination of Employment is for Cause.

Section 3.4 - Acceleration of Exercisability

If (i) a Change of Control of the Company shall occur before the stock option vests in full and (ii) Employee is not offered post-Change of Control employment by the Company or any successor entity, or if offered such post-Change of Control employment and Employee terminates his employment for Good Reason within a period of thirty (30) days after the date of the Change of Control, and Employee satisfies the requirements of Section 5(f)(iv) of the Employment Agreement), all such stock options that have not previously terminated shall accelerate and shall vest in full upon the effective date of the termination of Employee's employment.

ARTICLE 4
EXERCISE OF OPTION

Section 4.1 - Person Eligible to Exercise

During the lifetime of the Employee, only the Employee may exercise the Option or any portion thereof. After the death of the Employee, any portion of the Option that is exercisable on the date of the Employee's death may, prior to the time when the Option may no longer be exercised pursuant to the provisions of Section 3.3, be exercised by the Employee's personal representative or by any person empowered to do so under the Employee's will or under the then applicable laws of descent and distribution.

Section 4.2 - Partial Exercise

Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised at any time prior to the time when the Option or portion thereof may no longer be exercised pursuant to the provisions of Article 3; provided, however, that each partial exercise shall be for whole shares only.

Section 4.3 - Manner of Exercise

The Option, or any exercisable portion thereof, may be exercised solely by delivery to the Secretary of the Company of all of the following prior to the time when the Option or such portion may no longer be exercised pursuant to the provisions of Article 3:

(a) Notice in writing signed by the Employee or the other person then entitled to exercise the Option, stating that the Option or a portion thereof is thereby exercised, such notice complying with all applicable rules established by the Committee;

(b) At the discretion of the Employee:

(i) delivery of full payment (in cash or by check) for the shares with respect to which the Option or portion is exercised; or

(ii) surrender to the Company of that number of fully paid and non-assessable shares of Common Stock owned by Employee based on the Fair Market Value (as that term is defined in the Plan) equal to applicable exercise price; or

(iii) delivery of notice of a "net value" exercise which reduces the number of shares to be received upon such exercise to a "Net Number" of shares determined according to the following formula:

Net Number = (A x (B - C))/B. For purposes of the foregoing formula:

A = the total number of shares with respect to which this Option is then being exercised;

B = the last reported sale price (as reported by the principal national securities exchange on which the Common Stock is then traded) of the Common Stock on the trading date immediately preceding the date of the applicable exercise of this Option; and

C = the exercise price then in effect at the time of such exercise.

It is specifically intended that any such exercise contemplated hereunder be exempt from the "short-swing profit" rule of Section 16(b) of the Exchange Act of 1934, as amended (the "Exchange Act"), as provided by Rule 16b-3 of the Exchange Act.

(iv) delivery of a combination of the consideration provided in the foregoing Sections 4.3(b)(i), and 4.3(b)(ii).

(c) A bona fide written representation and agreement in a form satisfactory to the Committee, signed by the Employee or other person then entitled to exercise such Option or portion, stating that the shares of Common Stock are being acquired for the Employee's own account, for investment and without any present intention of distributing or reselling said shares or any of them except as may be permitted under the Act and then applicable rules and regulations thereunder, and that the Employee or other person then entitled to exercise the Option or portion will indemnify the Company against and hold it free and harmless from any loss, damage, expense or liability resulting to the Company if any sale or distribution of the shares by such person is contrary to the representation and agreement referred to above. The Committee may, in its absolute discretion, take whatever additional actions it deems appropriate to ensure the observance and performance of such representation and agreement and to effect compliance with the Act and any other federal or state securities laws or regulations. Without limiting the generality of the foregoing, the Committee may require an opinion of counsel

acceptable to it to the effect that any subsequent transfer of the shares acquired upon the exercise of the Option does not violate the Act and may issue stop-transfer orders covering such shares. Share certificates evidencing Common Stock issued upon the exercise of the Option shall bear an appropriate legend referring to the provisions of this Section 4.3(c) and the agreements herein and therein. The written representation and agreement referred to in the first sentence of this Section 4.3(c) shall, however, not be required if the shares to be issued pursuant to such exercise have been registered under the Act and such registration is then effective in respect of such shares.

(d) In the event the Option or portion shall be exercised pursuant to Section 4.1 by any person or persons other than the Employee, appropriate proof of the right of such person or persons to exercise the Option.

Section 4.4 - Conditions to Issuance of Shares

The shares of Common Stock deliverable upon the exercise of the Option, or any portion thereof, may be either previously authorized but unissued shares or treasury shares. Such shares shall be fully paid and nonassessable. The Company shall not be required to issue any shares of Common Stock purchased upon the exercise of the Option or portion thereof prior to fulfillment of all of the following conditions:

(a) The admission of such shares to listing on all stock exchanges on which such class of stock shall then be listed;

(b) The completion of any registration or other qualification of such shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or of any other governmental regulatory body, which the Committee shall, in its absolute discretion, deem necessary or advisable;

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee shall, in its absolute discretion, determine to be necessary or advisable; and

(d) The lapse of such reasonable period of time following the exercise of the Option as the Committee may from time to time establish for reasons of administrative convenience.

Section 4.5 - Rights as Stockholder

The holder of the Option shall not be, and shall not have any of the rights or privileges of, a stockholder of the Company in respect of any shares purchasable upon the exercise of any part of the Option unless and until such part of the Option is exercised in accordance with its terms.

