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, 2015

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

MELA 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 13, 2015 was 10,183,393 shares.

MELA SCIENCES, INC.

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PART I – Financial Information

ITEM 1. Financial Statements

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

	September 30, 2015 (unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,169	$ 11,434
Restricted cash	100	-
Accounts receivable, net of allowance for doubtful accounts of $42 and $95, respectively	4,182	220
Inventories, net	3,915	5,275
Prepaid expenses and other current assets	596	274
Total current assets	11,962	17,203
Property and equipment, net	14,461	1,961
Patents and licensed technologies, net	7,490	37
Other intangible assets, net	8,190	-
Goodwill	8,928	-
Deferred financing costs	1,029	821
Other assets	94	48
Total assets	$ 52,154	$ 20,070
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Senior Note payable	$ 8,848	$ -
Note payable	39	-
Accounts payable (includes $0 and $74 of related parties respectively)	4,193	1,185
Other accrued liabilities	1,920	959
Deferred revenues	267	43
Total current liabilities	15,267	2,187
Long-term liabilities:		
Senior secured convertible debentures, net	11,373	5,001
Warrant liability	9,535	499
Other liabilities	103	107
Total liabilities	36,278	7,794
Commitment and contingencies		
Stockholders' equity:		
Preferred Stock, $.10 par value, 10,000,000 shares authorized; 6,505 and 11,787 shares issued and outstanding, respectively	1	1
Common Stock, $.001 par value, 150,000,000 shares authorized; 9,887,358 and 6,037,232 shares issued and outstanding, respectively	10	6
Additional paid-in capital	222,502	194,562
Accumulated deficit	(206,647)	(182,293)
Accumulated other comprehensive income	10	-
Total stockholders' equity	15,876	12,276
Total liabilities and stockholders' equity	$ 52,154	$ 20,070

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

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

	For the Three Months Ended September 30,	
	2015	2014
Revenues	$ 8,323	$ 218
Cost of revenues	3,042	1,560
Gross profit (loss)	5,281	(1,342)
Operating expenses:		
Engineering and product development	471	345
Selling and marketing	4,001	429
General and administrative	3,132	1,885
	7,604	2,659
Operating loss before other income (expense), net	(2,323)	(4,001)
Other income (expense), net:		
Interest expense, net	(5,577)	(527)
Change in fair value of warrant liability	(1,329)	2,108
Gain on sale of assets	-	11
Other (loss) income, net	(5)	121
	(6,911)	1,713
Net loss	(9,234)	(2,288)
Deemed dividend related to warrant modification	(2,962)	-
Net loss attributable to common stockholders	$ (12,196)	$ (2,288)
Basic and diluted net loss per share	$ (1.29)	$ (0.44)
Shares used in computing basic and diluted net loss per share	9,442,022	5,216,290
Other comprehensive income:		
Foreign currency translation adjustments	$ 10	$ -
Comprehensive loss	$ (12,186)	$ (2,288)

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

MELA 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,	
	2015	2014
Revenues	$ 9,015	$ 541
Cost of revenues	10,226	3,755
Gross loss	(1,211)	(3,214)
Operating expenses:		
Engineering and product development	946	1,423
Selling and marketing	5,984	2,366
General and administrative	6,819	5,988
	13,749	9,777
Operating loss before other income (expense), net	(14,960)	(12,991)
Other income (expense), net:		
Interest expense, net	(8,738)	(528)
Change in fair value of warrant liability	(679)	7,151
Gain on sale of assets	-	16
Registration rights liquidated damages	-	(3,420)
Other income, net	23	131
	(9,394)	3,350
Net loss	(24,354)	(9,641)
Deemed dividend related to warrant modification	(2,962)	-
Net loss attributable to common stockholders	$ (27,316)	$ (9,641)
Basic and diluted net loss per share	$ (3.42)	$ (1.89)
Shares used in computing basic and diluted net loss per share	7,994,012	5,108,418
Other comprehensive income:		
Foreign currency translation adjustments	$ 10	$ -
Comprehensive loss	$ (27,305)	$ (9,641)

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

MELA SCIENCES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015
(In thousands, except share and per share amounts)

(Unaudited)

	Convertible Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	
	Shares	Amount	Shares	Amount	Capital	Deficit	Loss	Total
BALANCE, JANUARY 1, 2015	11,787	$ 1	6,037,232	$ 6	$ 194,562	$ (182,293)	$ -	$ 12,276
Stock-based compensation	-	-	-	-	1,483	-	-	1,483
Conversion of convertible preferred stock	(5,282)	-	2,059,455	2	(2)	-	-	-
Conversion of senior secured convertible debentures	-	-	1,790,671	2	4,591	-	-	4,593
Discount on senior secured convertible debentures	-	-	-	-	27,300	-	-	27,300
Modification of warrants	-	-	-	-	(5,399)	-	-	(5,399)
Deemed dividend contribution to additional paid-in capital	-	-	-	-	2,962	-	-	2,962
Deemed dividend distribution from additional paid-in capital	-	-	-	-	(2,962)	-	-	(2,962)
Registration costs	-	-	-	-	(33)	-	-	(33)
Other comprehensive income	-	-	-	-	-	-	10	10
Net loss for the nine months ended September 30, 2015	-	-	-	-	-	(24,354)	-	(24,354)
BALANCE, SEPTEMBER 30, 2015	6,505	$ 1	9,887,358	$ 10	$ 222,502	$ (206,647)	$ 10	$ 15,876

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

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

	For the Nine Months Ended September 30,	
	2015	2014
Cash Flows From Operating Activities:		
Net loss	$ (24,354)	$ (9,641)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,348	1,371
Provision for doubtful accounts	20	1
Stock-based compensation	1,483	447
Gain on disposal of property and equipment	-	(16)
Impairment of long-lived assets	920	-
Amortization of debt discount	7,571	385
Amortization of deferred financing costs	373	38
Inventory write-offs	4,818	1,076
Change in fair value of warrant liability	679	(7,151)
Changes in operating assets and liabilities:		
Restricted cash	(100)	-
Accounts receivable	(300)	(29)
Inventories	(295)	(1,362)
Prepaid expenses and other assets	(321)	262
MelaFind systems sold	-	163
Accounts payable and accrued expenses	289	(40)
Other accrued liabilities	(150)	-
Other liabilities	(39)	66
Deferred revenues	13	(238)
Net cash used in operating activities	(7,045)	(14,668)
Cash Flows From Investing Activities:		
Lasers placed-in-service, net	(1,066)	-
(Purchases) proceeds on sale of property and equipment	(17)	17
Acquisition of business, net of cash aquired of $0	(42,500)	-
Net cash (used in) provided by investing activities	(43,583)	17

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

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

	For the Nine Months Ended September 30,	
	2015	2014
Cash Flows From Financing Activities:		
Proceeds from convertible debentures	32,500	15,000
Proceeds from senior notes	10,000	-
Payments on notes payable	(20)	-
Registration costs	(134)	-
Expenses related to financing	-	(1,123)
Proceeds from private placements/public offerings	-	11,458
Net cash provided by financing activities	42,346	25,335
Effect of exchange rate changes on cash	17	-
Net (decrease)/increase in cash and cash equivalents	(8,265)	10,684
Cash and cash equivalents, beginning of period	11,434	3,783
Cash and cash equivalents, end of period	$ 3,169	$ 14,467
Supplemental information:		
Cash paid for interest	$ 402	$ -
Supplemental information of non-cash investing and financing activities:		
Establishment of a warrant liability with a deemed dividend	$ 2,962	$ -
Conversion of senior secured convertible debentures into common stock	$ 4,593	$ -
Reclassification of property and equipment to inventory, net	$ 107	$ -
Reclassification of warrant liability from stockholders' equity	$ (5,399)	$ -
Recognition of debt discount and beneficial conversion feature on long-term debt	$ 27,300	$ 10,353
Exchange of series A convertible preferred stock for series B convertible preferred stock	$ -	$ 12,300

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

Note 1
The Company:

Background
MELA Sciences, Inc. (and its subsidiary) ("MELA" 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 from PhotoMedex, Inc. 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. Management believes that the cash flow generated by these businesses will be sufficient to finance the Company's operations for the foreseeable future.

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 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, 2015, there were 698 XTRAC systems placed in dermatologists' offices in the United States. The systems generate recurring revenue whereby 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, provides targeted therapeutic efficacy demonstrated by excimer technology with the simplicity of design and reliability of a lamp system.

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. (See *Note 2*, ***Acquisition***.)

To finance the purchase of the XTRAC and VTRAC businesses, in June 2015 the Company entered into a securities purchase agreement with institutional investors (the "Purchasers") in connection with a private placement (the "2015 Financing"). The Company sold $10,000 aggregate principal amount of Notes bearing interest at 9% per year, with a maturity date of the earlier of 30 days after the Company obtains stockholder approval of stock issuances under the Debentures and the Warrants or November 30, 2015. The matter was approved by the stockholders' at the Company's annual meeting held September 30, 2015. Accordingly, the Notes mature 30 days from that approval, October 30, 2015. The Purchasers of the Notes were issued Warrants to purchase an aggregate of 3.0 million shares of the Company's common stock, having an exercise price of $0.75 per share. The Company also issued $32,500 aggregate principal amount of Senior Secured Convertible Debentures ("Debentures") that, subject to certain ownership limitations and stockholder approval conditions, will be convertible into 43,333,334 shares of 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. The Company's obligations under the Notes and Debentures (collectively, the "Debt Securities"), except for $500 of Debentures, are secured by a first priority lien on all of the assets, except for a second lien on the intellectual property. Under the terms of the Debentures and the Warrants, the issuances of shares of the common stock, including the Shares upon conversion of the Debentures and upon exercise of the Warrants, are subject to stockholder approval, which was received on September 30, 2015. Effective upon that date, the Company repriced outstanding Warrants held by certain investors to reduce the exercise price to $0.75 per share.

Liquidity
As of September 30, 2015, the Company had an accumulated deficit of $206,647 and has incurred losses 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 experienced recurring losses and negative cash flow from operations. 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. The Company plans to refinance the Notes that became due October 30, 2015 with longer term debt, the terms and availability of which the Company cannot determine at this time. The Company is currently evaluation alternatives, including discussions with lenders, to refinance this debt. The timing and availability of any such refinancing cannot be assured and will be affected by numerous factors, many of which are not under our control. There can be no assurance that we will be able to raise additional funding as may be needed or on terms that are acceptable to the Company. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company has not made any adjustments to its condensed consolidated financial statements with respect to this uncertainty.

***Basis of Presentation*:**

Accounting Principles
The accompanying condensed consolidated financial statements and related notes should be read in conjunction with the financial statements and related notes contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 ("fiscal 2014"). The unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") related to interim financial statements. As permitted under those rules, certain information and footnote disclosures normally required or included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") have been condensed or omitted. The financial information contained herein is unaudited; however, management believes all adjustments have been made that are considered necessary to present fairly the results of the Company's financial position and operating results for the interim periods. All such adjustments are of a normal recurring nature.

The results for the three and nine months ended September 30, 2015 are not necessarily indicative of the results to be expected for the year ending December 31, 2015 or for any other interim period or for any future period.

Principles of Consolidation
The condensed 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.

Reclassification
Certain reclassifications from the prior year presentation have been made to conform to the current year presentation. These reclassifications did not have 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, 2015, the more significant estimates include (1) revenue recognition, including deferred revenues and valuation allowances of accounts receivable, (2) valuation of intangible assets, (3) warrant liabilities, (4) stock-based compensation and (5) the valuation allowance related to deferred tax assets.

Revenue Recognition

The Company recognizes revenues from product sales when the following four criteria have been met: (i) the product has been delivered and the Company has no significant remaining obligations; (ii) persuasive evidence of an arrangement exists; (iii) the price to the buyer is fixed or determinable; and (iv) collection is reasonably assured. Revenues from product sales are recorded net of provisions for expected returns and cash discounts.

The Company ships most of its products FOB shipping point, although from time to time certain customers, for example governmental customers, will be granted FOB destination terms. Among the factors the Company takes into account when determining the proper time at which to recognize revenue are (i) when title to the goods transfers and (ii) when the risk of loss transfers. Shipments to distributors or physicians that do not fully satisfy the collection criteria are recognized when invoiced amounts are fully paid or fully assured and included in deferred revenues until that time.

For revenue arrangements with multiple deliverables within a single, contractually binding arrangement (usually sales of products with separately priced extended warranty), each element of the contract is accounted for as a separate unit of accounting when it provides the customer value on a stand-alone basis and there is objective evidence of the fair value of the related unit.

The Company has two distribution channels for its phototherapy treatment equipment. The Company either (i) places its lasers in a physician's office (at no charge to the physician), and generally charges the physician a fee for an agreed upon number of treatments or (ii) sells its lasers through a distributor or directly to a physician. In some cases, the Company and the customer stipulate to a quarterly or other periodic target of procedures to be performed, and accordingly revenue is recognized ratably over the period.

When the Company places a laser in a physician's office, it generally recognizes revenue based on the number of patient treatments performed, or purchased under a periodic commitment, by the physician. Amounts collected with respect to treatments to be performed through laser-access codes that are sold to physicians free of a periodic commitment, but not yet used, are deferred and recognized as a liability until the physician performs the treatment. Unused treatments remain an obligation of the Company because the treatments can only be performed on Company-owned equipment. Once the treatments are performed, this obligation has been satisfied.

The Company defers substantially all revenue from sales of treatment codes ordered by its customers within the last two weeks of the period in determining the amount of procedures performed by its physician-customers. Management believes this approach closely approximates the actual amount of unused treatments that existed at the end of a period.

Deferred revenue includes amounts received with respect to extended warranty maintenance, repairs and other billable services and amounts not yet recognized as revenues. Revenues with respect to such activities are deferred and recognized on a straight-line basis over the duration of the warranty period, the service period or when service is provided, as applicable to each service.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined to be purchased cost for raw materials and the production cost (materials, labor and indirect manufacturing cost, including sub-contracted work components) for work-in-process and finished goods. For the Company's products, cost is determined on the first-in, first-out method. Throughout the laser manufacturing process, the related production costs are recorded within inventory. Work-in-process is immaterial, given the typically short manufacturing cycle, and therefore is disclosed in conjunction with raw materials.

The Company's equipment for the treatment of skin disorders (e.g. the XTRAC) will either (i) be placed in a physician's office and remain the property of the Company (at which date such equipment is transferred to property and equipment) or (ii) be sold to distributors or physicians directly. The cost to build a laser, whether for sale or for placement, is accumulated in inventory.

Reserves for slow moving and obsolete inventories are provided based on historical experience and product demand. Management evaluates the adequacy of these reserves periodically based on forecasted sales and market trends. As of September 30, 2015 reserves on inventory were $0. During the nine months ended September 30, 2015, the Company recorded a write-down of $4,818 towards the remaining inventory value of the MelaFind® systems, raw materials and components.

Property, Equipment and Depreciation

Property and equipment are recorded at cost, net of accumulated depreciation. Excimer lasers-in-service are depreciated on a straight-line basis over the estimated useful life of five years. For other property and equipment, depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, primarily three to seven years for computer hardware and software, furniture and fixtures, and machinery and equipment. Leasehold improvements are amortized over the lesser of the useful lives or lease terms. Expenditures for major renewals and betterments to property and equipment are capitalized, while expenditures for maintenance and repairs are charged as an expense as incurred. Upon retirement or disposition, the applicable property amounts are deducted from the accounts and any gain or loss is recorded in the condensed consolidated statements of comprehensive loss. Useful lives are determined based upon an estimate of either physical or economic obsolescence or both.

Management evaluates the realizability of property and equipment based on estimates of undiscounted future cash flows over the remaining useful life of the asset. If the amount of such estimated undiscounted future cash flows is less than the net book value of the asset, the asset is written down to fair value. For the nine months ended September 30, 2015, the Company recorded a write-down of $920 on the remaining net book value of the MELAFind systems that were part of property and equipment (see ***Impairment of Long-Lived Assets and Intangibles***).

Patent Costs and Licensed Technologies

Costs incurred to obtain or defend patents and licensed technologies are capitalized and amortized over the shorter of the remaining estimated useful lives or eight to 12 years. Core technology and product technology were recorded in connection with the asset purchase on June 22, 2015 and are being amortized on a straight-line basis over ten years for core technology and five years for product technology. (See *Note 5*, ***Patent and Licensed Technologies***).