ARTICLE 5
MISCELLANEOUS

Section 5.1 - Options Not Transferable

Neither the Option nor any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of the Employee or the Employee's successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition shall be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect; provided, however, that this Section 5.1 shall not prevent transfers by will or by the applicable laws of descent and distribution in accordance with the Plan.

Section 5.2 - Administration

The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon the Employee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Option.

Section 5.3 - Withholding

All amounts that, under federal, state or local law, are required to be withheld from the amount payable with respect to any Option shall be withheld by the Company. Whenever the Company proposes or is required to issue or transfer shares of Common Stock, the Company shall have the right to require the recipient to remit to the Company an amount sufficient to satisfy any federal, state or local withholding tax requirements prior to the delivery of any certificate or certificates for such shares. The Employee may elect to satisfy any tax withholding obligation of the Company with respect to the Option by having Common Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state and local tax liabilities.

Section 5.4 - No Right of Continued Employment

Nothing contained in this Agreement or in the Plan shall confer upon the Employee any right to continue in the employ of the Company or any Subsidiary or shall interfere with or restrict in any way the rights of the Company and any Subsidiary, which are hereby expressly reserved, to discharge the Employee at any time for any reason whatsoever, with or without Cause.

Section 5.5 - Notices

Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its Secretary, and any notice to be given to the Employee

shall be addressed to the Employee at the address given beneath the Employee's signature hereto. By a notice given pursuant to this Section 5.5, either party may hereafter designate a different address for notices to be given to such party. Any notice that is required to be given to the Employee shall, if the Employee is then deceased, be given to the Employee's personal representative if such representative has previously informed the Company of his or her status and address by written notice under this Section 5.5. Any notice shall have been deemed duly given when addressed as aforesaid and deposited (with postage prepaid) in the United States mail or sent by overnight courier (with charges prepaid).

Section 5.6 - Entire Agreement

This Agreement, the Employment Agreement and the Plan set forth the entire understanding of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings between the parties regarding the Option.

Section 5.7 - Successors and Assigns

This Agreement shall inure to the successors and assigns of the parties; provided, however, that neither this Agreement nor any rights hereunder may be assigned by the Employee.

Section 5.8 - Survival

Each provision of this Agreement that, by its terms, is intended to survive beyond the exercise of the Option shall continue in effect thereafter until such time as such term shall no longer apply.

Section 5.9 - Titles

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

Section 5.10 - Counterparts; Electronic Transmission

This Agreement may be executed by the parties on separate counterparts, each of which shall be an original and both of which together shall constitute one and the same agreement. A facsimile or electronic transmission of a scanned copy of a signed counterpart signature page hereto shall be deemed to be an originally executed copy for purposes of this Agreement.

(Signature page follows.)

IN WITNESS WHEREOF, and intending to be legally bound hereby, this Agreement has been executed and delivered by the parties hereto.

STRATA SKIN SCIENCES, INC.

By: /s/ Jeffrey F. O'Donnell, Sr.
Jeffrey F. O'Donnell, Sr.
Chairman of the Board

/s/ Frank J. McCaney
Frank J. McCaney

EXHIBIT 10.47

100 Lakeside Drive, Suite 100
Horsham, PA 19044

October 31, 2016

Michael R. Stewart
3930 Ruckman Way
Doylestown, PA 18902

Re: Severance Agreement and General Release

Dear Michael:

We thank you for your service to STRATA Skin Sciences, Inc. (the "Company"). We are interested in resolving cooperatively your separation of employment with the Company, effective October 31, 2016 (the "Separation Date"). Toward this end, we propose the following Severance Agreement, which includes a General Release ("the Agreement").

Please note that some provisions of this Agreement apply whether or not you sign this Agreement. Other provisions apply only if you sign. Throughout this Agreement, we have tried to make this distinction clear.

For example, the terms and conditions set forth in Paragraph 1 below will apply regardless of whether you decide to sign this Agreement. Conversely, you will not be eligible to receive the Severance Benefits set forth in Paragraph 2 below unless you sign and do not revoke this Agreement. (Please see Paragraph 19 below for what it means to revoke this Agreement.)

This Agreement is a very important legal document. I encourage you to read it carefully and make certain that you understand and agree with it before you sign it.

You may consider for twenty-one (21) days after you receive this Agreement whether you wish to sign it. Because this is a legal document, you are encouraged to review the proposed Agreement with your attorney.

1. General Terms of Termination. As noted above, whether or not you sign this Agreement:

(a) Your last day of employment will be the Separation Date. You will be paid for all time worked up to and including your last day of employment.

(b) You will be paid for accrued but unused vacation in accordance with Company policy.

(c) Your eligibility to participate in Company sponsored group health coverage as an employee of the Company will end effective October 31, 2016. However, you will be eligible to continue to participate in this health coverage in accordance with a federal law called the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), subject to COBRA's terms, conditions and restrictions.

If you decide not to sign this Agreement, you will be responsible for paying the entire cost of this coverage. However, if you sign and do not revoke this Severance Agreement, the Company will pay a portion of the premium you otherwise would be required to pay, as described below in Paragraph 2(b).

(d) Your eligibility to participate in all other Company-sponsored group benefits will end effective October 31, 2016.

(e) You will be reimbursed for any expenses properly incurred on or before the Separation Date, provided that you submit receipts for such expenses in accordance with the Company's reimbursement policy on or before November 30, 2016.

(f) Any Option Shares granted to you and which have vested as of the Separation Date pursuant to that certain Stock Option Agreement (Non-Qualified Stock Option) dated as of December 15, 2014 between the Company and you (the "Stock Option Agreement") shall continue to be exercisable for a period of ninety (90) days following the Separation Date, and thereafter shall expire and no longer be exercisable.

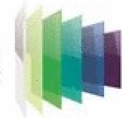
(g) Any Option Shares granted to you and which have not vested as of the Separation Date pursuant to the Stock Option Agreement shall terminate as of the Separation Date.

(h) You are required to comply with Paragraphs 7, 8 and 9 below.

2. Severance Benefits. If you sign and do not revoke this Agreement, agreeing to be bound by the General Release in Paragraph 3 below and the other terms and conditions of this Agreement described below, the Company will do the following:

(a) The Company will pay you twelve (12) months of severance pay at your current Base Salary as of October 31, 2016, less withholding of all applicable federal, state and local taxes. The severance payments will be paid to you in equal monthly installments pursuant to the Company's normal payroll procedures. The first payment will be made on the Company's first payroll pay date that is at least ten (10) days after the expiration of the Revocation Period described in Paragraph 19 below.

(b) The Company will reimburse you on a monthly basis for a portion of the premium for your continued participation in the Company's group health coverage pursuant to COBRA in an amount such that your net cost (after tax) for continued health insurance coverage is the same as your cost for such benefits as in effect on the Separation Date, until the earlier of (i) the date that is twelve (12) months after the date of termination, or (ii) the date you become eligible for health benefits through another employer or otherwise become ineligible for COBRA, provided that: (A) you are eligible for and timely elect to receive COBRA coverage from a source other than a new employer, and (B) you pay the remaining portion of the premium on a timely basis and present proof of such payment to the Company. Thereafter, your continued participation in the Company's group health coverage pursuant to COBRA shall be at your sole



expense. In the event you become eligible to receive health insurance coverage from another employer prior to October 31, 2017, the Company shall no longer have any obligation to make any payments pursuant to this Section 2(b), and you agree to immediately notify the Company in writing of such eligibility.

(c) The Company will enter into a Consulting Agreement with you, pursuant to which the Company will engage you to provide consulting services to the Company for a period of six (6) months on the terms and conditions set forth in the Consulting Agreement, which is attached hereto as Exhibit A.

(d) Notwithstanding the provisions of Section 3 of the Stock Option Agreement and Paragraph 1(g) of this Agreement, any Option Shares granted to you that have vested as of the Separation Date pursuant to the Stock Option Agreement shall continue to be exercisable until the later of (i) ninety (90) days following the Separation Date, or (ii) the termination of the Consulting Agreement referenced in Paragraph 2(c) and attached hereto as Exhibit A, and thereafter shall expire and no longer be exercisable.

(e) For purposes of this Agreement, the term "Severance Benefits" includes the payments and other benefits set forth above in this Paragraph 2.

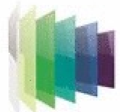
(f) You will not be eligible for the Severance Benefits described in this Paragraph 2 if you revoke this Agreement on a timely basis in accordance with Paragraph 19 below. You also will not be eligible for the Severance Benefits described in this Paragraph 2 until: (i) the Company has received an executed copy of this Agreement; (ii) you execute and deliver your resignation as an officer and director of the Company in the form attached hereto as Exhibit B; and (iii) you have returned all Company property and documents in accordance with Paragraph 9 below.

3. <u>General Release.</u>

(a) In exchange for the Company's Severance Benefits described in Paragraph 2, you release and forever discharge, to the maximum extent permitted by law, the Company and each of the other "Releasees" as defined below, from any and all claims, causes of action, complaints, lawsuits, demands or liabilities of any kind (collectively "Claims") as described below which you, your heirs, agents, administrators or executors have or may have against the Company or any of the other Releasees.

(b) By agreeing to this General Release, you are waiving any and all Claims that can be waived, to the maximum extent permitted by law, which you have or may have against the Company or any of the other Releasees arising out of or relating to any conduct, matter, event or omission existing or occurring before you sign this Agreement, and any monetary or other personal relief for such Claims, including but not limited to the following:

(i) any Claims having anything to do with your employment with the Company and/or any of its parent, subsidiary, related and/or affiliated companies;



(ii) any Claims having anything to do with the termination of your employment with the Company and/or any of its parent, subsidiary, related and/or affiliated companies;

(iii) any Claims for severance, benefits, bonuses, commissions and/or other compensation of any kind;

(iv) any Claims for reimbursement of expenses of any kind;

(v) any Claims for attorneys' fees or costs;

(vi) any Claims under the Employee Retirement Income Security Act ("ERISA");

(vii) any Claims of discrimination and/or harassment based on age, sex, pregnancy, race, religion, color, creed, disability, handicap, failure to accommodate, citizenship, marital status, national origin, ancestry, sexual orientation, gender identity, genetic information or any other factor protected by Federal, State or Local law as enacted or amended (such as the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq., Title VII of the Civil Rights Act of 1964, Section 1981 of the Civil Rights Act of 1866, the Americans with Disabilities Act, the Equal Pay Act, the Genetic Information Non-Discrimination Act and the Pennsylvania Human Relations Act) and any Claims for retaliation under any of the foregoing laws;

(viii) any Claims regarding leaves of absence including, but not limited to, any Claims under the Family and Medical Leave Act;

(ix) any Claims arising under the Immigration Reform and Control Act ("IRCA");

(x) any Claims arising under the Uniformed Services Employment and Reemployment Rights Act ("USERRA") or any state law governing military leave;

(xi) any Claims for violation of public policy;

(xii) any whistleblower or retaliation Claims;

(xiii) any Claims for emotional distress or pain and suffering;

(xiv) any Claims under your Amended and Restated Employment Agreement dated as of December 15, 2015 (the "Employment Agreement"); and/or

(xv) any other statutory, regulatory, common law or other Claims of any kind, including, but not limited to, Claims for breach of contract, libel, slander, fraud, wrongful discharge, promissory estoppel, equitable estoppel, invasion of privacy and misrepresentation.