Management evaluates the recoverability of intangible assets based on estimates of undiscounted future cash flows over the remaining useful life of the asset. If the amount of such estimated undiscounted future cash flows is less than the net book value of the asset, the asset is written down to fair value. As of September 30, 2015, no such write-down was required. (See ***Impairment of Long-Lived Assets and Intangibles***).

Other Intangible Assets

Other intangible assets were recorded in connection with the asset purchase on June 22, 2015. The assets that were determined to have definite useful lives are being amortized on a straight-line basis over ten years. Such assets primarily include customer relationships and trademarks. (See *Note 7*, ***Other Intangible Assets)***.

Management evaluates the recoverability of such other intangible assets based on estimates of undiscounted future cash flows over the remaining useful life of the asset. If the amount of such estimated undiscounted future cash flows is less than the net book value of the asset, the asset is written down to fair value. As of September 30, 2015 no such write-down was required. (See ***Impairment of Long-Lived Assets and Intangibles***).

Accounting for the Impairment of Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. The Company evaluates the carrying value of goodwill annually at the end of the calendar year and also between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit to which goodwill was allocated to below its carrying amount. Such circumstances could include, but are not limited to: (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. When evaluating goodwill for impairment, we may first perform an assessment qualitatively whether it is more likely than not that a reporting unit's carrying amount exceeds its fair value, referred to as a "step zero" approach. If, based on the review of the qualitative factors, we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying value, we would bypass the two-step impairment test. If we conclude that it is more likely than not that a reporting unit's fair value is less than its carrying amount, we would perform the first step ("step one") of the two-step impairment test. Step 1 compares the fair value of the Group's reporting units to which goodwill was allocated to their carrying values. If the fair value of the reporting unit exceeds its carrying value, no further analysis is necessary. The reporting unit fair value is based upon consideration of various valuation methodologies, including guideline transaction multiples, multiples of current earnings, and projected future cash flows discounted at rates commensurate with the risk involved. If the carrying amount of the reporting unit exceeds its fair value, Step 2 must be completed to quantify the amount of impairment. Step 2 calculates the implied fair value of goodwill by deducting the fair value of all tangible and intangible assets, excluding goodwill, of the reporting unit, from the fair value of the reporting unit as determined in Step 1. The implied fair value of goodwill determined in this step is compared to the carrying value of goodwill. If the implied fair value of goodwill is less than the carrying value of goodwill, an impairment loss, equal to the difference, is recognized.

Impairment of Long-Lived Assets and Intangibles

Long-lived assets, such as property and equipment, and definite-lived intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the undiscounted cash flows attributable to the asset. If the carrying amount of an asset exceeds its undiscounted cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds its fair value of the asset. During the nine months ended September 30, 2015 the Company recorded a write-down of $920 on the remaining net book value of the MelaFind systems that were part of property and equipment. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as discontinued operations are presented separately in the appropriate asset and liability sections of the balance sheet.

Functional Currency

The currency of the primary economic environment in which the operations of the Company are conducted is the US dollar ("$" or "dollars"). Thus, the functional currency of the Company is the dollar except the operations of its foreign subsidiary, which is conducted in its local currency the Indian Rupee (INR). Substantially all of the Company's revenues are derived in dollars or in other currencies linked to the dollar. Purchases of most materials and components are carried out in, or linked to the dollar.

Balances denominated in, or linked to, foreign currencies are stated on the basis of the exchange rates prevailing at the balance sheet date. For foreign currency transactions included in the statement of comprehensive income (loss), the exchange rates applicable to the relevant transaction dates are used. Transaction gains or losses arising from changes in the exchange rates used in the translation of such balances are carried to financing income or expenses.

Assets and liabilities of the foreign subsidiary, whose functional currency is its local currency, are translated from its functional currency to U.S. dollars at the balance sheet date exchange rate. Income and expense items are translated at the average rate of exchange prevailing during the year. Translation adjustments are reflected in the consolidated balance sheets as a component of accumulated other comprehensive income (loss).

(In thousands, except share and per share amounts and number of lasers)

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, 2015 and December 31, 2014 are as follows:

	Fair Value as of September 30, 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 11)	$ 9,535	$ -	$ -	$ 9,535

	Fair Value as of December 31, 2014	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 11)	$ 499	$ -	$ -	$ 499

The fair value of cash and cash equivalents and short term bank deposits 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 fair value of the senior secured convertible debentures approximates its carrying value at September 30, 2015 due to the recent issuances of these instruments.

(In thousands, except share and per share amounts and number of lasers)

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 11,* ***Warrants***, for additional discussion.

In addition to items that are measured at fair value on a recurring basis, there are also assets and liabilities that are measured at fair value on a nonrecurring basis. Assets and liabilities that are measured at fair value on a nonrecurring basis include certain long-lived assets, including goodwill. As such, the Company has determined that each of these fair value measurements reside within Level 3 of the fair value hierarchy.

Accrued Warranty Costs

The Company offers a standard warranty on product sales generally for a one to two-year period, however, the Company has offered longer warranty periods, ranging from three to four years, in order to meet competition or meet customer demands. 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, 2015 is summarized as follows:

	September 30, 2015
	(unaudited)
Accrual at beginning of year	$ 48
Acquired in asset purchase	265
Additions charged to warranty expense	62
Expiring warranties/claimed satisfied	(110)
Total	265
Less: current portion	(177)
	$ 88

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. Diluted net loss per common share is equal to the basic net loss per common share since all potentially dilutive securities are anti-dilutive for each of the periods presented. The loss on the change in fair value of the warrant liability was considered in the diluted earnings per share calculation and was deemed to be antidilutive for all periods presented. Potential common stock equivalents outstanding as of September 30, 2015 and 2014 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,	
	2015	2014
Common stock equivalents of convertible debentures	46,521,127	5,847,955
Common stock purchase warrants	16,078,920	13,078,920
Common stock equivalents of convertible preferred stock	2,535,866	4,795,321
Common stock options	2,302,802	320,349
Total	67,438,715	24,042,545

Adoption of New Accounting Standards

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ("ASU 2014-08").

The amendments in ASU 2014-08 change the criteria for reporting discontinued operations while enhancing disclosures in this area. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations.

The provisions of ASU 2014-08 were required to be applied in a prospective manner to disposals or classifications as held for sale components of an entity that occur with annual periods beginning on or after December 15, 2014 and interim periods within those years.

The adoption of ASU 2014-08 did not have a material impact on the Company's consolidated results of operations and financial condition.

Recently Issued Accounting Standards

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 Company does not believe the adoption of this ASU will have a significant impact on the condensed consolidated financial statements.

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 is in the process of assessing the impact, if any, of ASU 2015-11 on its consolidated financial statements.

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 currently assessing the impact that adopting this new accounting guidance will have on its consolidated financial statements and footnote disclosures.

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 Company is currently evaluating the new guidance to determine the impact the adoption of this guidance will have on the Company's results of operations, cash flows or financial condition.

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 is effective for reporting periods beginning after December 15, 2015 and early adoption is permitted. The Company is currently evaluating the new guidance to determine the impact the adoption of this guidance will have on 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 has purchased the XTRAC and VTRAC laser businesses from PhotoMedex, Inc. (the "Asset Purchase") for $42,528 in cash and assumed certain business-related liabilities. The purchased assets include all of the accounts receivable, inventory and fixed and intangible assets of the business.

(In thousands, except share and per share amounts and number of lasers)

The fair value of the assets acquired and liabilities assumed were based on management estimates and values with the assistance of an outside independent appraisal. 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 following allocation of the aggregate fair value is preliminary and subject to adjustment based on the fair value of the assets acquired and the liabilities assumed. 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.

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 $8,928, which was recorded as goodwill.

The consolidated results of operations do not include any revenues or expenses related to 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 and 2014 summarize the combined results in the following table, assuming the asset purchase had occurred on January 1, 2014 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,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net revenues	$ 8,323	$ 7,816	$ 23,684	$ 21,378
Net loss attributable to common shareholders	$ (12,186)	$ (3,715)	$ (33,662)	$ (20,410)
Net loss per basic and diluted share:	$ (1.29)	$ (0.71)	$ (4.21)	$ (4.00)
Shares used in calculating net loss per basic and diluted share:	9,442,022	5,216,290	7,994,012	5,108,418

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, 2014, nor to be indicative of future results of operations.

(In thousands, except share and per share amounts and number of lasers)

Note 3
Inventories, net:

	September 30, 2015 (unaudited)	December 31, 2014
Raw materials and work in progress	$ 3,329	$ 2,553
Finished goods	586	4,131
Total inventories	3,915	6,684
Reserve for obsolete inventory	-	(870)
Reserve for inventory repairs	-	(539)
	$ 3,915	$ 5,275

Work-in-process is immaterial, given the Company's typically short manufacturing cycle, and therefore is disclosed in conjunction with raw materials. During the nine months ended September 30, 2015 the Company initiated plans to develop an updated version of the MelaFind system and, accordingly, determined that a majority of its existing inventory of MelaFind systems and related parts exceeded its requirements. As a result, the Company wrote-off the excess and obsolete MelaFind inventories of $5,688, including $870 previously reserved. In addition, as of December 31, 2014 the Company carried a repair reserve of $539 for the estimated cost to restore its MelaFind units to sellable condition, which was also eliminated with the write-off of the excess and obsolete MelaFind inventory.

Note 4
Property and Equipment, net:

	September 30, 2015 (unaudited)	December 31, 2014
Lasers placed-in-service	$ 15,154	$ -
MELAFind systems	2,019	3,193
Equipment, computer hardware and software	1,244	1,084
Furniture and fixtures	2,054	1,969
Leasehold improvements	913	906
	21,384	7,152
Accumulated depreciation and amortization	(6,923)	(5,191)
Property and equipment, net	$ 14,461	$ 1,961

Depreciation and related amortization expense was $1,253 and $489 for the three months ended September 30, 2015 and 2014, respectively. Depreciation and related amortization expense was $1,891 and $1,367 for the nine months ended September 30, 2015 and 2014, respectively. During the second quarter of 2015, the Company evaluated the future cash flows of the MelaFind devices with remaining net book value, determined there was an impairment and recorded an impairment charge of $920.

(In thousands, except share and per share amounts and number of lasers)

Note 5
Patents and Licensed Technologies, net:

	September 30, 2015 (unaudited)	December 31, 2014
Core technology	$ 5,974	$ 274
Product technology	2,000	-
	7,974	274
Accumulated amortization	(484)	(237)
Patents and licensed technologies, net	$ 7,490	$ 37

Related amortization expense was $244 and $1 for each of the three month ended September 30, 2015 and 2014. Related amortization expense was $247 and $4 for each of the nine months ended September 30, 2015 and 2014. The Core technology of $5,700 and Product technology of $2,000 are the core and product technologies acquired in the asset purchase of the XTRAC and VTRAC businesses and were recorded at their preliminary appraised fair market values at that date. Amortization of these intangibles is on a straight-line basis over 5 years for Product technology and 10 years for Core technology.

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

Last three months of 2015	$ 238
2016	995
2017	995
2018	995
2019	995
Thereafter	3,272
Total	$ 7,490

Note 6
Goodwill:

Goodwill reflects the value or premium of the acquisition price in excess of the fair values assigned to specific tangible and intangible assets. Goodwill has an indefinite useful life and therefore is not amortized as an expense, but is reviewed annually for impairment of its fair value to the Company. Goodwill was recorded on the asset purchase of the XTRAC and VTRAC businesses as the purchase price exceeded the net assets of the business. (See *Note* 2, ***Acquisition***.)

Balance at January 1, 2015	$ -
Additions for the asset purchase	8,928
Balance at September 30, 2015	$ 8,928

The Company has no accumulated impairment losses of goodwill related to its continuing operations as of September 30, 2015.

(In thousands, except share and per share amounts and number of lasers)

Note 7
Other Intangible Assets:

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

	September 30, 2015 (unaudited)
Customer relationships	$ 6,900
Tradenames	1,500
	8,400
Accumulated amortization	(210)
Other intangible assets, net	$ 8,190

Related amortization expense was $210 for the three and nine months ended September 30, 2015. There was no related amortization expense for the period ended September 30, 2014. Customer Relationships embody the value to the Company of relationships that PhotoMedex, for the XTRAC products, had formed with its customers. Trademarks include the tradenames and various trademarks associated with the products (e.g. "XTRAC" and "VTRAC"). Amortization of these intangibles is on a straight-line basis over 10 years for each of the Customer relationships and Tradenames.

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

Last three months of 2015	$ 210
2016	840
2017	840
2018	840
2019	840
Thereafter	4,620
Total	$ 8,190

Note 8
Other Accrued Liabilities:

	September 30, 2015 (unaudited)	December 31, 2014
Accrued warranty, current, see Note 1	$ 177	$ 48
Accrued compensation, including commissions and vacation	965	55
Other accrued liabilities	778	856
Total other accrued liabilities	$ 1,920	$ 959

(In thousands, except share and per share amounts and number of lasers)

Note 9
Senior Notes Payable:

In the following table is a summary of the Company's notes payable:

	September 30, 2015 (unaudited)
Senior-secured notes payable, net of unamortized debt discount of $1,152	$ 8,848

Senior Notes Payable
On June 22, 2015, the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") and related financing documents with entities affiliated with existing institutional investors in the Company providing for the issuance of $42,500 aggregate principal amount (the "Financing") of senior secured notes (the "Notes"), senior secured convertible debentures, except for $500 of Debentures, (the "June 2015 debentures") and warrants (the "June 2015 Warrants") to purchase 3,000,000 shares of common stock at an exercise price of $0.75 per share. The Company sold $10,000 aggregate principal amount of Notes bearing interest at 9% per year with a maturity date of the earlier of 30 days after the Company obtains stockholder approval of stock issuances under the Debentures and the Warrants or November 30, 2015. The June 2015 Debentures are discussed further in *Note* 10, ***Convertible Debentures***, below. The proceeds of the Financing were used to pay the purchase price of the assets acquired under the Asset Purchase Agreement.

Under the terms of the June 2015 Warrants, the issuances of shares of the common stock upon exercise of the Warrants were subject to stockholder approval of such issuances and an amendment to the Company's certificate of incorporation to increase the Company's authorized shares of common stock. The matter was approved by the stockholders at the Company's annual meeting held September 30, 2015. Accordingly, the Notes mature 30 days from that approval, October 30, 2015. The Notes are still outstanding, and while the Company is not in default with the terms of the notes, the notes are now on demand notes with an interest rate of 12% per year. The Company is currently evaluating alternatives, including discussions with lenders to refinance this debt.

The June 2015 Warrants contain anti-dilution provisions that allow for downward exercise price adjustments in certain situations. The warrants were treated as a derivative liability and a discount to the Notes and the discount is being amortized under the effective interest method over the repayment term of 5 months. As of September 30, 2015, the remaining unamortized warrant balance was $1,152.

The Company computed the value of the warrants using the binomial method. The key assumptions used to value the warrants are as follows:

	June 22, 2015	September 30, 2015
Number of shares underlying warrants	3,000,000	3,000,000
Exercise price	$0.75	$0.75
Share price	$1.38	$1.14
Fair value of warrants	$2,959	$2,561
Probability of stockholder approval	80.0%	100.0%
Volatility	90.0%	90.0%
Risk-free interest rate	1.62%	1.30%
Expected dividend yield	0%	0%
Expected warrant life	5 years	4.73 years

(In thousands, except share and per share amounts and number of lasers)

Note 10
Convertible Debentures:

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

	September 30, 2015	December 31, 2014
	(unaudited)	
Senior secured 2.25% convertible debentures, net of unamortized debt discount of $25,798	$ 6,701	$ -
Senior secured 4% convertible debentures, net of unamortized debt discount of $4,146 and $8,410, respectively	4,672	5,001
Total convertible debt	$ 11,373	$ 5,001

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. Under the terms of the Debentures and the June 2015 Warrants (noted above), the issuances of shares of the common stock upon conversion of the Debentures and upon exercise of the Warrants were subject to stockholder approval of such issuances and an amendment to the Company's certificate of incorporation to increase the Company's authorized shares of common stock. The Company received stockholder approval for these proposals, at the annual stockholders meeting held September 30, 2015.

The June 2015 Debentures include a beneficial conversion feature of $27,300 that was recorded as a discount to the debenture. 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 will be amortized over the five year life of the Debentures. 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 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 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 11*) 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). Proceeds from the Debentures are being used for general working capital purposes.

(In thousands, except share and per share amounts and number of lasers)

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 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 Debentures totaled $10,353 and is being amortized using the effective interest method over the five year life of the Debentures.

During the nine months ended September 30, 2015, the investors converted debentures amounting to $4,593 into 1,790,671 shares of common stock. The debt discount and deferred financing cost adjustment resulting from the conversions increased interest expense by $3,415 for the nine months ended September 30, 2015. As of September 30, 2015, the total outstanding amount of Debentures was $41,317.

Note 11
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) 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. In connection with the Senior secured notes (see *Note 9*), the Company issued warrants to purchase 3,000,000 shares of common stock. These warrants were classified as liabilities and had an initial fair value of $2,958. See the table below for the assumptions used.

As approved by the stockholders on September 30, 2015, the Company modified the terms of warrants held by the investors that participated in the June 2015 Debentures in excess of $5 million, which included reducing the exercise price of such warrants to $0.75 and adding down-round price protection provisions. These warrants had previously been classified and recorded in stockholders' equity. As a result of the modification these warrants now meet the definition of a derivative. The fair value of these warrants as of September 30, 2015 was $5,399 and have been reclassified to a warrant liability. As a result of the modification, the Company recorded a deemed dividend related to these warrants of $2,962, which was determined as the difference between the fair value of these warrants immediately before the modification and immediately after. The Company used the binomial method to value the warrants. (See assumptions used in the table below.) The following is a listing of the warrants modified:

Issue date	# of warrants	Original Exercise Price	New Exercise Price
7/24/14 Series A	4,288,500	$ 2.45	$ 0.75
7/24/14 Series B	4,795,321	$ 2.45	$ 0.75

(In thousands, except share and per share amounts and number of lasers)

The Company recognizes such warrants as liabilities at the fair value on each reporting date. The Company measured the fair value of these warrants as of September 30, 2015, and recorded other expense of $1,329 resulting from the increase of the liability associated with the fair value of the warrants for the three month period and recorded other expense of $679 resulting from the increase of the liability associated with the fair value of the warrants for the nine months ended September 30, 2015, respectively. The Company measured the fair value of these warrants as of September 30, 2014, and recorded other income of $2,108 resulting from the decrease of the liability associated with the fair value of the warrants for the three month period and recorded other income of $7,151 resulting from the decrease of the liability associated with the fair value of the warrants for the nine months ended September 30, 2014, respectively. 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, 2015 and December 31, 2014 is as follows:

	September 30, 2015	June 22, 2015	December 31, 2014
	(unaudited)	(unaudited)	
Stock price	$ 1.14	$ 1.38	$ 1.20
Volatility	90.00%	90.00%	72.90 – 88.10%
Risk-free interest rate	0.02% - 1.30%	1.62%	1.65%
Expected dividend yield	0%	0%	0%
Expected warrant life	0.32 – 4.73 years	5 years	4.10 – 4.33 years

Recurring Level 3 Activity and Reconciliation

The table below provides 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 months for all financial liabilities categorized as Level 3 as of September 30, 2015.

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

Issuance Date	January 1, 2015	Initial Measurements	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

Note 12
Stockholders' Equity:

Preferred Stock
The Company is authorized to issue 10,000,000 shares of preferred stock with a par value of $0.10 per share with such designation, rights and preferences as may be determined from time to time by the Company's Board of Directors. There were 6,505 shares and 11,787 shares of Series B convertible preferred stock issued and outstanding on September 30, 2015 and December 31, 2014, respectively.

On February 5, 2014, pursuant to a securities purchase agreement, dated as of January 31, 2014, the Company sold an aggregate of 12,300 shares of Series A convertible preferred stock, par value $0.10 and a stated value of $1,000 per share convertible into 1,464,287 shares of common stock at an initial conversion price of $8.40, and warrants to purchase up to 1,329,731 shares of common stock for net proceeds of $11,458. The warrants have an exercise price of $7.40 per share, are immediately exercisable and have a term of five years. These warrants have non-standard terms as they relate to a fundamental transaction and require a net-cash settlement upon a change in control of the Company and therefore are classified as a derivative liability and recorded at fair value on the inception date of February 5, 2014. They will be recorded at their respective fair value at each subsequent balance sheet date.

In connection with this financing, the Company also granted resale registration rights with respect to the shares of common stock underlying the Series A preferred stock and the warrants pursuant to the terms of a Registration Rights Agreement. The purchasers were entitled to receive liquidated damages upon the occurrence of a number of events relating to filing, effectiveness and maintaining an effective registration statement covering the shares underlying the Series A Preferred Stock and the warrants. The Company was unable to meet certain filing and effectiveness requirements and as a result paid liquidated damages to the Purchasers in the aggregate amount of $3,420 during the nine months ended September 30, 2014. Under the terms of the Registration Rights Agreement, the Company filed a registration statement on March 18, 2014, which was declared effective by the SEC on April 3, 2014.

On July 24, 2014, in connection with the July 2014 Debentures (see *Note 10,* ***Convertible Debentures***), the Company exchanged 12,300 shares of Series A convertible preferred stock issued on February 5, 2014 with 12,300 shares of Series B convertible preferred stock at a stated value of $1,000 per share convertible into common stock at an initial price of $2.565 per share. The preferred stock is immediately convertible into an aggregate of 4,795,321 shares of common stock. Holders of the Series B convertible preferred stock are entitled to dividends only in the event that dividends are paid on the common stock, and the preferred stock has no preferences over the common stock. In connection with the exchange, the Company issued the July 2014 Series B warrants to purchase up to an aggregate of 4,795,321 shares of common stock at an exercise price of $2.45 per share, expiring in January 2016. The July 2014 Series B warrants are immediately exercisable and are subject to certain ownership limitations.

The $12,300 preferred stock value was allocated first to the fair value of the July 2014 Series B warrants, which totaled $2,487, then to the intrinsic value of the beneficial conversion feature of $1,887. The amount of the beneficial conversion feature was considered to be a deemed dividend on the date of issuance to the Series B preferred stockholders. Pursuant to the terms of the Purchase Agreement, the Series A convertible preferred stock was redeemed from the proceeds of the Series B convertible preferred stock. In September 2014, the Company amended the registration statement related to the Series A preferred stock to deregister those shares that would have been issuable upon conversion of the Series A preferred stock had it not already been redeemed by the proceeds of the Series B preferred stock.

During nine months ending September 30, 2015, 5,282.5 shares of Series B preferred stock were converted into 2,059,455 shares of common stock.

Common Stock and Warrants
The Company is authorized to issue 150,000,000 shares of common stock with a par value of $0.001 per share. There were 9,887,358 and 6,037,232 issued and outstanding at September 30, 2015 and December 31, 2014, respectively.

On October 29, 2013, the Company entered into a securities purchase agreement with certain accredited investors in connection with a $6,000,000 registered offering of 422,819 shares of the Company's common stock, fully paid prefunded warrants (the "October 2013 Series B Warrants") to purchase up to 434,325 shares of its common stock and additional warrants ("October 2013 Series A Warrants") to purchase up to 685,715 shares of its common stock. The October 2013 Series A Warrants are exercisable beginning on May 1, 2014 at a price of $8.50 per share and expire on May 1, 2019. The October 2013 Series B Warrants were exercisable immediately for no additional consideration. The offering closed on October 31, 2013. The holders exercised all of the October 2013 Series B Warrants in March 2014.

(In thousands, except share and per share amounts and number of lasers)

The October 2013 Series A Warrants have non-standard terms as they relate to a fundamental transaction and require a net-cash settlement upon a change in control of the Company and therefore are classified as a derivative. Therefore, these warrants have been recorded at fair value at the inception date of October 31, 2013, and will be recorded at their respective fair values at each subsequent balance sheet date.

Outstanding common stock warrants 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
7/24/2014	1/24/2016	4,795,321	$ 0.75
6/22/2015	6/22/2020	3,000,000	$ 0.75
		16,078,920	

Note 13
Stock-based compensation:

Stock awards under the Company's stock option plans have been granted with exercise prices that are no less than the market value of the stock on the date of the grant. Options granted under the plans are generally time-based or performance-based options and vesting varies accordingly. Options under the plans expire up to a maximum of ten years from the date of grant. Stock-based compensation to non-employee consultants, accounted for pursuant to FASB ASC 505-50-5, *Equity, Equity Based Payments to Non-Employees,* is granted for services rendered and is completely vested on the grant date.

The fair value of each option award granted during the period is estimated on the date of grant using the Black-Scholes option valuation model and assumptions as noted in the following table:

	Nine Months Ended September 30,	
	2015	2014
Risk-free interest rate	1.75%	2.14 – 2.45%
Volatility	85.68%	75.51 – 73.87%
Expected dividend yield	0%	0%
Expected life	6.5 years	6.5 years
Estimated forfeiture rate	0%	0%

Stock-based compensation expense, primarily included in general and administration, for the three and nine months ended September 30, 2015 was $1,007 and $1,483, respectively. For the three and nine months ended September 30, 2014 stock-based compensation was $115 and $427, respectively. The nine months ended September 30, 2014, also included $20 of non-employee stock-based compensation. As of September 30, 2015 there was $535 in unrecognized compensation expense.

(In thousands, except share and per share amounts and number of lasers)

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 MelaFind 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. Accordingly, these revenues and operating expenses are included only for the period of June 23, 2015 through September 30, 2015. There are no corresponding revenues for the three and nine months ended September 30, 2014.

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, 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	92	471
Selling and marketing expenses	3,554	97	350	4,001
Unallocated operating expenses	-	-	-	3,132
	3,902	128	442	7,604
Income (loss) from operations	805	454	(450)	(2,323)
Interest expense, net	-	-	-	(5,577)
Change in fair value of warrant liability	-	-	-	(1,329)
Other income (expense), net	-	-	-	(5)
Net income (loss)	$ 805	$ 454	$ (450)	$ (9,234)

(In thousands, except share and per share amounts and number of lasers)

Three Months Ended September 30, 2014 (unaudited)

	Dermatology Recurring Procedures	Dermatology Procedures Equipment	Dermatology Imaging	TOTAL
Revenues	$ -	$ -	$ 218	$ 218
Costs of revenues	-	-	1,560	1,560
Gross profit	-	-	(1,342)	(1,342)
Gross profit %	*0.0%*	*0.0%*	*(615.6%)*	*(615.6%)*
Allocated operating expenses:				
Engineering and product development	-	-	345	345
Selling and marketing expenses	-	-	429	429
Unallocated operating expenses	-	-	-	1,885
	-	-	774	2,659
Loss from operations	-	-	(2,116)	(4,001)
Interest expense, net	-	-		(527)
Change in fair value of warrant liability	-	-	-	2,108
Gain on sale of assets	-	-	-	11
Other income (expense), net	-	-	-	121
Net loss	$ -	$ -	$ (2,116)	$ (2,288)

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	529	946
Selling and marketing expenses	3,723	127	2,134	5,984
Unallocated operating expenses	-	-	-	6,819
	4,078	189	2,663	13,749
Income (loss) from operations	674	558	(9,373)	(14,960)
Interest expense, net	-	-	-	(8,738)
Change in fair value of warrant liability	-	-	-	(679)
Other income (expense), net	-	-	-	23
Net income (loss)	$ 674	$ 558	$ (9,373)	$ (24,354)

Nine Months Ended September 30, 2014 (unaudited)

	Dermatology Recurring Procedures	Dermatology Procedures Equipment	Dermatology Imaging	TOTAL
Revenues	$ -	$ -	$ 541	$ 541
Costs of revenues	-	-	3,755	3,755
Gross profit	-	-	(3,214)	(3,214)
Gross profit %	*0.0%*	*0.0%*	*(594.1%)*	*(594.1%)*
Allocated operating expenses:				
Engineering and product development	-	-	1,423	1,423
Selling and marketing expenses	-	-	2,366	2,366
Unallocated operating expenses	-	-	-	5,988
	-	-	3,789	9,777
Loss from operations	-	-	(7,003)	(12,991)
Interest expense, net	-	-	-	(528)
Change in fair value of warrant liability	-	-	-	7,151
Gain on sale of assets	-	-	-	16
Other income (expense), net	-	-	-	131
Registration rights liquidated damages	-	-	-	(3,420)
Net loss	$ -	$ -	$ (7,003)	$ (9,641)

For the three and nine months ended September 30, 2015 and 2014 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,	
	2015	2014	2015	2014
Domestic	$ 7,114	$ 55	$ 7,236	$ 140
Foreign	1,209	163	1,779	401
	$ 8,323	$ 218	$ 9,015	$ 541

Note 15

Significant Customer Concentration:

For the three months ended September 30, 2015, revenues from sales to the Company's international master distributor (GlobalMed Technologies) 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. At September 30, 2015, the accounts receivable balance from GlobalMed Technologies was $363, or 8.7%, of total net accounts receivable. No other customer represented more than 10% of total company revenues for the three and nine months ended September 30, 2015 and 2014.

Note 16
Subsequent Events:

During October 2015, investors converted debentures amounting to $676 into 296,035 shares of common stock. See *Note 10*.

On November 4, 2015, the Company entered into consulting agreements with two of its directors, Jeffrey F. O'Donnell, Sr. and Samuel E. Navarro, the terms of which are the same. The agreements include compensation of $120 for each director and expire on June 30, 2016.

On November 9, 2015, Robert W. Cook, Chief Financial Officer of the Company upon mutual agreement with the Board of Directors, resigned from his position as the Company's Chief Financial Officer, effective immediately. Mr. Cook will remain an employee of the Company at his current salary and benefits in the position of Senior Financial Advisor until January 15, 2016, subject to terms to be agreed upon in a Transition Services Agreement and Release, entered into as of November 11, 2015, which will entitle him to severance payments through October 6, 2016.

Also on November 9, 2015, the Board appointed Christina L. Allgeier, age 43, as the Company's Chief Financial Officer, effective immediately. Ms. Allgeier, has served as the Company's Chief Accounting Officer. Ms. Allgeier graduated with a B.S. in accounting from Penn State University. Ms. Allgeier holds a license from the Commonwealth of Pennsylvania as a certified public accountant. For the past fifteen years Ms. Allgeier had been employed by PhotoMedex, Inc. (including a period with Surgical Laser Technologies, Inc. which was acquired by PhotoMedex in 2002). Ms. Allgeier served as Chief Accounting Officer of PhotoMedex from December 2011 until the purchase of the assets from PhotoMedex in June 2015. From November 2009 until the reverse acquisition of Radiancy, Inc. by PhotoMedex in December 2011, Ms. Allgeier served as Chief Financial Officer of PhotoMedex.

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 MELA Sciences, Inc., a Delaware corporation (referred to in this Report as "we," "us," "our," "MELA 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, 2014 and in our Form 8-K filed August 3, 2015. 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

MELA Sciences, Inc. ("MELA" 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 excimer laser and the VTRAC excimer lamp businesses from PhotoMedex, Inc. 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 $30,600 in revenues in 2014 and achieved year-over-year growth of 41% with a gross margin of 60.1%. Management believes that these businesses acquired create a platform on which to transform MELA into a leading medical dermatology company. Management further believes that the cash flow generated by these businesses will be sufficient to finance our operations for the foreseeable future.

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 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, 2015, there were 698 XTRAC systems placed in dermatologists' offices in the United States under our recurring revenue model, up from 590 at the end of September 2014. 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, 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 2014, over 300,000 XTRAC laser treatments were performed on approximately 19,000 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.

Management anticipates that the acquisition of the XTRAC and VTRAC businesses will help to facilitate the commercialization of MelaFind®, as well as the further design and development of this technology. 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 the establishment of reimbursement policies that include the use of the MelaFind's capabilities to assist in the biopsy decision. Management anticipate 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 will become 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 for which there are no cures. Eximer lasers deliver narrow ultraviolet B ("UVB"**)** light to affected areas of skin. Following a series of treatments typically performed twice weekly, psoriasis remission is achieved and vitiligo patches are repigmented. 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 2012, 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, 2015, our sales and marketing personnel consisted of 52 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

Revenue Recognition

We recognize revenues from product sales when the following four criteria have been met: (i) the product has been delivered and we have no significant remaining obligations; (ii) persuasive evidence of an arrangement exists; (iii) the price to the buyer is fixed or determinable; and (iv) collection is reasonably assured. Revenues from product sales are recorded net of provisions for expected returns and cash discounts.