(c) The term "Releasees" includes: the Company and any parent, subsidiary, related or affiliated companies of the Company, and each of their past and present employees, officers, directors, attorneys, owners, partners, insurers, benefit plan fiduciaries and agents, and all of their respective successors and assigns.

(d) Please note also that this General Release includes all Claims known or unknown by you, those that you may have already asserted or raised as well as those that you have never asserted or raised.

(e) For purposes of this Agreement, the term "General Release" shall refer to this Paragraph 3 and all of its subparagraphs.

4. Non-Released Claims. The General Release in Paragraph 3 above does not apply to:

(a) Any Claims for vested benefits under any Company retirement, 401(k), profit-sharing or other deferred compensation plan;

(b) Any Claims to require the Company to honor its commitments set forth in this Agreement;

(c) Any Claims to interpret or to determine the scope, meaning, enforceability or effect of this Agreement;

(d) Any Claims that arise after you have signed this Agreement;

(e) Any Claims for workers' compensation benefits, any Claims for unemployment compensation benefits, and any other Claims that cannot be waived by a private agreement.

The General Release is subject to and restricted by your Retained Rights in Paragraph 5.

5. Retained Rights.

(a) Regardless of whether or not you sign this Agreement, nothing in this Agreement is intended to or shall be interpreted to restrict or otherwise interfere with your: (i) obligation to testify truthfully in any forum; (ii) right and/or obligation to contact, cooperate with, provide information to – or testify or otherwise participate in any action, investigation or proceeding of – any government agency or commission (including, but not limited, to the Equal Employment Opportunity Commission ("EEOC")); or (iii) obligation to disclose any information or produce any documents as is required by law or legal process.

(b) Further, the General Release in Paragraph 3 does not prevent you from contacting or filing a charge with any federal, state or local government agency or commission (including, but not limited to, the EEOC). However, the General Release does prevent you, to

the maximum extent permitted by law, from obtaining any monetary or other personal relief for any of the Claims you have released in Paragraph 3 with regard to any charge you may file or which may be filed on your behalf, subject to Paragraph 5(c).

(c) Nothing set forth in this Agreement is intended to prohibit you from reporting possible violations of federal, state or local law, ordinance or regulation to any governmental agency or entity, including, but not limited to, the Department of Justice, the U.S. Securities and Exchange Commission, the Congress and any agency Inspector General, or otherwise taking action or making disclosures that are protected under the whistleblower provisions of any federal, state or local law, ordinance or regulation, including, but not limited to, Rule 21F-17 promulgated under the Securities Exchange Act of 1934, as amended. You are entitled to make reports and disclosures or otherwise take action under this Paragraph without the prior authorization from or subsequent notification to the Company. Similarly, nothing set forth in this Agreement limits your right to receive a monetary award for information provided to the U.S. Securities and Exchange Commission pursuant to Rule 21F-17 promulgated under the Securities Exchange Act of 1934, as amended.

6. Adequacy of Consideration. You acknowledge and agree that the Severance Benefits under Paragraph 2 above:

(a) Are not required by any policy, plan or prior agreement;

(b) Constitute adequate consideration to support your General Release in Paragraph 3 above; and

(c) Fully compensate you for the Claims you are releasing.

For purposes of this paragraph, "consideration" means something of value to which you are not already entitled.

7. Prohibition on Your Using or Disclosing Confidential Information. Regardless of whether you sign this Agreement, you are prohibited from using or disclosing confidential and/or proprietary information that you created or acquired in the course of your employment with the Company and that is not generally known by or readily accessible to the public. This confidential and/or proprietary information includes, but is not limited to: trade secrets and confidential or proprietary information and property, and personal information pertaining to the business and affairs of the Company, and its customers, clients, licensors, licensees, employees, consultants and suppliers of or to any of them, including, without limitation, data, databases, know-how, trade secrets, marketing plans and opportunities, cost and pricing information, strategies, forecasts, licensee and customer lists, reports and surveys, concepts and ideas, computer software, systems and programs (including source code and documentation), and techniques and technical information. For purposes of the remainder of this Agreement, confidential and/or proprietary information shall be referred to as "confidential information." This prohibition is subject to and limited by your Retained Rights in Paragraph 5 above.

8. Duty to Notify the Chief Financial Officer. Regardless of whether you sign this Agreement, and in order to protect confidential information consistent with Paragraph 7, in the event you receive a request or demand, orally, in writing, electronically or otherwise, for the disclosure or production of confidential information that you created or acquired in the course of your employment (as defined above in Paragraph 7), you must notify immediately the Company's Chief Financial Officer by calling her at the following phone number: (215) 619-3267. Regardless of whether you are successful in reaching the Chief Financial Officer by telephone, you also must notify her immediately in writing, via certified mail, at the following address: 100 Lakeside Drive, Horsham, PA 19044. A copy of the request or demand as well as any and all documents potentially responsive to the request or demand shall be included with the written notification. You shall wait a minimum of ten (10) days (or the maximum time permitted by such legal process, if less) after sending the letter before making a disclosure or production to give the Company time to determine whether the disclosure or production involves confidential and/or proprietary information, in which event the Company may seek to prohibit and/or restrict the production and/or disclosure and/or to obtain a protective order with regard thereto. This obligation is subject to and limited by your Retained Rights in Paragraph 5 above.

9. Company Property and Documents. Regardless of whether you sign this Agreement, and as a condition of receiving the Severance Benefits set forth in Paragraph 2 above:

(a) You must return to the Company, retaining no copies: (i) all Company property (including, but not limited to, office, desk or file cabinet keys, Company identification/pass cards, Company-provided credit cards and Company equipment, such as computers and prints outs); and (ii) all Company documents (including, but not limited to, all hard copy, electronic and other files, forms, lists, charts, photographs, correspondence, computer records, programs, notes, memos, disks, DVDs, etc.); and

(b) You also must download all Company-related electronically stored information (including but not limited to emails) from any personal computer and/or other storage devices or equipment or personal email accounts and return all downloaded material or otherwise electronically stored information and completely remove all such electronically stored information from the hard drive of such personal computer and/or all other storage devices or personal email accounts.

11. Post-Termination Restrictions.

(a) By signing this Agreement, in accordance with Section 12 of the Employment Agreement, you and the Company agree to amend Section 7(a)(i) of the Employment Agreement to delete the phrase "12 months following the date of termination of Employee's employment for any reason" and replace it with the phrase "the later of eighteen (18) months following the date of termination of Employee's employment for any reason or twelve (12) months following the termination of any consulting relationship entered into between Employee and the Company after the termination of Employee's employment," the effect of such amendment being to increase the duration of the Restricted Period applicable to the restrictive

covenants set forth in Section 7 of the Employment Agreement from a period of twelve (12) months following the Separation Date to a period ending eighteen (18) months following the Separation Date or twelve (12) months after the termination of the Consulting Agreement, whichever is later.

(b) You reaffirm that you will comply with: (i) all of your post-employment obligations as set forth in the Employment Agreement, including, but not limited to, the restrictive covenants (as amended) set forth in Section 7 of the Employment Agreement; and (ii) all of your post-employment obligations as set forth in your Employee Confidentiality and Invention Agreement dated as of December 15, 2014.

(c) You acknowledge and agree that if you breach your post-employment restrictions set forth in the Employment Agreement (including, but not limited to, the restrictive covenants set forth in Section 7 of the Employment Agreement, as amended) and/or your Employee Confidentiality and Invention Agreement dated as of December 15, 2014, the Company (in addition to any rights it may have in law or in equity) shall have no further obligation to make future payments of the Severance Benefits described in Paragraph 2 of this Agreement. You further acknowledge and agree that if the Company ceases to make future payments of the Severance Benefits described in Paragraph 2 of this Agreement pursuant to this Paragraph 10(c), the Severance Benefits already received by you constitute adequate consideration to support your General Release in Paragraph 3 above.

11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of Pennsylvania.

12. Statement of Non-Admission. Nothing in this Agreement is intended as or shall be construed as an admission or concession of liability or wrongdoing by the Company or any other Releasee as defined above. Rather, the proposed Agreement is being offered for the sole purpose of settling cooperatively and amicably any and all possible disputes between the parties.

13. Interpretation of Agreement. Nothing in this Agreement is intended to violate any law or shall be interpreted to violate any law. If any paragraph or part or subpart of any paragraph in this Agreement or the application thereof is construed to be overbroad and/or unenforceable, then the court making such determination shall have the authority to narrow the paragraph or part or subpart of the paragraph as necessary to make it enforceable and the paragraph or part or subpart of the paragraph shall then be enforceable in its/their narrowed form. Moreover, each paragraph or part or subpart of each paragraph in this Agreement is independent of and severable (separate) from each other. In the event that any paragraph or part or subpart of any paragraph in this Agreement is determined to be legally invalid or unenforceable by a court and is not modified by a court to be enforceable, the affected paragraph or part or subpart of such paragraph shall be stricken from the Agreement, and the remaining paragraphs or parts or subparts of such paragraphs of this Agreement shall remain in full, force and effect.

14. Entire Agreement. This Agreement constitutes the entire agreement between the parties and supersedes any and all prior representations, agreements, written or oral, expressed or

implied, except for the Employment Agreement and your Employee Confidentiality and Invention Agreement dated as of December 15, 2014, which, as amended herein where applicable, survive the termination of your employment and are incorporated herein by reference. This Agreement may not be modified or amended other than by an agreement in writing signed by a duly authorized officer of the Company or a member of the Compensation Committee of the Company's Board of Directors.

15. Acknowledgment. You acknowledge and agree that, subsequent to the termination of your employment, you shall not be eligible for any payments from the Company or Company-paid benefits, except as expressly set forth in this Agreement. You also acknowledge and agree that you have been paid for all time worked and have received all other compensation owed to you, except for any payments owed to you pursuant to Paragraph 1 which shall be paid to you regardless of whether you sign this Agreement.

16. Assignment. This Agreement shall be binding upon and be for the benefit of the parties as well as your heirs and the Company's successors and assigns.

17. Headings/Days. The headings contained in this Agreement are for convenience of reference only and are not intended, and shall not be construed, to modify, define, limit, or expand the intent of the parties as expressed in this Agreement, and they shall not affect the meaning or interpretation of this Agreement. All references to a number of days throughout this Agreement refer to calendar days.