We ship most of our products FOB shipping point, although from time to time certain customers, for example governmental customers, will be granted FOB destination terms. Among the factors we take into account when determining the proper time at which to recognize revenue are (i) when title to the goods transfers and (ii) when the risk of loss transfers. Shipments to distributors or physicians that do not fully satisfy the collection criteria are recognized when invoiced amounts are fully paid or fully assured and included in deferred revenues until that time.

For revenue arrangements with multiple deliverables within a single, contractually binding arrangement (usually sales of products with separately priced extended warranty), each element of the contract is accounted for as a separate unit of accounting when it provides the customer value on a stand-alone basis and there is objective evidence of the fair value of the related unit.

We have two distribution channels for our phototherapy treatment equipment. We either (i) place our lasers in a physician's office (at no charge to the physician) and generally charge the physician a fee for an agreed upon number of treatments or (ii) sell our lasers through a distributor or directly to a physician. In some cases, when the laser is placed in a physician's office at no charge, we and the customer stipulate to a quarterly or other periodic target of procedures to be performed, and accordingly revenue is recognized ratably over the period.

When we place a laser in a physician's office, we generally recognize revenue based on the number of patient treatments performed, or purchased under a periodic commitment, by the physician. Amounts collected with respect to treatments to be performed through laser-access codes that are sold to physicians free of a periodic commitment, but not yet used, are deferred and recognized as a liability until the physician performs the treatment. Unused treatments remain our obligation because the treatments can only be performed on our-owned equipment. Once the treatments are performed, this obligation has been satisfied.

We defer substantially all revenue from sales of treatment codes ordered by and performed by our customers within the last two weeks of the period in determining the amount of procedures performed by our customers. Management believes this approach closely approximates the actual amount of unused treatments that exist at the end of a period.

Deferred revenue includes amounts received with respect to extended warranty maintenance, repairs and other billable services and amounts not yet recognized as revenues. Revenues with respect to such activities are deferred and recognized on a straight-line basis over the duration of the warranty period, the service period or when service is provided, as applicable to each service.

Other than those noted above, there have been no additional changes to our critical accounting policies and estimates in the three and nine months ended September 30, 2015. Critical accounting policies and the significant estimates made in accordance with them 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 of our Annual Report on Form 10-K for the year ended December 31, 2014.

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,	
	2015	2014	2015	2014
Dermatology Recurring Procedures	$ 7,033	$ -	$ 7,138	$ -
Dermatology Procedures Equipment	1,189	-	1,638	-
Dermatology Imaging	101	218	239	541
Total Revenues	$ 8,323	$ 218	$ 9,015	$ 541

We completed the asset purchase of the XTRAC and VTRAC businesses on June 22, 2015 and as such, these revenues are included only for the period of June 23, 2015 through September 30, 2015. Therefore, there are no corresponding revenues for the three and nine months ended September 30, 2014.

Dermatology Recurring Procedures

Recognized treatment revenue for the three and nine months ended September 30, 2015 was $7,033 and $7,138, respectively, which approximates 94,000 treatments and 95,000 treatments, respectively, with prices between $65 to $95 per treatment. 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 testing a variety of media including television and radio. We continue to increase our advertising expenditures in this area to reach the more than 10 million patients in the United States afflicted with these diseases.

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, 2015, we deferred net revenues of $188 under this approach.

Dermatology Procedures Equipment

For the three and nine months ended September 30, 2015 dermatology equipment revenues were $1,189 and $1,638, respectively. There was one domestic XTRAC laser sale for the three and nine months ended September 30, 2015. We sell the laser directly to the customer only for certain reasons, including the costs of logistical support and customer preference. Our preference is to consign lasers to customers and to provide the sales and marketing support which we believe is necessary for the customer to drive a successful XTRAC program. Internationally, we sold 17 systems for the three months ended September 30, 2015, 13 of which were VTRAC systems, a lamp-based alternative UVB light source. Internationally, we sold 25 systems for the nine months ended September 30, 2015, 14 of which were VTRAC systems.

Dermatology Imaging

For the three months ended September 30, 2015 and 2014, imaging revenues were $101 and $218, respectively. For the nine months ended September 30, 2015 and 2014, imaging revenues were $241 and $541, 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,	
	2015	2014	2015	2014
Dermatology Recurring Procedures	$ 2,326	$ -	$ 2,386	$ -
Dermatology Procedures Equipment	607	-	891	-
Dermatology Imaging	109	1,560	6,949	3,755
Total Cost of Revenues	$ 3,042	$ 1,560	$ 10,226	$ 3,755

As we completed the asset purchase of XTRAC and VTRAC businesses on June 22, 2015, cost of revenues related to this business was included from June 23, 2015 through September 30, 2015. There were no corresponding cost of revenues for the three and nine months ended September 30, 2014.

Cost of revenues increased to $3,042 for the three months ended September 30, 2015 compared to $1,560 for the three months ended September 30, 2014. Cost of revenues have increased to $10,226 for the nine months ended September 30, 2015 compared to $3,755 for the nine months ended September 30, 2014. 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.

Gross Profit Analysis

Gross profit increased to $5,281 for the three months ended September 30, 2015 from ($1,342) during the same period in 2014. As a percentage of revenues, the gross margin was 63.5% for the three months ended September 30, 2015 from (615.6%) during the same period in 2014. Gross profit increased to ($1,211) for the nine months ended September 30, 2015 from ($3,214) during the same period in 2014. As a percentage of revenues, the gross margin was (13.4%) for the nine months ended September 30, 2015 from (594.1%) during the same period in 2014.

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

	For the Three Months Ended September 30, 2015				For the Three Months Ended September 30, 2014
	Dermatology Recurring Procedures	Dermatology Procedures Equipment	Dermatology Imaging	Total	
Revenues	$ 7,033	$ 1,189	$ 101	$ 8,323	$ 218
Cost of revenues	2,326	607	109	3,042	1,560
Gross profit	$ 4,707	$ 582	$ (8)	$ 5,281	$ (1,342)
Gross margin percentage	66.9%	48.9%	(7.9%)	63.5%	(615.6%)

	For the Nine Months Ended September 30, 2015				For the Nine Months Ended September 30, 2014
	Dermatology Recurring Procedures	Dermatology Procedures Equipment	Dermatology Imaging	Total	
Revenues	$ 7,138	$ 1,638	$ 239	$ 9,015	$ 541
Cost of revenues	2,386	891	6,949	10,226	3,755
Gross profit	$ 4,752	$ 747	$ (6,710)	$ (1,211)	$ (3,214)
Gross margin percentage	66.6%	45.6%	(2,807.5%)	(13.4%)	(594.1%)

The primary reason for the changes in gross profit for the three and nine months ended September 30, 2015, compared to the same period in 2014, was the acquisition of the XTRAC and VTRAC businesses on June 22, 2015. The gross profit related to these businesses was included from June 23, 2015 through September 30, 2015 and was allocated to the two Dermatology Procedures segments. There was no corresponding gross profit for the three and nine months ended September 30, 2014. Additionally, 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, 2015 increased to $471 from $345 for the three months ended September 30, 2014. Engineering and product development expenses for the nine months ended September 30, 2015 decreased to $946 from $1,423 for the nine months ended September 30, 2014. The decrease related to planned cost reductions. Ongoing research and development efforts for the MelaFind technology is focused on future product enhancements. Offsetting some of the decrease was $379 and $417 in engineering and product development expenses related to the XTRAC and VTRAC businesses for the three and nine months ended September 30, 2015, respectively. As the XTRAC and VTRAC acquisition was completed on June 22, 2015, the expenses were included only from June 23, 2015 through September 30, 2015. There was no corresponding expense for the three and nine months ended September 30, 2014.

Selling and Marketing Expenses

For the three months ended September 30, 2015, selling and marketing expenses increased to $4,001 from $429 for the three months ended September 30, 2014. For the nine months ended September 30, 2015, selling and marketing expenses increased to $5,984 from $2,366 for the nine months ended September 30, 2014. The increases were related to the XTRAC and VTRAC businesses of $3,650 and $3,850, respectively. As the XTRAC and VTRAC acquisition was completed on June 22, 2015, the expenses were included only from June 23, 2015 through June 30, 2015. There was no corresponding expense for the three and nine months ended September 30, 2014. Offsetting some of the increases, were decreases in the MelaFind Division primarily related to salary and headcount decreases and overall impact of cost reduction initiatives.

General and Administrative Expenses

For the three months ended September 30, 2015, general and administrative expenses increased to $3,132 from $1,885 for the three months ended September 30, 2014. For the nine months ended September 30, 2015, general and administrative expenses increased to $6,819 from $5,988 for the nine months ended September 30, 2014. 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 three and nine months ended September 30, 2015, we had additional expenses of $745 and $803 in general and administrative expenses related the XTRAC and VTRAC businesses. As the XTRAC and VTRAC acquisition was completed on June 22, 2015, the expenses were included only from June 23, 2015 through September 30, 2015. There was no corresponding expense for the three and nine months ended September 30, 2014.
- 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, 2015 was $5,577 compared to $527 in the three months ended September 30, 2014. Interest expense for the nine months ended September 30, 2015 was $8,738 compared to $528 in the nine months ended September 30, 2014. Interest expense during the periods of 2015 and 2014 relate to the 4% senior convertible debentures issued in July 2014, which includes amortization of the related debt discount and deferred financing fees. The 2015 periods also include interest expense related to both the senior note and the 2.25% senior convertible debentures issued on June 22, 2015. Additionally, approximately $3,383 of interest expense was recognized as a result of the conversion of $4,593 of debentures into common stock during the nine months ended September 30, 2015.

Change in Fair Value of Warrant Liability

In accordance with FASB ASC 470, "*Debt – Debt with Conversion and Other Options"* ("ASC Topic 470") and FASB ASC 820, *Fair Value Measurements and Disclosures* ("ASC Topic 820"), we measured the fair value of our warrants that were recorded at their fair value and recognized as liabilities as of September 30, 2015, and recorded $1,329 and $679 in other expense for the three and nine months ended September 30, 2015. We measured the fair value of these warrants as of September 30, 2014, and recorded $2,108 and $7,151 in other income for the three and nine months ended September 30, 2014.

Registration Rights Liquidated Damages

In connection with the February 2014 financing, we granted to the Purchasers resale registration rights with respect to the shares of common stock underlying the Series A Preferred Stock and the warrants pursuant to the terms of a Registration Rights Agreement. In addition to the registration rights, the Purchasers were entitled to receive liquidated damages upon the occurrence of a number of events relating to filing, effectiveness and maintaining an effective registration statement covering the shares underlying the Series A Preferred Stock and the warrants. We were unable to meet certain filing and effectiveness requirements and as a result paid liquidated damages to the Purchasers in the aggregate amount of $3,400.

Other Income (Expense), net

Other expense, net for the three months ended September 30, 2015 was $5 compared to other income of $131 for the three months ended September 30, 2014. Other income, net for the nine months ended September 30, 2015 was $23 compared to $147, for the nine months ended September 30, 2014. Other income mainly represents royalty income we earn each quarter from Kavo Dental GmbH on the licensing of certain technology patents.

Net Loss

The factors described above resulted in net loss of $9,234 during the three months ended September 30, 2015, as compared to net loss of $2,288 during the three months ended September 30, 2014. The factors described above resulted in net loss of $24,354 during the nine months ended September 30, 2015, as compared to a net loss of $9,641 during the nine months ended September 30, 2014.

Deemed Dividend

As approved by the stockholders on September 30, 2015, we modified the terms of warrants, held by the investors that participated in the June 2015 Debentures in excess of $5 million, which included reducing the exercise price of such warrants to $0.75 and adding down-round price protection provisions. These warrants had previously been classified and recorded in stockholders' equity. As a result of the modification these warrants now meet the definition of a derivative. As a result of the modification, we recorded a deemed dividend related to these warrants of $2,962, which was determined as the difference between the fair value of these warrants immediately before the modification and immediately after. The binomial method was used to value the warrants.

Non-GAAP adjusted income (loss)

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 income.

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,		
	2015	2014	Change
Net loss	$ (9,234)	$ (2,288)	$ (6,946)
Adjustments:			
Depreciation and amortization	1,710	489	1,221
Interest expense, net	506	104	402
Non-cash interest expense	5,071	423	4,648
EBITDA	(1,947)	(1,272)	(675)
Stock-based compensation expense	1,007	115	892
Change in fair value of warrants	1,329	(2,108)	3,437
Non-GAAP adjusted income (loss)	$ 389	$ (3,265)	$ 3,654

	For the Nine Months Ended September 30,		
	2015	2014	Change
Net loss	$ (24,354)	$ (9,641)	$ (14,713)
Adjustments:			
Depreciation and amortization	2,348	1,371	977
Interest expense, net	794	105	689
Non-cash interest expense	7,944	423	7,521
EBITDA	(13,268)	(7,742)	(5,526)
Stock-based compensation expense	1,483	447	1,036
Acquisition costs	456	-	456
Change in fair value of warrants	679	(7,151)	7,830
Registration rights liquidated damages	-	3,420	(3,420)
Impairment of property and equipment	920	-	920
Inventory valuation reserves	4,818	-	4,818
Non-GAAP adjusted loss	$ (4,912)	$ (11,026)	$ 6,114

Liquidity and Capital Resources

As of September 30, 2015 we had ($3,305) of working capital compared to $14,517 as of December 31, 2014. Cash and cash equivalents were $3,269, including restricted cash of $100, as of September 30, 2015, as compared to $11,434 as of December 31, 2014.

In February 2014, we sold to investors for net proceeds of $11,400 an aggregate of 12,300 shares of Series A convertible preferred stock, convertible into 1.5 million shares of common stock at a conversion price of $8.40, and warrants to purchase up to 1.3 million shares of the our common stock. In addition, as a condition of the financing, our directors purchased an aggregate of 20,271 shares of common stock, at a price of $7.40 per share, for aggregate gross proceeds of $150.

In July 2014, we raised additional net proceeds of approximately $13,800 through the issuance of 4% senior secured convertible debentures due July 2019, Series B convertible preferred stock and warrants to purchase common stock. The debentures are convertible at any time into an aggregate of approximately 5.8 million shares of our common stock at a price of $2.565 per share. Our obligations under the debentures are secured by a first priority lien on all of our intellectual property. Through the nine months of 2015, $6,182 of debentures and $3,500 of preferred stock were converted into common stock.

In June 2015, we raised additional gross proceeds of approximately $42,500 through the issuance of 2.25% senior secured convertible debentures due June 2020, 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 first priority lien on all of our assets. Through the nine months of 2015, $35 of debentures were converted into common stock.

We have experienced recurring losses and negative cash flow from operations since inception. 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. Although we plan to refinance the Senior secured notes that became due on October 30, 2015 with longer term debt, the terms and availability of which we cannot determine at this time. The timing and availability of any such refinancing cannot be assured and will be affected by numerous factors, many of which are not under our control. There can be no assurance that we will be able to raise additional funding as may be needed or on terms that are acceptable to us. These factors raise substantial doubt about our ability to continue as a going concern. We have not made any adjustments to our consolidated financial statements with respect to this uncertainty.

The XTRAC and VTRAC businesses, which were acquired on June 22, 2015, have had positive cash flows from operations prior to the acquisition. We believe that our cash as of September 30, 2015 combined with the anticipated revenues from the sale of our products will be sufficient to cover our operations for the foreseeable future, however we cannot assure you that additional financing will not be required. Additionally, as mentioned above, we must refinance the Senior Secured notes.

Net cash and cash equivalents used in operating activities was $7,045 for the nine months ended September 30, 2015 compared to cash used in operating activities of $14,668 for the nine months ended September 30, 2014. The primary reasons for the change was the cash from operations generated by the XTRAC and VTRAC business, which was acquired on June 22, 2015, and a continued effort to reduce expenses.

Net cash and cash equivalents used in investing activities was $43,583 for the nine months ended September 30, 2015 compared to cash provided by investing activities of $17 for the nine months ended September 30, 2014. The primary reason for the change was the asset purchase of the XTRAC and VTRAC business during the nine months ended September 30, 2015.

Net cash and cash equivalents provided by financing activities was $42,346 for the nine months ended September 30, 2015 compared to cash provided by financing activities of $25,335 for the nine months ended September 30, 2014. In the nine months ended September 30, 2015, we completed a financing consisting of Senior secured notes amounting to $10,000 and senior secured convertible debentures of $32,500. In the nine months ended September 30, 2014, we received proceeds from the private placement/public offerings of $11,458 and $15,000 from convertible preferred stock and debentures.