18. Representations. You agree and represent that:

(a) You have read carefully the terms of this Agreement, including the General Release;

(b) You have had an opportunity to and have been encouraged to review this Agreement, including the General Release, with an attorney;

(c) You understand the meaning and effect of the terms of this Agreement, including the General Release;

(d) You were given twenty-one (21) days following your receipt of this Agreement to determine whether you wished to sign this Agreement, including the General Release;

(e) Your decision to sign this Agreement, including the General Release, is of your own free and voluntary act without compulsion of any kind;

(f) No promise or inducement not expressed in this Agreement has been made to you;

(g) You understand that you are waiving your Claims as set forth in Paragraph 3 above, including, but not limited to, Claims for age discrimination under the Age

Discrimination in Employment Act (subject to the limitations in Paragraph 4 above and your Retained Rights in Paragraph 5 above); and

(h) You have adequate information to make a knowing and voluntary waiver of any and all Claims as set forth in Paragraph 3 above.

19. Revocation Period. If you sign this Agreement, you will retain the right to revoke it for seven (7) days. If you revoke this Agreement, you are indicating that you have changed your mind and do not want to be legally bound by this Agreement. The Agreement shall not be effective until after the Revocation Period has expired without your having revoked it. To revoke this Agreement, you must send a certified letter to my attention at the following address: 100 Lakeside Drive, Suite 100, Horsham, PA 19044. The letter must be post-marked within seven (7) days of your execution of this Agreement. If the seventh day is a Sunday or federal holiday, then the letter must be post-marked on the following business day. If you revoke this Agreement on a timely basis, you shall not be eligible for the Severance Benefits set forth in Paragraph 2.

20. Offer Expiration Date. As noted above, you have twenty-one (21) days after your receipt of this Agreement to decide whether you wish to sign this Agreement. Any changes that were made to this Agreement, whether material or immaterial, including those made at your request, do not restart the running of the twenty-one (21) day consideration period. If you do not sign this Agreement within twenty-one (21) days of your receipt of it, then this offer shall expire and you will not be eligible for the Severance Benefits set forth in Paragraph 2 above.

If you agree with the all of the terms of this Agreement, please sign below, indicating that you understand, agree with and intend to be legally bound by this Agreement, including the General Release, and return the signed Agreement to me.

We wish you the best in the future.

Sincerely,

/s/ Jeffrey F. O'Donnell, Sr.
Jeffrey F. O'Donnell, Sr.
Chairman, Board of Directors
Strata Skin Sciences, Inc.

UNDERSTOOD AND AGREED,
INTENDING TO BE LEGALLY BOUND:

/s/ Michael R. Stewart
Michael R. Stewart

October 31, 2016
Date

/s/ Marilyn B. Gensel
Witness

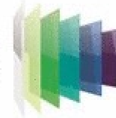


EXHIBIT 10.48

CONSULTING AGREEMENT

This Consulting Agreement (this "Agreement") is between Strata Skin Sciences, Inc. (the "Company"), a Delaware corporation, and Michael R. Stewart ("Consultant") (each a "Party" and collectively the "Parties"), and is effective October 31, 2016 (the "Effective Date").

W I T N E S S E T H:

The Company and Consultant are parties to a Severance Agreement and General Release executed by Consultant on November 1st, 2016 (the "Release"). The Parties desire to enter into this Agreement to provide for Consultant to provide certain consulting services to the Company as described herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, and intending to be legally bound hereby, the Company and Consultant hereby agree as follows:

1. **Term.**

(a) The term of this Agreement shall begin on the Effective Date and terminate upon the earlier of (i) six (6) months following the Effective Date (i.e. April 1, 2017), (ii) immediately upon termination by the Company for Cause, (iii) immediately upon the death of Consultant, or (iv) immediately upon Consultant's disability (the "Term"). Consultant acknowledges that there is no guarantee of continued compensation or work following the conclusion of the Term.

(b) For purposes of this Agreement, "Cause" is defined as: (i) Consultant's material violation of the material terms of this Agreement or the Release; (ii) a breach by Consultant of a fiduciary responsibility owing to the Company; (iii) Consultant's failure to perform the Services after written notice of such failure and failure to cure within five (5) days; or (iv) a breach by Consultant of Paragraph 12 of this Agreement, the Employee Confidentiality and Invention Agreement dated as of December 15, 2014 between Consultant and the Company, or Section 7 (as amended) of the Amended and Restated Employment Agreement between the Parties dated as of December 15, 2015.

(c) For purposes of this Agreement, Consultant shall be deemed to be under a "disability (i) if Consultant and the Company agree that Consultant is disabled, or (ii) in the event that Consultant shall be unable to or shall fail to render and perform services under this Agreement for a total of fifteen (15) days during the Term.

2. **Services.** Consultant shall provide such services to the Company as may be required by the Company from time to time (the "Services"), including, but not limited to: (a) providing the Company, its Board of Directors and its Chief Executive Officer with assistance and information necessary to the transition of Chief Executive Officer and other management job responsibilities; (b) providing assistance to and cooperation with the Company in locating information or data, providing other known information, and

transitioning business relationships; and (c) performing work on special projects identified by the Company's Chief Executive Officer.

3. **Relationship of the Parties.** It is understood and agreed that all Services that Consultant performs for the Company shall be as an independent contractor and not as an employee. Nothing herein shall be deemed to create an employer-employee relationship between the Company and Consultant.

4. **Payment.** During the Term, the Company shall pay Consultant a monthly fee in the amount of Twelve Thousand Five Hundred Dollars ($12,500.00). The Company shall pay the monthly fee owing to Consultant under this Agreement in accordance with the Company's standard accounts payable practices and procedures.

5. **Benefits.** Consultant shall not be eligible for any Company-paid benefits pursuant to this Agreement, including, but not limited to, medical, disability or other insurance, vacation, holiday or sick pay, or any other compensation or consideration commonly known as fringe benefits.

6. **Expenses.** The Company shall reimburse Consultant for the reasonable and necessary out-of-pocket business expenses incurred by Consultant for or on behalf of the Company in furtherance of the performance of the Services in accordance with the Company's then-existing policies relating to expense reimbursement, subject in all cases to the Company's requirements with respect to reporting and documentation of such expenses.

7. **Location.** Consultant will not be required to perform Services for the Company as set forth in this Agreement at the Company's workplace. Consultant may perform Services pursuant to this Agreement anywhere else that Consultant desires, including Consultant's own office.

8. **Timing and Days of Work.** The Company will not establish hours or days of work for Consultant; provided, however, that Consultant shall perform Services for the equivalent of a minimum of two (2) days per week during the Term.

9. **Authority.** Consultant has no authority to bind, obligate or contract on behalf of the Company.

10. **Status of Work.** Consultant is neither required to submit regular reports to the Company nor to attend the Company's general employee meetings. However, Consultant shall keep the Company informed of the status of Consultant's performance of Services and provide the deliverables associated with the Services in a timely manner.

11. **Taxes.** Consultant acknowledges that Consultant will not be treated as an employee of the Company for purposes of employment taxes, federal and state income tax withholding, social security taxes, city and county taxes, employee benefit provisions, workers' compensation and state and federal unemployment compensation. Consultant is solely responsible for the payment of federal self-employment and all other federal, state and local taxes and agrees to defend, indemnify and hold harmless the Company for

Consultant's nonpayment of such taxes on a timely basis. The Company will issue to Consultant an IRS Form 1099 as required by law.

12. **Non-Exclusive Service.** During the Term, Consultant is generally free to provide services to any other person or entity, provided that: (a) such work does not interfere with Consultant's performance of Services for the Company, (b) Consultant abides by the provisions of this Agreement relating to Confidential Information, and (c) Consultant abides by the provisions of Section 7 (as amended) of the Amended and Restated Employment Agreement between the Parties dated as of December 15, 2015.

13. **Confidential Information.**

(a) "Confidential Information" shall mean any information not generally known outside the Company. Confidential Information is sometimes referred to as proprietary information or trade secrets. Examples of Confidential Information include without limitation: trade secrets; technical and non-technical business knowledge; technology; the business methods, systems or practices (including pricing policies and process for products and services) used by the Company; sales and marketing, competitive and logistical information; financial records, the names of customers, prospective customers, suppliers, vendors, creditors or other parties with which the Company has or proposes to have business dealings, the nature of the relationship with such persons or entities, or any other information relating to such persons or entities or the Company's dealings with such persons or entities; computer software used by the Company or provided to its customers; and other information relating to the business of the Company that is not known to the general public.

(b) During the Term and at all times thereafter, unless authorized in writing by the Company, Consultant will not:

(i) use any Confidential information for any purpose other than to perform the Services;

(ii) use for Consultant's benefit or advantage the Confidential Information or for the benefit of any third party or in any way that would be detrimental to the Company; or

(iii) disclose or cause to be disclosed the Confidential Information or authorize or permit such disclosure of the Confidential Information to any third party.

(c) Consultant will surrender to the Company at any time upon request, and at the conclusion of the Term, all written or otherwise tangible documentation representing or embodying Confidential Information, in whatever form, whether or not copyrighted or patented, and any copies or imitations of the Confidential Information, whether or not made by Consultant, including without limitation all notes, computer software and data files, documents, books, records, data

compilations, and other written materials obtained during the Term, and all copies thereof, including electronic media containing any of those items.

(d) Consultant shall promptly and fully disclose to the Company, with all necessary detail, all developments, know-how, discoveries, inventions, improvements, concepts, ideas, formulae, processes and methods (whether copyrightable, patentable or otherwise) made, received, conceived, acquired or written by Consultant (whether or not at the request or upon the suggestion of the Company, solely or jointly with others), during the Term that: (i) result from, arise out of, or relate to any work, project, assignment or task performed by Consultant on behalf of the Company, whether undertaken voluntarily or assigned to Consultant by the Company; (i) were developed using the Company's resources; (iii) result from Consultant's use or knowledge of the Company's Confidential Information; or (iv) relate to the Company's business or any of the products or services being developed, manufactured or sold by the Company or that may be used in relation therewith (collectively referred to as "Inventions"). Consultant hereby acknowledges that all original works of authorship that are made by Consultant (solely or jointly with others) within the above terms and that are protectable by copyright are "works made for hire," as that term is defined in the United States Copyright Act, including but not limited to blog posts and other marketing materials. Consultant understands and hereby agrees that the decision whether or not to commercialize or market any Invention developed by Consultant solely or jointly with others is within the Company's sole discretion and for the Company's sole benefit and that no royalty shall be due to Consultant as a result of the Company's efforts to commercialize or market any such Invention.

(e) Consultant hereby assigns and transfers to the Company all of Consultant's right, title and interest in and to the Inventions, and Consultant further agrees to deliver to the Company any and all drawings, notes, specifications and data relating to the Inventions, and to sign, acknowledge and deliver all such further papers, including applications for and assignments of copyrights and patents, and all renewals thereof, as may be necessary to obtain copyrights and patents for any Inventions in any and all countries and to vest title thereto in the Company and its successors and assigns and to otherwise protect the Company's interests therein. Consultant shall not charge the Company for time spent in complying with these obligations. Consultant hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Consultant's agent and attorney in fact, to act for and in Consultant's behalf and stead to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Inventions or original works of authorship assigned to the Company as above and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by Consultant.