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 2014 annual financial statements included in our Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

At September 30, 2015, 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, 2014, 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

We completed an evaluation, as of December 31, 2014 as to the effectiveness of the design and operation of our disclosure controls and procedures and concluded that the Company's disclosure controls and procedures specifically related to proper review and monitoring were not operating effectively at that date. In connection with the audit of our financial statements for the year ended December 31, 2014, management noted that the two accounts impacted by the changes in our business model, inventory and fixed assets, took longer than anticipated to reconcile. As a result of these factors, the closing process was delayed and there were a number of post-closing adjustments in these and other areas.

Management implemented certain remediatory procedures during 2015 that had been developed and adopted following the filing of our 2014 Annual Report on Form 10-K, which were intended to reasonably assure management that our disclosure controls and procedures as of September 30, 2015 are effective. In the quarter ended September 30, 2015, we moved our financial close, and the internal control over financial reporting to the new finance organization. This organization was obtained as part of the asset purchase on June 22, 2015. This finance organization had maintained an effective control environment, prior to the purchase, for several years. Management will re-evaluate the effectiveness of its disclosure controls and procedures for the year ended 2015.

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

The changes in our internal control over financial reporting during the three months ended September 30, 2015, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting are noted in the above evaluation of disclosure controls and procedures.

During the third quarter of 2015, the processes were transferred to the new finance organization. This change improved the control environment and provided an overall improvement to the effectiveness of the design and operation of our disclosure controls and procedures.

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

As of September 30, 2015, our risk factors have not changed materially from the risk factors previously disclosed in our Form 8-K filed on August 3, 2015, which we incorporate herein by reference.

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

On November 9, 2015, Robert W. Cook, Chief Financial Officer of the Company upon mutual agreement with the Board of Directors, resigned from his position as the Company's Chief Financial Officer, effective immediately. Mr. Cook will remain an employee of the Company at his current salary and benefits in the position of Senior Financial Advisor until January 15, 2016, subject to terms to be agreed upon in a Transition Services Agreement and Release, entered into as of November 11, 2015, which will entitle him to severance payments through October 6, 2016.

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).
4.1	Form of Common Stock Purchase Warrant (Incorporated by reference to Exhibit 4.1 contained in our Form 8-K current report, filed on June 23, 2015).
4.2	Form of 9.0% Senior Secured Notes (Incorporated by reference to Exhibit 4.2 contained in our Form 8-K current report, filed on June 23, 2015).
4.3	Form of 2.25% Series A Senior Secured Convertible Debenture (Incorporated by reference to Exhibit 4.3 contained in our Form 10-Q quarterly report for the quarter ended June 30, 2015 filed on August 14, 2015).
4.4	Form of 2.25% Series B Senior Unsecured Convertible Debenture (Incorporated by reference to Exhibit 4.4 contained in our Form 10-Q quarterly report for the quarter ended June 30, 2015 filed on August 14, 2015).
10.1	Warrant Amendment Agreement dated as of June 22, 2015 (effective September 30, 2015) by and among the Company and parties identified on the signature pages thereto (Incorporated by reference to Exhibit 10.5 contained in our Form 8-K current report filed on June 23, 2015).
10.2	Consulting Agreement, dated as of November 4, 2015 between the Company and Jeffrey F. O'Donnell, Sr. (Filed herewith).
10.3	Consulting Agreement, dated as of November 4, 2015 between the Company and Samuel E. Navarro (Filed herewith).
10.4	Transition Agreement and Release dated as of November 9, 2015 between the Company and Robert W. Cook (Filed herewith).
10.5	Employment Agreement dated as of November 9, 2015 between the Company and Christina L. Allgeier (File 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.

MELA SCIENCES, INC.

Date November 16, 2015

By: /s/ Michael R. Stewart
Name Michael R. Stewart
Title Chief Executive Officer

Date November 16, 2015

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

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Michael R. Stewart, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of MELA 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 16, 2015

By: /s/ Michael R. Stewart
Name: Michael R. Stewart
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 MELA 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 16, 2015

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), Michael R. Stewart, the Chief Executive Officer of MELA 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, 2015, 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 16, 2015

/s/ Michael R. Stewart
Name: Michael R. Stewart
Title: Chief Executive Officer

/s/ Christina L. Allgeier
Name: Christina L. 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 MELA 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 MELA Sciences, Inc. and will be retained by MELA Sciences, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 10.2

CONSULTING AGREEMENT

CONSULTING AGREEMENT effective as of November 4, 2015 between MELA Sciences, Inc. (the "Company"), a Delaware corporation, and Jeffrey F. O'Donnell, Sr. (the "Consultant").

Recitals:

The Consultant is a member of the Company's Board of Directors and serves on the Transaction Committee of the Board. He has longstanding experience and extensive contacts in the medical device industry.

Following the Company's acquisition of the XTRAC excimer laser and VTRAC excimer lamp businesses in June 2015, the Consultant has devoted a considerable amount of time and effort to provide strategic support and guidance to the Company and its senior management in connection with the integration and operation of the Company's expanded business.

The parties wish to enter into this Agreement to set forth the basis on which the Consultant will continue to provide such support to the Company and its senior management as a consultant to the Company and with respect to certain other matters in connection with such engagement, all as set forth more fully in this Agreement.

NOW, THEREFORE, in consideration of the premises and covenants set forth herein, and intending to be legally bound hereby, the parties to this Agreement hereby agree as follows:

1. Engagement. The Company hereby engages the Consultant as a consultant to the Company, and the Consultant hereby accepts such engagement, on the terms and conditions set forth in this Agreement.

2. Duties. As a consultant to the Company, the Consultant agrees to perform the services described on Exhibit A. The Consultant shall report to the Board of Directors of the Company or its designee.

3. Term. The term of the Consultant's engagement hereunder shall commence on the effective date of this Agreement and shall continue in effect through June 30, 2016. The parties may renew this Agreement thereafter upon their mutual written agreement. This Agreement shall terminate immediately if the Consultant ceases to serve as a member of the Company's Board of Directors.

4. Compensation.

(a) Consulting Fees. In consideration of the services performed and to be performed hereunder, the Consultant shall be paid the consulting fees set forth on Exhibit A.

(b) Reimbursement of Expenses. The Consultant shall be reimbursed for out-of-pocket expenses reasonably incurred by the Consultant in performing the consulting

services contemplated by this Agreement, provided that such expenses are pre-approved by the Company, documented and submitted in accordance with the reimbursement policies of the Company as in effect from time to time.

(c) Entire Compensation. The compensation provided for in this Section 4 shall constitute full payment for the services to be rendered by the Consultant to the Company as a consultant pursuant to this Agreement.

5. Non-Disclosure.

(a) Confidentiality and Non-Use Obligations. The Consultant acknowledges that, in the course of performing services for the Company, the Consultant may obtain knowledge of the Company's inventions, discoveries, know-how, trade secrets, business plans, products, processes, software, formulas, methods, models, prototypes, materials, disclosures, contractor and supplier lists, names and positions of employees and/or other proprietary and/or confidential information (collectively, the "Confidential Information"). The Consultant agrees to keep the Confidential Information secret and confidential and not to publish, disclose or divulge any confidential information to any other person, or use any confidential information for the Consultant's own benefit or to the detriment of the Company, or for any purpose other than in connection with the performance of consulting services to the Company, without the prior written consent of the Company, whether or not such Confidential Information was discovered or developed by the Consultant. The Consultant also agrees not to divulge, publish or use any proprietary and/or confidential information of others that the Company is obligated to maintain in confidence.

(b) Exclusions. The restrictions on use and disclosure of the Confidential Information set forth in this Agreement shall not apply to any portion of the Confidential Information that: (i) is at the time of disclosure or thereafter becomes generally available to the public other than as a result of disclosure by the Consultant; (ii) becomes available to the Consultant on a non-confidential basis from a source other than the Company that has represented to the Consultant (and regarding which the Consultant reasonably believes) that such source is entitled to disclose it; (iii) was known to or in the possession of the Consultant immediately prior to the time of disclosure as evidenced by the Consultant's records and files at such time; or (iv) is independently developed or acquired by the Consultant without use of or reference to the Company's Information, as evidenced by documentation or other evidence in the Consultant's possession.

6. Inventions and Discoveries.

(a) Disclosure. The 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 the Consultant (whether or not at the request or upon the suggestion of the Company), solely or jointly with others, during the course of performing services for the Company as a consultant or that are otherwise made by the Consultant through the use of the Company's time, facilities or materials (the foregoing being hereinafter referred to collectively as the "Inventions").

(b) Assignment and Transfer. The Consultant hereby assigns and transfers to the Company all of the Consultant's rights, titles and interests in and to each of the Inventions, and the Consultant further agrees to deliver to the Company any and all drawings, notes, specifications and data relating to each of 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 and all of the 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.

(c) Company Documentation. The Consultant shall hold for the benefit of the Company all documentation, programs, data, records, research materials, drawings, manuals, disks, reports, sketches, blueprints, letters, notes, notebooks and all other writings, electronic data, graphics and tangible information and materials of a secret, confidential or proprietary information nature relating to the Company or the Company's business that are, at any time, in the possession or under the control of the Consultant.

7. Injunctive Relief. The Consultant acknowledges that the Consultant's compliance with the agreements in Sections 5 and 6 hereof is necessary to protect the good will 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 technology and is conversant with the Company's affairs, its trade secrets and other proprietary information. The Consultant acknowledges that a breach of the Consultant's agreements in Sections 5 and 6 hereof will result in irreparable and continuing damage to the Company for which there will be no adequate remedy at law; and the Consultant agrees that, in the event of any breach of the aforesaid agreements, the Company and its successors and assigns shall be entitled to injunctive relief and to such other and further relief as may be proper.

8. Certain Representations, Warranties and Agreements of the Consultant. The Consultant hereby represents and warrants to the Company that: (a) the Consultant is not a party to or otherwise subject to any agreements or restrictions that would prohibit the Consultant from entering into this Agreement and carrying out the transactions contemplated by this Agreement in accordance with the terms hereof, and this Agreement and the transactions contemplated hereby will not infringe or conflict with, and are not inconsistent with, the rights of any other person or entity; and (b) the Consultant is not: (i) an individual who has been debarred by the U.S. Food and Drug Administration (the "FDA") pursuant to 21 U.S.C. 335a (a) or (b) (a "Debarred Individual") from providing services in any capacity to a person that has an approved or pending drug product application, or (ii) an employer, employee or partner of a Debarred Individual.

9. 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.

10. Supersedes Other Agreements. This Agreement supersedes and is in lieu of any and all other consulting, employment and compensation arrangements between the Consultant and the Company, but shall not supersede any existing confidentiality, nondisclosure or invention assignment agreements between the Consultant and the Company.

11. Independent Contractor. The parties intend that the Consultant shall render services hereunder as an independent contractor, and nothing herein shall be construed to be inconsistent with this relationship or status. The Consultant shall not be entitled to any benefits paid by the Company to its employees. The Consultant shall be solely responsible for any tax consequences applicable to the Consultant by reason of this Agreement and the relationship established hereunder, and the Company shall not be responsible for the payment of any federal, state or local taxes or contributions imposed under any employment insurance, social security, income tax or other tax law or regulation with respect to the Consultant's performance of consulting services hereunder.

12. Amendments. Any amendment to this Agreement shall be made in writing and signed by the parties hereto.

13. Enforceability. If any provision of this Agreement shall be invalid or unenforceable, in whole or in part, then such provision shall be deemed to be modified or restricted to the extent and in the manner necessary to render the same valid and enforceable, or shall be deemed excised from this Agreement, as the case may require, and this Agreement shall be construed and enforced to the maximum extent permitted by law as if such provision had been originally incorporated herein as so modified or restricted or as if such provision had not been originally incorporated herein, as the case may be.

14. Construction. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Delaware.

15. Assignment. The rights and obligations of the Company under this Agreement shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company. This Agreement and the obligations created hereunder may not be assigned by the Consultant.

16. Notices. All notices, requests, consents and other communications hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or duly sent by certified mail, postage prepaid; by an overnight delivery service, charges prepaid; or by confirmed telecopy; addressed to such party at the address set forth below or such other address as may hereafter be designated in writing by the addressee to the addressor:

If to the Company:

MELA Sciences, Inc.
100 Lakeside Drive, Suite 100
Horsham, PA 19044
Attention: Chair, Nominating and Governance Committee

If to the Consultant, at the address set forth on the signature page.

Any party may from time to time change such party's address for the purpose of notices to that party by a similar notice specifying a new address, but no such change shall be deemed to have been given until it is actually received by the party sought to be charged with its contents.

17. Waivers. No claim or right arising out of a breach or default under this Agreement shall be discharged in whole or in part by a waiver of that claim or right unless the waiver is supported by consideration and is in writing and executed by the aggrieved party hereto or such party's duly authorized agent. A waiver by any party hereto of a breach or default by the other party hereto of any provision of this Agreement shall not be deemed a waiver of future compliance therewith, and such provisions shall remain in full force and effect.

18. Counterparts; Facsimile or Electronic Transmission. This Agreement may be exercised by the parties in separate counterparts, each of which shall be an original and both of which, taken 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, this Agreement has been executed by the parties as of the date first above written.

MELA SCIENCES, INC.

By:/s/ David K. Stone
David K. Stone, Chair
Nominating and Governance Committee

/s/ Jeffrey F. O'Donnell, Sr.
Jeffrey F. O'Donnell, Sr.

Consultant's Address:

126 Rossmore Drive
Malvern, PA 19355

EXHIBIT A

Services:

The Consultant shall provide the following consulting services to the Company: strategic support, advice and guidance to the Company and its management team in connection with the integration and operation of the Company's expanded business, investor relations and internal and external business development activities.

The Consultant shall make himself available to consult with the Company's President and Chief Executive Officer, and other members of its management team, on request at mutually convenient times, throughout the term of this Agreement.

The Consultant shall report to the Board of Directors on at least a quarterly basis, and otherwise when requested by the Board, regarding the time devoted by the Consultant to the performance of the Services and a description of the specific Services performed during the period since his prior report.

Consulting Fees:

The Consultant shall be paid (i) an upfront payment of $40,000 within five business days after the date of this Agreement for his advice and services prior to the date of this Agreement and (ii) a retainer in the amount of $10,000 per month, commencing November 10, 2015 and continuing on the tenth day of each month thereafter through June 10, 2016.

EXHIBIT 10.3

CONSULTING AGREEMENT

CONSULTING AGREEMENT effective as of November 4, 2015 between MELA Sciences, Inc. (the "Company"), a Delaware corporation, and Samuel E. Navarro (the "Consultant").

Recitals:

The Consultant is a member of the Company's Board of Directors and serves on the Transaction Committee of the Board. He has longstanding experience and extensive contacts in the medical device industry.

Following the Company's acquisition of the XTRAC excimer laser and VTRAC excimer lamp businesses in June 2015, the Consultant has devoted a considerable amount of time and effort to provide strategic support and guidance to the Company and its senior management in connection with the integration and operation of the Company's expanded business.

The parties wish to enter into this Agreement to set forth the basis on which the Consultant will continue to provide such support to the Company and its senior management as a consultant to the Company and with respect to certain other matters in connection with such engagement, all as set forth more fully in this Agreement.

NOW, THEREFORE, in consideration of the premises and covenants set forth herein, and intending to be legally bound hereby, the parties to this Agreement hereby agree as follows:

1. Engagement. The Company hereby engages the Consultant as a consultant to the Company, and the Consultant hereby accepts such engagement, on the terms and conditions set forth in this Agreement.

2. Duties. As a consultant to the Company, the Consultant agrees to perform the services described on Exhibit A. The Consultant shall report to the Board of Directors of the Company or its designee.

3. Term. The term of the Consultant's engagement hereunder shall commence on the effective date of this Agreement and shall continue in effect through June 30, 2016. The parties may renew this Agreement thereafter upon their mutual written agreement. This Agreement shall terminate immediately if the Consultant ceases to serve as a member of the Company's Board of Directors.

4. Compensation.

(a) Consulting Fees. In consideration of the services performed and to be performed hereunder, the Consultant shall be paid the consulting fees set forth on Exhibit A.

(b) Reimbursement of Expenses. The Consultant shall be reimbursed for out-of-pocket expenses reasonably incurred by the Consultant in performing the consulting services contemplated by this Agreement, provided that such expenses are pre-approved by the Company, documented and submitted in accordance with the reimbursement policies of the Company as in effect from time to time.