(f) The Consultant acknowledges that compliance with this Agreement is necessary to protect the goodwill and other proprietary interests of the Company and that the Consultant has been and will be entrusted with highly confidential information

regarding the Company and its products and is conversant with the Company's affairs, its trade secrets and other proprietary information. The Consultant acknowledges that a breach of this Agreement will result in irreparable and continuing damage to the Company and its business, for which there will be no adequate remedy at law. The Consultant further agrees that in the event of any breach of this Agreement, the Company and its successors and assigns shall be entitled to injunctive relief and to such other and further relief, including damages, as may be proper.

(g) Consultant acknowledges that the Defend Trade Secrets Act of 2016 (the "Act") provides that an individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that: (i) is made (A) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Consultant further acknowledges that the Act provides that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual: (x) files any document containing the trade secret under seal; and (y) does not disclose the trade secret, except pursuant to court order.

14. **Workers' Compensation.** Consultant shall not be eligible for workers' compensation insurance from the Company and shall be solely responsible for any injuries or damages that Consultant may sustain in the course of performing Services pursuant to this Agreement.

15. **Indemnification.** The Company agrees to indemnify and hold harmless Consultant with respect to any claim made, or action, suit or proceeding instituted against Consultant, that is based upon or arises out of the Services performed by the Consultant in accordance with the terms and provisions of this Agreement to the extent that consultants to the Company may be indemnified under the By-laws of the Company, except if such claim, action or proceeding arises from the fault or negligence of Consultant or from the Consultant's failure to comply with any term or provision of this Agreement. Consultant shall defend, indemnify and hold harmless the Company from any and all liability, damages, suits and losses, including attorneys' fees, arising out of Consultant's performance under this Agreement, including but not limited to (a) any breach by Consultant of any term, condition or obligation under this Agreement, or (b) Consultant's gross negligence or willful misconduct. The Company shall have the right to offset against any fees due to Consultant for any claims, losses, liabilities, expenses, fees or other disbursement incurred by the Company pursuant to this paragraph. Each Party shall provide the other Party with prompt notice of any claim for which indemnification will be sought and shall cooperate with the other Party in the investigation and defense of such claim.

16. **Successor and Assigns.** This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs and successors. The Company may assign this Agreement to any person or entity, including, but not limited to, any successor, parent, subsidiary or affiliated entity of the Company. The Company also may assign this Agreement in connection with any sale or merger (whether a sale or merger of stock or assets or otherwise) of the Company or the business of the Company. Consultant expressly consents to the assignment of the commitments, restrictions and undertakings set forth in this Agreement to any new owner of the Company's business or purchaser of the Company. Consultant may not assign, pledge, or encumber its interest in this Agreement, or any part thereof, without the written consent of the Company.

17. **Waiver; Severability.** A waiver by either Party of any provision or condition of this Agreement shall not be construed or deemed to be a waiver of any other provision or condition of this Agreement, or a waiver of a subsequent breach of the same provision or condition, unless such waiver is so expressed in writing and signed by the Party to be bound. If any provision of this Agreement is determined to be invalid under applicable law and regulations by a court of competent jurisdiction, such provisions shall be inapplicable and deemed omitted to the extent of such invalidity without impairing the validity of the remaining provisions of this Agreement.

18. **Entire Agreement.** This Agreement constitutes the entire agreement between the Parties, supersedes all prior and contemporaneous agreements or understandings, oral or written, between the Parties, and may be modified only by a writing signed by both Parties; provided, however, that this Agreement does not supersede or otherwise modify (a) the Amended and Restated Employment Agreement between the Parties dated as of December 15, 2015, or (b) the Release.

19. **Survival of Representations, Warranties and Covenants.** The provisions of this Agreement that by their terms are intended to endure beyond the term of this Agreement shall survive the termination of this Agreement.

20. **Governing Law and Venue.** This Agreement shall be construed and enforced under the substantive laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws principles.

21. **Counterparts; Electronic Transmission.** This Agreement may be executed by the Parties on separate counterparts, both of which shall be an original and both of which together shall constitute one and the same agreement. A facsimile or electronic transmission of a scanned copy of a signed counterpart signature page hereto shall be deemed to be an originally executed copy for purposes of this Agreement.

[signature page follows]

IN WITNESS HEREOF, the Parties have executed this Agreement on the day and year first above written, intending to be legally bound.

MICHAEL R. STEWART	**STRATA SKIN SCIENCES, INC.**
/s/ Michael R. Stewart	/s/ Jeffrey F. O'Donnell, Sr.
Michael R. Stewart	By: Jeffrey F. O'Donnell, Sr.
	Title: Chairman of the Board

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Frank J. McCaney, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of STRATA Skin Sciences, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 14, 2016

By: /s/ Frank J. McCaney
Name: Frank J. McCaney
Title: Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Christina Allgeier, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of STRATA Skin Sciences, Inc.;

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

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

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

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

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

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

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

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

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

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

Dated: November 14, 2016

By: /s/ Christina Allgeier
Christina Allgeier
Chief Financial Officer

EXHIBIT 32.1

SECTION 906 CERTIFICATION

CERTIFICATION (1)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350, as adopted), Frank J. McCaney, the Chief Executive Officer of STRATA Skin Sciences, Inc. (the "Company"), and Christina Allgeier, the Chief Financial Officer of the Company, each hereby certifies that, to the best of their knowledge:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2016

/s/Frank J. McCaney
Name: Frank J. McCaney
Title: Chief Executive Officer

/s/ Christina Allgeier
Name: Christina Allgeier
Title: Chief Financial Officer

(1) This certification accompanies the Quarterly Report on Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of STRATA Skin Sciences, Inc. under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing. A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to STRATA Skin Sciences, Inc. and will be retained by STRATA Skin Sciences, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.