(c) Entire Compensation. The compensation provided for in this Section 4 shall constitute full payment for the services to be rendered by the Consultant to the Company as a consultant pursuant to this Agreement.

5. Non-Disclosure.

(a) Confidentiality and Non-Use Obligations. The Consultant acknowledges that, in the course of performing services for the Company, the Consultant may obtain knowledge of the Company's inventions, discoveries, know-how, trade secrets, business plans, products, processes, software, formulas, methods, models, prototypes, materials, disclosures, contractor and supplier lists, names and positions of employees and/or other proprietary and/or confidential information (collectively, the "Confidential Information"). The Consultant agrees to keep the Confidential Information secret and confidential and not to publish, disclose or divulge any confidential information to any other person, or use any confidential information for the Consultant's own benefit or to the detriment of the Company, or for any purpose other than in connection with the performance of consulting services to the Company, without the prior written consent of the Company, whether or not such Confidential Information was discovered or developed by the Consultant. The Consultant also agrees not to divulge, publish or use any proprietary and/or confidential information of others that the Company is obligated to maintain in confidence.

(b) Exclusions. The restrictions on use and disclosure of the Confidential Information set forth in this Agreement shall not apply to any portion of the Confidential Information that: (i) is at the time of disclosure or thereafter becomes generally available to the public other than as a result of disclosure by the Consultant; (ii) becomes available to the Consultant on a non-confidential basis from a source other than the Company that has represented to the Consultant (and regarding which the Consultant reasonably believes) that such source is entitled to disclose it; (iii) was known to or in the possession of the Consultant immediately prior to the time of disclosure as evidenced by the Consultant's records and files at such time; or (iv) is independently developed or acquired by the Consultant without use of or reference to the Company's Information, as evidenced by documentation or other evidence in the Consultant's possession.

6. Inventions and Discoveries.

(a) Disclosure. The 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 the Consultant (whether or not at the request or upon the suggestion of the Company), solely or jointly with others, during the course of performing services for the Company as a consultant or that are

otherwise made by the Consultant through the use of the Company's time, facilities or materials (the foregoing being hereinafter referred to collectively as the "Inventions").

(b) Assignment and Transfer. The Consultant hereby assigns and transfers to the Company all of the Consultant's rights, titles and interests in and to each of the Inventions, and the Consultant further agrees to deliver to the Company any and all drawings, notes, specifications and data relating to each of 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 and all of the 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.

(c) Company Documentation. The Consultant shall hold for the benefit of the Company all documentation, programs, data, records, research materials, drawings, manuals, disks, reports, sketches, blueprints, letters, notes, notebooks and all other writings, electronic data, graphics and tangible information and materials of a secret, confidential or proprietary information nature relating to the Company or the Company's business that are, at any time, in the possession or under the control of the Consultant.

7. Injunctive Relief. The Consultant acknowledges that the Consultant's compliance with the agreements in Sections 5 and 6 hereof is necessary to protect the good will 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 technology and is conversant with the Company's affairs, its trade secrets and other proprietary information. The Consultant acknowledges that a breach of the Consultant's agreements in Sections 5 and 6 hereof will result in irreparable and continuing damage to the Company for which there will be no adequate remedy at law; and the Consultant agrees that, in the event of any breach of the aforesaid agreements, the Company and its successors and assigns shall be entitled to injunctive relief and to such other and further relief as may be proper.

8. Certain Representations, Warranties and Agreements of the Consultant. The Consultant hereby represents and warrants to the Company that: (a) the Consultant is not a party to or otherwise subject to any agreements or restrictions that would prohibit the Consultant from entering into this Agreement and carrying out the transactions contemplated by this Agreement in accordance with the terms hereof, and this Agreement and the transactions contemplated hereby will not infringe or conflict with, and are not inconsistent with, the rights of any other person or entity; and (b) the Consultant is not: (i) an individual who has been debarred by the U.S. Food and Drug Administration (the "FDA") pursuant to 21 U.S.C. 335a (a) or (b) (a "Debarred Individual") from providing services in any capacity to a person that has an approved or pending drug product application, or (ii) an employer, employee or partner of a Debarred Individual.

9. 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.

10. Supersedes Other Agreements. This Agreement supersedes and is in lieu of any and all other consulting, employment and compensation arrangements between the Consultant and the Company, but shall not supersede any existing confidentiality, nondisclosure or invention assignment agreements between the Consultant and the Company.

11. Independent Contractor. The parties intend that the Consultant shall render services hereunder as an independent contractor, and nothing herein shall be construed to be inconsistent with this relationship or status. The Consultant shall not be entitled to any benefits paid by the Company to its employees. The Consultant shall be solely responsible for any tax consequences applicable to the Consultant by reason of this Agreement and the relationship established hereunder, and the Company shall not be responsible for the payment of any federal, state or local taxes or contributions imposed under any employment insurance, social security, income tax or other tax law or regulation with respect to the Consultant's performance of consulting services hereunder.

12. Amendments. Any amendment to this Agreement shall be made in writing and signed by the parties hereto.

13. Enforceability. If any provision of this Agreement shall be invalid or unenforceable, in whole or in part, then such provision shall be deemed to be modified or restricted to the extent and in the manner necessary to render the same valid and enforceable, or shall be deemed excised from this Agreement, as the case may require, and this Agreement shall be construed and enforced to the maximum extent permitted by law as if such provision had been originally incorporated herein as so modified or restricted or as if such provision had not been originally incorporated herein, as the case may be.

14. Construction. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Delaware.

15. Assignment. The rights and obligations of the Company under this Agreement shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company. This Agreement and the obligations created hereunder may not be assigned by the Consultant.

16. Notices. All notices, requests, consents and other communications hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or duly sent by certified mail, postage prepaid; by an overnight delivery service, charges prepaid; or by confirmed telecopy; addressed to such party at the address set forth below or such other address as may hereafter be designated in writing by the addressee to the addressor:

If to the Company:

MELA Sciences, Inc.
100 Lakeside Drive, Suite 100
Horsham, PA 19044
Attention: Chair, Nominating and Governance Committee

If to the Consultant, at the address set forth on the signature page.

Any party may from time to time change such party's address for the purpose of notices to that party by a similar notice specifying a new address, but no such change shall be deemed to have been given until it is actually received by the party sought to be charged with its contents.

17. Waivers. No claim or right arising out of a breach or default under this Agreement shall be discharged in whole or in part by a waiver of that claim or right unless the waiver is supported by consideration and is in writing and executed by the aggrieved party hereto or such party's duly authorized agent. A waiver by any party hereto of a breach or default by the other party hereto of any provision of this Agreement shall not be deemed a waiver of future compliance therewith, and such provisions shall remain in full force and effect.

18. Counterparts; Facsimile or Electronic Transmission. This Agreement may be exercised by the parties in separate counterparts, each of which shall be an original and both of which, taken 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, this Agreement has been executed by the parties as of the date first above written.

MELA SCIENCES, INC.

By:/s/ David K. Stone
David K. Stone, Chair
Nominating and Governance Committee

/s/ Samuel E. Navarro
Samuel E. Navarro

Consultant's Address:

EXHIBIT A

Services:

The Consultant shall provide the following consulting services to the Company: strategic support, advice and guidance to the Company and its management team in connection with the integration and operation of the Company's expanded business, investor relations and internal and external business development activities.

The Consultant shall make himself available to consult with the Company's President and Chief Executive Officer, and other members of its management team, on request at mutually convenient times, throughout the term of this Agreement.

The Consultant shall report to the Board of Directors on at least a quarterly basis, and otherwise when requested by the Board, regarding the time devoted by the Consultant to the performance of the Services and a description of the specific Services performed during the period since his prior report.

Consulting Fees:

The Consultant shall be paid (i) an upfront payment of $40,000 within five business days after the date of this Agreement for his advice and services prior to the date of this Agreement and (ii) a retainer in the amount of $10,000 per month, commencing November 10, 2015 and continuing on the tenth day of each month thereafter through June 10, 2016.

EXHIBIT 10.4

TRANSITION AGREEMENT AND RELEASE

* * * * *

This Transition Agreement and Release ("Agreement") is made as of the 10th day of November, 2015, by and between MELA Sciences, Inc. (hereinafter "COMPANY") and Robert W. Cook (hereinafter "EMPLOYEE").

WHEREAS, EMPLOYEE has been employed by the COMPANY in the position of Chief Financial Officer pursuant to an Employment Agreement dated April 4, 2014 (the "Employment Agreement");

WHEREAS, EMPLOYEE also has served the COMPANY in the roles of Treasurer and Corporate Secretary;

WHEREAS, effective November 9, 2015, EMPLOYEE resigned from the positions of Chief Financial Officer, Treasurer and Corporate Secretary;

WHEREAS, EMPLOYEE will remain employed by the COMPANY in the position of Senior Financial Advisor and will provide transition services to the COMPANY in that capacity until January 15, 2016;

WHEREAS, EMPLOYEE's employment with the COMPANY shall end as of January 15, 2016 (the "Separation Date");

WHEREAS, EMPLOYEE and the COMPANY wish to agree on matters relating to EMPLOYEE's continued employment with the COMPANY through the Separation Date, and on matters relating to the end of EMPLOYEE's employment with the COMPANY, on the terms set forth herein; and

NOW THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, and fully intending to be legally bound hereby, EMPLOYEE and the COMPANY agree as follows:

Section 1: Payments and Benefits to EMPLOYEE

(a) Severance Payments

In consideration for the execution of this Agreement and the Agreement referenced in Section 3(a) below, the COMPANY shall pay EMPLOYEE an amount equal to his current Base Salary from the Separation Date through October 6, 2016, less applicable tax deductions and withholdings ("Severance Pay"). The Severance Pay shall be paid in equal installments in accordance with the COMPANY's prevailing payroll practices, beginning on the first regular payroll date following the Effective Date of the Agreement referenced in Section 3(a) below.

(b) Transition Payment

In consideration for the execution of this Agreement, the COMPANY shall provide to EMPLOYEE a one-time lump sum transition payment in the amount of Twenty Thousand Eight Hundred Thirty-Three Dollars and Thirty-Three Cents ($20,833.33), equal to one month of EMPLOYEE's current base salary, less applicable tax deductions and withholdings. This one-time lump sum payment shall be made on the first regular monthly payroll date in 2016.

(c) Consideration and Value

The parties acknowledge that the payments set forth above in Section 1(a) and (b) represent amounts and terms in addition to anything of value to which EMPLOYEE is otherwise entitled and represents good, valuable, and sufficient consideration for the mutual promises and duties set forth in this Agreement.

Section 2: Complete Release by EMPLOYEE

(a) In General

For and in consideration of the payments and promises contemplated by Section 1 of this Agreement and for other good and valuable consideration as more fully described herein, the receipt and adequacy of which is hereby acknowledged, EMPLOYEE hereby irrevocably and unconditionally releases, waives, and forever discharges all the Claims described in Section 2(b) that EMPLOYEE may now have against the Released Parties listed in Section 2(d) up to the date of this Agreement. However, EMPLOYEE does not release the right to enforce this Agreement or any rights EMPLOYEE may have for the continuation of health insurance coverage under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), nor does EMPLOYEE release claims under federal, state or local laws providing workers' compensation benefits or accrued benefits under an employee benefit plan of the COMPANY. EMPLOYEE acknowledges that EMPLOYEE will not be entitled to receive the monies payable under Section 1(a) and (b) unless EMPLOYEE signs and does not revoke this Agreement.

(b) Claims Released

Subject only to the exceptions noted in Section 2(a) above, EMPLOYEE hereby releases all known and unknown claims, promises, causes of action, or similar rights of any type that EMPLOYEE may have ("Claims") with respect to any Released Party listed in Section 2(d). These include, but are not limited to, any and all Claims that in any way relate to: (i) EMPLOYEE'S employment with COMPANY, or EMPLOYEE's separation from that employment, such as Claims for compensation, bonuses, commissions, incentive payments, lost wages, or unused accrued vacation or sick pay; (ii) any Claims or rights EMPLOYEE may have to severance or similar benefits; and/or (iii) any Claims to attorneys' fees, costs, or other indemnities. EMPLOYEE understands that the Claims EMPLOYEE is releasing might arise under many different laws, including but not limited to the following:

Antidiscrimination statutes, such as Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866 (42 U.S.C. 1981), and Executive Order 11246, which prohibit discrimination based on race, color, national origin, religion, or sex; the Americans with Disabilities Act and Sections 503 and 504 of the Rehabilitation Act of 1973, which prohibit discrimination against individuals with disabilities; the Age Discrimination in Employment Act (ADEA), 29 U.S.C. § 621 et seq., which prohibits discrimination based on age; the Genetic Information Non-Discrimination Act, which prohibits discrimination based on genetic information; the National Labor Relations Act; the Equal Pay Act; the Pennsylvania Human Relations Act; the Pennsylvania Equal Pay Law; and any and all other federal, state or local laws, rules, regulations, constitutions, ordinances or public policies, whether known or unknown, prohibiting employment discrimination.

Employment statutes, such as the Worker Adjustment Retraining and Notification (WARN) Act; the Employee Retirement Income Security Act of 1974 (ERISA) which, among other things, protects employee benefits; the Fair Labor Standards Act of 1938, which regulates wage and hour matters; the National Labor Relations Act, which protects forms of concerted activity; the Family and Medical Leave Act of 1993, which requires employers to provide leaves of absence under certain circumstances; the Pennsylvania Wage Payment and Collection Law; the Pennsylvania Minimum Wage Act of 1968, as amended; and any and all other federal, state or local laws, rules, regulations, constitutions, ordinances or public policies, whether known or unknown relating to employment laws, such as veterans' reemployment rights laws.

Other laws, such as federal, state, or local laws restricting an employer's right to terminate employees, or otherwise regulating employment; any federal, state, or local law enforcing express or implied employment contracts or requiring an employer to deal with employees fairly or in good faith; any other federal, state, or local laws providing recourse for alleged wrongful discharge, physical or personal injury, emotional distress, assault, battery, false imprisonment, fraud, negligent misrepresentation, defamation, and similar or related claims.

The laws referred to in this subsection include statutes, regulations, other administrative guidance, and common law doctrines.

(c) Unknown Claims

EMPLOYEE understands that EMPLOYEE is releasing Claims that EMPLOYEE may not know about, and that is EMPLOYEE's intent. EMPLOYEE expressly waives all rights EMPLOYEE might have under any law that is intended to prevent unknown claims from being released. EMPLOYEE understands the significance of doing so.

(d) Released Parties

The "Released Parties" or "Releasees" are the COMPANY, all related companies, partnerships, or joint ventures, parents and subsidiaries, and affiliates, and with respect to each of them, all of the COMPANY's or such related entities' predecessors and successors, and, with respect to each such entity, all of its past and present employees, officers, directors, stockholders, owners, representatives, assigns, attorneys, agents, insurers, employee

benefit plans or programs (and the trustees, administrators, fiduciaries, and insurers of such plans or programs), and any other persons acting by, through, under, or in concert with any of the persons or entities listed in this subsection.

Section 3: EMPLOYEE's Promises and Representations

(a) Additional Release

For and in consideration of the payments contemplated by Section 1(a) of this Agreement and for other good and valuable consideration as more fully described herein, the receipt and adequacy of which is hereby acknowledged, EMPLOYEE hereby agrees to sign and not revoke a Severance Agreement and Release, in the form attached hereto as Exhibit "A," following the Separation Date. EMPLOYEE acknowledges that if EMPLOYEE does not sign and not revoke such a Severance Agreement and Release following the Separation Date, EMPLOYEE shall not be entitled to receive the payments contemplated by Section 1(a) of this Agreement.

(b) Pursuit of Released Claims and Forfeiture in the Event of Breach

EMPLOYEE represents that EMPLOYEE will not in the future file any lawsuit or civil complaint against any of the Released Parties based on the claims released in this Agreement. EMPLOYEE agrees that in the event EMPLOYEE files any civil complaint or commences any litigation of any kind that is covered by the Release in this Agreement, EMPLOYEE shall pay all of the attorneys' fees, expenses and costs incurred by Releasees in responding to such action including, but not limited to, any consequential damages that Releasees, or any of them, may suffer or incur. The COMPANY shall also have the right of set-off against any obligation to EMPLOYEE under this Agreement including, but not limited to, the obligations set forth under Section 1(a) above. As required by regulations issued by the Equal Employment Opportunity Commission, the provisions of this Section 3(b) do not apply with respect to a claim under the ADEA. This Section is subject to the exceptions described in Section 3(c) below.

(c) Exceptions Related to Employee's Promises and Representations.

(i) None of EMPLOYEE's obligations or restrictions in this Agreement apply to EMPLOYEE's communications with any governmental agency or commission, communications with EMPLOYEE's attorney, or EMPLOYEE's ability to file any claims with any governmental agency or commission including, but not limited to, the Equal Employment Opportunity Commission. Nothing in this Agreement is intended to or shall be interpreted to: (i) restrict or otherwise interfere with EMPLOYEE's obligation to testify truthfully in any forum; or (ii) restrict or otherwise interfere with EMPLOYEE's right and/or obligation to contact, cooperate with, file a claim with, or provide information to any government agency or commission. Notwithstanding the foregoing, EMPLOYEE's release of Claims does prevent EMPLOYEE, to the maximum extent permitted by law, from obtaining in connection with any agency, commission or court proceeding, any monetary or other personal relief including, but not limited to, personal injunctive relief, for any of the Claims EMPLOYEE has released.

(ii) Nothing set forth in this Agreement is intended to prohibit EMPLOYEE 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. EMPLOYEE is entitled to make reports and disclosures or otherwise take action under this Section 3(c)(ii) without the prior authorization from or subsequent notification to the COMPANY and may do so with the express understanding that the COMPANY shall not engage in or tolerate retaliation of any kind. EMPLOYEE is entitled to make reports and disclosures or otherwise take action under this Section 3(c)(ii) without fear of retaliation of any kind by the COMPANY.

(d) Ownership of Claims

EMPLOYEE affirms that EMPLOYEE has not assigned or transferred any Claim against the COMPANY or any Released Party, nor has EMPLOYEE purported to do so.

(e) Nonadmission of Liability

EMPLOYEE agrees that the payments made and other consideration received pursuant to this Agreement are not to be construed as an admission of legal liability by COMPANY and that no person or entity shall utilize this Agreement or the consideration received pursuant to this Agreement as evidence of any admission of liability since COMPANY expressly denies liability. EMPLOYEE agrees not to assert that this Agreement is an admission of guilt or wrongdoing and acknowledges that the Released Parties do not believe or admit that any of them has done anything wrong.

(f) Confidentiality

EMPLOYEE agrees not to divulge or reveal at any time for any reason to any third party any of the facts, details, allegations or circumstances surrounding this Agreement including, but not limited to, the amount of any consideration paid or payable hereunder, with the exception that EMPLOYEE may disclose the terms of or the existence of this Agreement to EMPLOYEE's spouse, attorney, financial advisor, or accountant, provided that the recipient of such information agrees to abide by the terms of confidentiality, non-disclosure, and non-disparagement in this Agreement or as is necessary to comply with the law or governmental regulations. This Section is subject to the exceptions described in Section 3(c) above.

(g) Non-Disclosure of Confidential Information

EMPLOYEE acknowledges that during the course of employment with the COMPANY, EMPLOYEE had access to and received proprietary and confidential information relating to the COMPANY and its clients or its affiliates including, but not limited to, information relating to the operations, finances and business plans of the COMPANY, and that EMPLOYEE will continue to have access to such information during the Transition Period.

EMPLOYEE covenants that EMPLOYEE will continue to maintain the confidentiality of that information.

Section 4: Consideration for Release

EMPLOYEE acknowledges that EMPLOYEE has voluntarily signed this Agreement in exchange for the benefits that will be received because EMPLOYEE signed this Agreement, and that the benefits EMPLOYEE is receiving by signing this Agreement are in addition to anything of value to which EMPLOYEE is otherwise entitled. EMPLOYEE acknowledges that EMPLOYEE is signing this Agreement freely and voluntarily and that no one pressured EMPLOYEE into signing this Agreement. EMPLOYEE acknowledges that, before signing this Agreement: (a) EMPLOYEE carefully read this Agreement; (b) EMPLOYEE fully understood it; (c) it is written in a manner that is understandable to EMPLOYEE; and (d) EMPLOYEE is entering into it voluntarily.

Section 5: Miscellaneous

(a) Modification of Employment Agreement

By this Agreement, EMPLOYEE and the COMPANY agree to modify the Employment Agreement by deleting Section 5(e) of the Employment Agreement in its entirety.

(b) Cash Bonus Relating to Fiscal Year 2015

EMPLOYEE acknowledges and agrees that EMPLOYEE shall not be eligible for a Cash Bonus (as set forth in Section 3(c) of the Employment Agreement) relating to fiscal year 2015.

(c) Entire Agreement

This Agreement, the Employment Agreement (as modified by Section 5(a) above), EMPLOYEE's Nondisclosure, Proprietary Information and Developments Agreement with the COMPANY, and EMPLOYEE's Indemnification Agreement with the COMPANY are the entire agreement between EMPLOYEE and the COMPANY. This Agreement may not be modified or canceled in any manner except by a writing signed by both EMPLOYEE and an authorized COMPANY official. EMPLOYEE acknowledges that the COMPANY has made no promises, assurances, or representations of any kind to EMPLOYEE other than those explicitly contained in this Agreement. If any provision in this Agreement is found to be unenforceable, all other provisions will remain fully enforceable.

(d) Successors

This Agreement binds EMPLOYEE's heirs, administrators, representatives, executors, successors, and assigns, and will inure to the benefit of all Released Parties and their respective heirs, administrators, representatives, executors, successors, and assigns.

(e) Consideration Period

EMPLOYEE acknowledges that the COMPANY has advised EMPLOYEE to consult with an attorney prior to executing this Agreement. EMPLOYEE also acknowledges that EMPLOYEE has been given a period of twenty-one (21) days within which to consider the Agreement. For a period of seven (7) days following the execution of this Agreement, EMPLOYEE may revoke the Agreement. For the revocation to be effective, EMPLOYEE must send a certified letter to Michael R. Stewart, MELA Sciences, Inc., 100 Lakeside Drive, Suite 100, Horsham, PA 19044. The letter must be post-marked within seven (7) days of EMPLOYEE's 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. This Agreement shall not become effective or enforceable until both parties have signed the Agreement and the revocation period has expired, and the last date of the revocation period shall be the Effective Date of this Agreement (the "Effective Date").

(f) Severability

Should any clause of this Agreement be found to be in violation of law, or ineffective or barred for any reason whatsoever, the remainder of the Agreement shall be in full force and effect; provided, however, that if any release, waiver or agreement set forth in this Agreement is declared to be invalid, illegal or unenforceable in whole in or in part, COMPANY shall have the right to elect to consider its obligations under this Agreement to be nullified and in such case, any payments or benefits that had been or were to be afforded under this Agreement shall be returned to COMPANY with interest, provided further, however, that this right shall be inapplicable in any matter regarding the ADEA.

(g) Interpretation and Governing Law

This Agreement shall be construed as a whole according to its fair meaning. It shall not be construed strictly for or against EMPLOYEE, the COMPANY, or any Released Party. This Agreement shall be governed by the statutes and common law of the Commonwealth of Pennsylvania excluding its choice of law statutes and common law.

(h) Knowing and Voluntary

EMPLOYEE affirms that EMPLOYEE has carefully read the foregoing Agreement, that EMPLOYEE fully understands the meaning and intent of this document, that EMPLOYEE has signed this Agreement voluntarily and knowingly, and that EMPLOYEE intends to be bound by the promises contained in this Agreement for the aforesaid consideration. EMPLOYEE acknowledges that EMPLOYEE is signing this Agreement freely and voluntarily and that no one pressured EMPLOYEE into signing this Agreement.

TAKE THIS TRANSITION AGREEMENT AND RELEASE HOME, READ IT, AND CAREFULLY CONSIDER ALL OF ITS PROVISIONS BEFORE SIGNING IT: IT INCLUDES A RELEASE OF KNOWN AND UNKNOWN CLAIMS.

IN WITNESS WHEREOF and intending to be legally bound, EMPLOYEE and the COMPANY have executed this Agreement on the dates indicated below:

	/s/ Robert W. Cook	November 10, 2015
	Robert W. Cook	Date
	FOR MELA SCIENCES, INC.	
	/s/ Michael R. Stewart	November 10, 2015
By:	**Michael R. Stewart**	Date
Title:	**Title: Chief Executive Officer**	

EXHIBIT A

SEVERANCE AGREEMENT AND RELEASE

* * * * *

This Severance Agreement and Release ("Agreement") is made this ____ day of _____, 2016, by and between MELA Sciences, Inc. (hereinafter "COMPANY") and Robert W. Cook (hereinafter "EMPLOYEE").

WHEREAS, on _____, 2015, EMPLOYEE executed a Transition Agreement and Release (the "Transition Agreement"), pursuant to which EMPLOYEE agreed to execute this Agreement following the conclusion of EMPLOYEE's employment with the COMPANY;

WHEREAS, EMPLOYEE's employment with COMPANY ended as of January 15, 2016 (the "Separation Date");

WHEREAS, EMPLOYEE and COMPANY wish to agree on matters relating to the end of EMPLOYEE's employment with COMPANY on the terms set forth herein; and

NOW THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, and fully intending to be legally bound hereby, EMPLOYEE and COMPANY agree as follows:

Section 1: Payments and Benefits to EMPLOYEE

(a) *Severance Payments*

In consideration for the execution of this Agreement, the COMPANY shall pay EMPLOYEE an amount equal to his current Base Salary from the Separation Date through October 6, 2016, less applicable tax deductions and withholdings ("Severance Pay"). The Severance Pay shall be paid in equal installments in accordance with the COMPANY's prevailing payroll practices, beginning on the first regular payroll date following the Effective Date of this Agreement, as defined in Section 5(c) below.

(b) *COBRA Premium Payments*

In consideration for the execution of this Agreement, the COMPANY shall pay the same portion of the monthly premium for EMPLOYEE's continued participation in the Company's group health coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act ("COBRA") through November 6, 2016, as if EMPLOYEE was still employed by the COMPANY, provided that: (i) EMPLOYEE is eligible for and timely elects to receive COBRA coverage; and (ii) EMPLOYEE pays the remaining portion of the premium on a timely basis. Thereafter, EMPLOYEE's continued participation in the COMPANY's group health coverage pursuant to COBRA shall be at EMPLOYEE's sole expense.

(c) *Other Earned Compensation*

The parties agree that EMPLOYEE shall be reimbursed for all bona-fide business-related expenses incurred by EMPLOYEE prior to the date of EMPLOYEE's termination of employment with COMPANY, and for which EMPLOYEE has submitted appropriate and necessary receipts (or other documentation as may be required by COMPANY) on or before the date EMPLOYEE signs this Agreement, in accordance with the prevailing practices and policies of COMPANY, less any and all amounts owed to COMPANY for personal expenses. The parties also agree that EMPLOYEE shall be paid for his accrued but unused vacation hours as of December 31, 2015, if any, less applicable tax deductions and withholdings.

EMPLOYEE acknowledges that, other than the foregoing payments described in this Section, EMPLOYEE has received payment in full of all of the compensation, wages, benefits and/or payments of any kind otherwise due EMPLOYEE from the COMPANY, including, but not limited to, compensation, bonuses, commissions, lost wages, expense reimbursements, payments to benefit plans or unused accrued vacation, personal, or severance pay.

(d) *Consideration and Value*

The parties acknowledge that the payments and benefits set forth above in Section 1(a) and (b) represent amounts and terms in addition to anything of value to which EMPLOYEE is otherwise entitled and represents good, valuable, and sufficient consideration for the mutual promises and duties set forth in this Agreement.

Section 2: Complete Release by EMPLOYEE

(a) *In General*

For and in consideration of the payments and promises contemplated by Section 1 of this Agreement and for other good and valuable consideration as more fully described herein, the receipt and adequacy of which is hereby acknowledged, EMPLOYEE hereby irrevocably and unconditionally releases, waives, and forever discharges all the Claims described in Section 2(b) that EMPLOYEE may now have against the Released Parties listed in Section 2(d) up to the date of this Agreement. However, EMPLOYEE does not release the right to enforce this Agreement or any rights EMPLOYEE may have for the continuation of health insurance coverage under COBRA, nor does EMPLOYEE release claims under federal, state or local laws providing workers' compensation benefits or accrued benefits under an employee benefit plan of COMPANY. EMPLOYEE acknowledges that EMPLOYEE will not be entitled to receive the monies and benefits payable under Section 1(a) and (b) unless EMPLOYEE signs and does not revoke this Agreement.

(b) *Claims Released*

Subject only to the exceptions noted in Section 2(a) above, EMPLOYEE hereby releases all known and unknown claims, promises, causes of action, or similar rights of any type that EMPLOYEE may have ("Claims") with respect to any Released Party listed in

Section 2(d). These include, but are not limited to, any and all Claims that in any way relate to: (i) EMPLOYEE'S employment with COMPANY, or EMPLOYEE's separation from that employment, such as Claims for compensation, bonuses, commissions, incentive payments, lost wages, or unused accrued vacation or sick pay; (ii) any Claims or rights EMPLOYEE may have to severance or similar benefits; and/or (iii) any Claims to attorneys' fees, costs, or other indemnities. EMPLOYEE understands that the Claims EMPLOYEE is releasing might arise under many different laws, including but not limited to the following:

Antidiscrimination statutes, such as Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866 (42 U.S.C. 1981), and Executive Order 11246, which prohibit discrimination based on race, color, national origin, religion, or sex; the Americans with Disabilities Act and Sections 503 and 504 of the Rehabilitation Act of 1973, which prohibit discrimination against individuals with disabilities; the Age Discrimination in Employment Act (ADEA), 29 U.S.C. § 621 et seq., which prohibits discrimination based on age; the Genetic Information Non-Discrimination Act, which prohibits discrimination based on genetic information; the National Labor Relations Act; the Equal Pay Act; the Pennsylvania Human Relations Act; the Pennsylvania Equal Pay Law; and any and all other federal, state or local laws, rules, regulations, constitutions, ordinances or public policies, whether known or unknown, prohibiting employment discrimination.

Employment statutes, such as the Worker Adjustment Retraining and Notification (WARN) Act; the Employee Retirement Income Security Act of 1974 (ERISA) which, among other things, protects employee benefits; the Fair Labor Standards Act of 1938, which regulates wage and hour matters; the National Labor Relations Act, which protects forms of concerted activity; the Family and Medical Leave Act of 1993, which requires employers to provide leaves of absence under certain circumstances; the Pennsylvania Wage Payment and Collection Law; the Pennsylvania Minimum Wage Act of 1968, as amended; and any and all other federal, state or local laws, rules, regulations, constitutions, ordinances or public policies, whether known or unknown relating to employment laws, such as veterans' reemployment rights laws.

Other laws, such as federal, state, or local laws restricting an employer's right to terminate employees, or otherwise regulating employment; any federal, state, or local law enforcing express or implied employment contracts or requiring an employer to deal with employees fairly or in good faith; any other federal, state, or local laws providing recourse for alleged wrongful discharge, physical or personal injury, emotional distress, assault, battery, false imprisonment, fraud, negligent misrepresentation, defamation, and similar or related claims.

The laws referred to in this subsection include statutes, regulations, other administrative guidance, and common law doctrines.

(c) Unknown Claims

EMPLOYEE understands that EMPLOYEE is releasing Claims that EMPLOYEE may not know about, and that is EMPLOYEE's intent. EMPLOYEE expressly waives all rights EMPLOYEE might have under any law that is intended to prevent unknown claims from being released. EMPLOYEE understands the significance of doing so.

(d) *Released Parties*

The "Released Parties" or "Releasees" are the COMPANY, all related companies, partnerships, or joint ventures, parents and subsidiaries, and affiliates, and with respect to each of them, all of the COMPANY's or such related entities' predecessors and successors, and, with respect to each such entity, all of its past and present employees, officers, directors, stockholders, owners, representatives, assigns, attorneys, agents, insurers, employee benefit plans or programs (and the trustees, administrators, fiduciaries, and insurers of such plans or programs), and any other persons acting by, through, under, or in concert with any of the persons or entities listed in this subsection.

Section 3: EMPLOYEE's Promises and Representations

(a) *Pursuit of Released Claims and Forfeiture in the Event of Breach*

EMPLOYEE represents that EMPLOYEE will not in the future file any lawsuit or civil complaint against any of the Released Parties based on the claims released in this Agreement. EMPLOYEE further represents that EMPLOYEE has not filed any lawsuit or civil complaint against any of the Released Parties based on the claims released in the Transition Agreement. EMPLOYEE agrees that in the event EMPLOYEE files any civil complaint or commences any litigation of any kind that is covered by the Release in this Agreement, EMPLOYEE shall pay all of the attorneys' fees, expenses and costs incurred by Releasees in responding to such action including, but not limited to, any consequential damages that Releasees, or any of them, may suffer or incur. The COMPANY shall also have the right of set-off against any obligation to EMPLOYEE under this Agreement including, but not limited to, the obligations set forth under Section 1(a) and (b) above. As required by regulations issued by the Equal Employment Opportunity Commission, the provisions of this Section 3(a) do not apply with respect to a claim under the ADEA. This Section is subject to the exceptions described in Section 3(b) below.

(b) *Exceptions Related to Employee's Promises and Representations.*

(i) None of EMPLOYEE's obligations or restrictions in this Agreement apply to EMPLOYEE's communications with any governmental agency or commission, communications with EMPLOYEE's attorney, or EMPLOYEE's ability to file any claims with any governmental agency or commission including, but not limited to, the Equal Employment Opportunity Commission. Nothing in this Agreement is intended to or shall be interpreted to: (i) restrict or otherwise interfere with EMPLOYEE's obligation to testify truthfully in any forum; or (ii) restrict or otherwise interfere with EMPLOYEE's right and/or obligation to contact, cooperate with, file a claim with, or provide information to any government agency or commission. Notwithstanding the foregoing, EMPLOYEE's release of Claims does prevent EMPLOYEE, to the maximum extent permitted by law, from obtaining in connection with any agency, commission or court proceeding, any monetary or other personal relief including, but not limited to, personal injunctive relief, for any of the Claims EMPLOYEE has released.

(ii) Nothing set forth in this Agreement is intended to prohibit EMPLOYEE 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. EMPLOYEE is entitled to make reports and disclosures or otherwise take action under this Section 3(b)(ii) without the prior authorization from or subsequent notification to the COMPANY and may do so with the express understanding that the COMPANY shall not engage in or tolerate retaliation of any kind. EMPLOYEE is entitled to make reports and disclosures or otherwise take action under this Section 3(b)(ii) without fear of retaliation of any kind by the COMPANY.

(c) Ownership of Claims

EMPLOYEE affirms that EMPLOYEE has not assigned or transferred any Claims against COMPANY or any Released Party, nor has EMPLOYEE purported to do so.

(d) Nonadmission of Liability

EMPLOYEE agrees that the payments made and other consideration received pursuant to this Agreement are not to be construed as an admission of legal liability by COMPANY and that no person or entity shall utilize this Agreement or the consideration received pursuant to this Agreement as evidence of any admission of liability since COMPANY expressly denies liability. EMPLOYEE agrees not to assert that this Agreement is an admission of guilt or wrongdoing and acknowledges that the Released Parties do not believe or admit that any of them has done anything wrong.

(e) Confidentiality

EMPLOYEE agrees not to divulge or reveal at any time for any reason to any third party any of the facts, details, allegations or circumstances surrounding this Agreement including, but not limited to, the amount of any consideration paid or payable hereunder, with the exception that EMPLOYEE may disclose the terms of or the existence of this Agreement to EMPLOYEE's spouse, attorney, financial advisor, or accountant, provided that the recipient of such information agrees to abide by the terms of confidentiality, non-disclosure, and non-disparagement in this Agreement or as is necessary to comply with the law or governmental regulations. This Section is subject to the exceptions described in Section 3(b) above.

(f) Return of Company Property

EMPLOYEE affirms that EMPLOYEE has returned to COMPANY, on or before the date EMPLOYEE signs this Agreement, all originals and copies of all files, memoranda, documents, records, credit cards, keys, electronically stored copies of the foregoing, and any and all other property of COMPANY, its clients or its affiliates in EMPLOYEE's possession or control, including but not limited to COMPANY's office equipment, such as computers and related equipment, pagers, blackberries, telephones, etc. EMPLOYEE further

agrees that EMPLOYEE will promptly notify COMPANY if EMPLOYEE discovers any files, memoranda, documents, records, credit cards, keys, electronically stored copies of the foregoing, and any and all other property of COMPANY and/or its clients in the future. Any such materials shall immediately be provided to COMPANY.

(g) Cooperation and Transition of Duties

EMPLOYEE agrees to fully cooperate in the transition of EMPLOYEE's duties and responsibilities as directed by COMPANY including, but not limited to, being available to meet or speak with the Chief Executive Officer and/or Board of Directors of COMPANY for a reasonable amount of time concerning the status of various projects and the locations of any files or other documents. EMPLOYEE also agrees to fully cooperate with the COMPANY and its affiliates or subsidiaries in any internal investigation or administrative, regulatory or judicial proceeding as reasonably requested by the COMPANY (including, without limitation, EMPLOYEE's being available to the COMPANY upon reasonable notice for interviews and factual investigations, appearing at the COMPANY's request to give testimony without requiring service of a subpoena or other legal process, volunteering to the COMPANY all pertinent information and turning over to the COMPANY all relevant documents which are in or may come into EMPLOYEE's possession). Nothing about the foregoing shall preclude EMPLOYEE from testifying truthfully in any forum or from providing truthful information to any government agency or commission. The COMPANY will reimburse EMPLOYEE for all reasonable out-of-pocket expenses incurred by EMPLOYEE as a result of such cooperation.

(h) Non-Disclosure of Confidential Information

EMPLOYEE acknowledges that during the course of employment with the COMPANY, EMPLOYEE had access to and received proprietary and confidential information relating to the COMPANY and its clients or its affiliates including, but not limited to, information relating to the operations, finances and business plans of the COMPANY. EMPLOYEE covenants that EMPLOYEE will continue to maintain the confidentiality of that information. EMPLOYEE further agrees to continue to abide by the confidentiality obligations more fully described in EMPLOYEE's Nondisclosure, Proprietary Information and Developments Agreement with the COMPANY (the "Nondisclosure Agreement").

(i) Post-Employment Obligations

EMPLOYEE agrees to continue to abide by all of EMPLOYEE's post-employment obligations as more fully described in Section 7 of EMPLOYEE's Employment Agreement with the COMPANY dated April 4, 2014, and these terms of the Employment Agreement survive the termination of EMPLOYEE's employment.

Section 4: Consideration for Release

EMPLOYEE acknowledges that EMPLOYEE has voluntarily signed this Agreement in exchange for the benefits that will be received because EMPLOYEE signed this Agreement, and that the benefits EMPLOYEE is receiving by signing this Agreement are in addition to anything of value to which EMPLOYEE is otherwise entitled. EMPLOYEE acknowledges that EMPLOYEE is signing this Agreement freely and voluntarily and that no one

pressured EMPLOYEE into signing this Agreement. EMPLOYEE acknowledges that, before signing this Agreement: (a) EMPLOYEE carefully read this Agreement; (b) EMPLOYEE fully understood it; (c) it is written in a manner that is understandable to EMPLOYEE; and (d) EMPLOYEE is entering into it voluntarily.

Section 5: Miscellaneous

(a) Entire Agreement

This Agreement, the Nondisclosure Agreement and EMPLOYEE's Indemnification Agreement with the COMPANY are the entire agreement between EMPLOYEE and the COMPANY. This Agreement may not be modified or canceled in any manner except by a writing signed by both EMPLOYEE and an authorized COMPANY official. EMPLOYEE acknowledges that the COMPANY has made no promises, assurances, or representations of any kind to EMPLOYEE other than those explicitly contained in this Agreement. If any provision in this Agreement is found to be unenforceable, all other provisions will remain fully enforceable.

(b) Successors

This Agreement binds EMPLOYEE's heirs, administrators, representatives, executors, successors, and assigns, and will inure to the benefit of all Released Parties and their respective heirs, administrators, representatives, executors, successors, and assigns.

(c) Consideration Period

EMPLOYEE acknowledges that the COMPANY has advised EMPLOYEE to consult with an attorney prior to executing this Agreement. EMPLOYEE also acknowledges that EMPLOYEE has been given a period of twenty-one (21) days within which to consider the Agreement. For a period of seven (7) days following the execution of this Agreement, EMPLOYEE may revoke the Agreement. For the revocation to be effective, EMPLOYEE must send a certified letter to Michael R. Stewart, MELA Sciences, Inc., 100 Lakeside Drive, Suite 100, Horsham, PA 19044. The letter must be post-marked within seven (7) days of EMPLOYEE's 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. This Agreement shall not become effective or enforceable until both parties have signed the Agreement and the revocation period has expired, and the last date of the revocation period shall be the Effective Date of this Agreement (the "Effective Date").

(d) Severability

Should any clause of this Agreement be found to be in violation of law, or ineffective or barred for any reason whatsoever, the remainder of the Agreement shall be in full force and effect; provided, however, that if any release, waiver or agreement set forth in this Agreement is declared to be invalid, illegal or unenforceable in whole in or in part, COMPANY shall have the right to elect to consider its obligations under this Agreement to be nullified and in such case, any payments or benefits that had been or were to be afforded under this Agreement

shall be returned to COMPANY with interest, provided further, however, that this right shall be inapplicable in any matter regarding the ADEA.

(e) *Interpretation and Governing Law*

This Agreement shall be construed as a whole according to its fair meaning. It shall not be construed strictly for or against EMPLOYEE, the COMPANY, or any Released Party. This Agreement shall be governed by the statutes and common law of the Commonwealth of Pennsylvania excluding its choice of law statutes and common law.

(f) *Knowing and Voluntary*

EMPLOYEE affirms that EMPLOYEE has carefully read the foregoing Agreement, that EMPLOYEE fully understands the meaning and intent of this document, that EMPLOYEE has signed this Agreement voluntarily and knowingly, and that EMPLOYEE intends to be bound by the promises contained in this Agreement for the aforesaid consideration. EMPLOYEE acknowledges that EMPLOYEE is signing this Agreement freely and voluntarily and that no one pressured EMPLOYEE into signing this Agreement.

TAKE THIS SEVERANCE AGREEMENT AND RELEASE HOME, READ IT, AND CAREFULLY CONSIDER ALL OF ITS PROVISIONS BEFORE SIGNING IT: IT INCLUDES A RELEASE OF KNOWN AND UNKNOWN CLAIMS.

IN WITNESS WHEREOF and intending to be legally bound, EMPLOYEE and COMPANY have executed this Agreement on the dates indicated below:

	Robert W. Cook	Date
	FOR MELA SCIENCES, INC.	
By:	**Michael R. Stewart**	Date
Title:	**Title: Chief Executive Officer**	

EXHIBIT 10.5

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, dated as of November 9, 2015 (this "Agreement"), by and between MELA Sciences, Inc. (the "Company"), a Delaware corporation, and Christina Allgeier ("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 set forth 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 9, 2015 (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 Chief Financial Officer, reporting to the Chief Executive Officer of the Company (the "CEO"). Employee shall have the normal duties, responsibilities, functions and authority as provided in the Company's bylaws and as customarily exercised by the chief financial officer of a company of similar size and nature as the Company, subject to the power and authority of the CEO and/or the Company's Board of Directors (the "Board"). Employee agrees to devote her full and entire business time, attention, skill and efforts to perform services for the Company and to faithfully and diligently discharge and fulfill her duties hereunder to the best of her abilities and shall be engaged in other business activities only to the extent that such other activities do not materially interfere or conflict with her obligations to the Company hereunder. In no event shall Employee's other business activities violate her 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, and (b) managing personal investments, so long as such activities are permitted under the Company's Code of Conduct and employment policies. Employee shall perform her 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) 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 Two Hundred Thousand Dollars ($200,000.00) 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) 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 thirty percent (30%) 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. 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.

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

(a) Employee shall be entitled 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 be entitled to vacation commencing with the 2016 fiscal year at the rate of four (4) weeks per year, taken consecutively or in segments, 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.

(d) During the Term, the Company shall pay Employee an automobile allowance of $1,000 per month.

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 of Employee's intention to terminate her 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 (10) 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 (10) 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 (10) 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) 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) if Employee has not been offered post-Change of Control employment by the Company or any successor entity, or if Employee is offered post-Change of Control employment by the Company or any successor entity, the position offered to Employee would result in a material reduction in Employee's duties, authority or responsibilities as in effect immediately prior to such Change of Control, or (B) Section 5(a)(vi), then the Company shall: (x) pay Employee her Base Salary and the amount of any Cash Bonus earned hereunder but unpaid through the date of such termination, and (y) (I) pay Employee severance in an amount equal to Employee's then current Base Salary for twelve (12) months payable in equal installments, less applicable taxes and withholdings, pursuant to the Company's normal payroll procedures over twelve (12) months as provided herein, and (II) 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"), reimburse Employee, 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: (a) the date that is twelve (12) months after the date of termination, and (b) the date Employee becomes eligible for health benefits through another employer or otherwise become ineligible for COBRA (the payments and benefits in this Section 5(e)(i) hereinafter collectively are referred to as the "Termination Benefits").

(ii) Any severance payments due under Section 5(e)(i) shall commence as soon as administratively feasible within sixty (60) days after Employee's termination of employment provided Employee has timely executed and returned the Release referred to in Section 5(e)(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 severance payments shall begin to be paid in the second calendar year. On the date that severance payments commence, the Company will pay Employee in a single lump sum payment, less applicable taxes and withholding, the severance payments 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 severance payments 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(e)(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 and any Cash Bonus 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 same 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.

(f) 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(f)), 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 twelve (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 eighteen (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 A, 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 her 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.

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

(f) 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.

(g) 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.

(h) 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.

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 Chief Executive Officer and 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 her 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 her or its right to discuss all aspects of this Agreement with her or its own attorney, that to the extent she or it wanted to talk to her or its attorney she or it has availed herself or itself of that right, that she or it has carefully read and fully understands all the provisions of this Agreement, and that she or it is knowingly and voluntarily entering into this Agreement and signing it of her 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:

MELA SCIENCES, INC.

By: /s/ Michael R. Stewart
Michael R. Stewart
Chief Executive Officer

EMPLOYEE:

/s/ Christina L. Allgeier
Christina L. Allgeier

Address:

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EXHIBIT A

Confidentiality Agreement

This EMPLOYEE CONFIDENTIALITY AND INVENTION AGREEMENT is made, as of November 9, 2015, by and between MELA Sciences, Inc. (the "Company"), a Delaware corporation, and Christina Allgeier (the "Employee").

As a result of her 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 and confidential 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 her employment by the Company.

2. Nondisclosure; Property.

2.1 Nondisclosure. The Employee acknowledges and agrees that, as an employee of the Company, she 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 her employment with the Company, she will not at any time, whether during or after her employment by the Company, 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 an executive officer of the Company in the particular case.

2.2 Property. The Employee agrees that she will not make or retain any originals, copies or reproductions of or excerpts from any of the Confidential Matter for her use or the use of others and, on request by the Company or on termination of the Employee's employment with the Company, the Employee will deliver to the Company all tangible property that is or embodies any of the Confidential Matter, whether prepared or developed by or with the assistance of the Employee or otherwise coming into her possession, control or knowledge.

2.3 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 she will promptly and fully disclose to the Company, and the Company agrees to keep confidential, 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 her 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 she 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 she 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 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. Trade Secrets 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 her failure to perform any of her 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.

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. Attorneys' Fees. If suit is brought to enforce or interpret this Agreement, the prevailing party shall be entitled to recover as an element of costs of suit, and not as damages, reasonable attorneys' fees and expenses and all expert witnesses' fees and expenses incurred by the prevailing party. In such event, the "prevailing party" shall be the party that is entitled to recover costs of suit, whether or not the suit proceeds to final judgment, the party not entitled to recover costs shall not recover attorneys' or expert witnesses' fees or expenses and no sum for attorneys' and expert witnesses' fees and expenses shall be counted in calculating the amount of a judgment for purposes of determining whether a party is entitled to recover costs or attorneys' or expert witnesses' fees or expenses.

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

9. 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 her address appearing in the records of the Company. Either the Company or the Employee may change its or her address for this purpose from time to time by notice to the other.

10. 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.

11. 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.

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

13. 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.

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

(Signature page follows.)

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

EMPLOYEE:

/s/ Christina L. Allgeier
Christina L. Allgeier

MELA SCIENCES, INC.

By: /s/ Michael R. Stewart
Name: Michael R. Stewart
Title: Chief Executive Officer