

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 MARCH 31, 2019

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 000-53298

MYOS RENS TECHNOLOGY INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of  
incorporation or organization)

90-0772394

(I.R.S. Employer  
Identification No.)

45 Horsehill Road, Suite 106  
Cedar Knolls, New Jersey 07927

(Address of principal executive offices, including zip code)

(973) 509-0444

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

☐ Large accelerated filer  
☐ Non-accelerated filer

☐ Accelerated filer  
☒ Smaller reporting company  
☐ Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

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

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class:   | Trading Symbol | Name of Each Exchange on which Registered: |
|--|----------------|--|
| Common Stock, \$0.001 par value<br>Series A Preferred Stock Purchase Rights, \$0.001 par value | MYOS           | The NASDAQ Stock Market LLC                |

As of May 7, 2019, there were 9,170,658 shares of the registrant's common stock outstanding.

**MYOS RENS TECHNOLOGY INC.**  
**FORM 10-Q**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2019**  
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# **PART I. FINANCIAL INFORMATION**

## **ITEM 1. FINANCIAL STATEMENTS**

### **MYOS RENS TECHNOLOGY INC. AND SUBSIDIARY** **CONDENSED CONSOLIDATED BALANCE SHEETS** (in thousands, except share and per amounts)

|   | <b>March 31,<br/>2019<br/>(Unaudited)</b> | <b>December 31,<br/>2018</b> |
|---|---|------------------------------|
| <b>ASSETS</b>   |   |                              |
| Current assets:   |   |                              |
| Cash  | \$ 2,197                                  | \$ 15                        |
| Accounts receivable, net  | 19  | 78                           |
| Other current asset   | -   | 1,124                        |
| Inventories, net  | 1,686                                     | 1,676                        |
| Prepaid expenses  | 153                                       | 10                           |
| Total current assets  | <u>4,055</u>                              | <u>2,903</u>                 |
| Other asset   | 50  | 50                           |
| Deferred offering costs   | 92  | 108                          |
| Operating lease right of use asset  | 224                                       | -                            |
| Fixed assets, net   | 142                                       | 149                          |
| Intangible assets, net  | 1,173                                     | 1,245                        |
| Total assets  | <u><u>\$ 5,736</u></u>                    | <u><u>\$ 4,455</u></u>       |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |   |                              |
| Current liabilities:  |   |                              |
| Accounts payable  | \$ 211                                    | \$ 236                       |
| Accrued expenses and other current liabilities  | 118                                       | 383                          |
| Operating lease liabilities – current portion   | 46  | -                            |
| Related party promissory note payable and accrued interest  | 775                                       | 1,015                        |
| Total current liabilities   | <u>1,150</u>                              | <u>1,634</u>                 |
| Long-term liabilities:  |   |                              |
| Operating lease liabilities – net of current portion  | 185                                       | -                            |
| Total liabilities   | <u>1,335</u>                              | <u>1,634</u>                 |
| Commitments and contingencies   |   |                              |
| Stockholders' equity:   |   |                              |
| Preferred stock, \$.001 par value; 500,000 shares authorized; no shares issued and outstanding  | -   | -                            |
| Common stock, \$.001 par value; 12,000,000 shares authorized at March 31, 2019 and December 31, 2018; 9,170,658 and 7,481,723 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively | 9   | 8                            |
| Additional paid-in capital  | 40,434                                    | 37,880                       |
| Accumulated deficit   | (36,042)                                  | (35,067)                     |
| Total stockholders' equity  | <u>4,401</u>                              | <u>2,821</u>                 |
| Total liabilities and stockholders' equity  | <u><u>\$ 5,736</u></u>                    | <u><u>\$ 4,455</u></u>       |

*See accompanying notes to condensed consolidated financial statements*

**MYOS RENS TECHNOLOGY INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited; in thousands, except share and per share amounts)

|   | <b>Three Months Ended<br/>March 31,</b> |                   |
|---|---|-------------------|
|   | <b>2019</b>                             | <b>2018</b>       |
| Net revenues  | \$ 149                                  | \$ 57             |
| Cost of sales   | 61                                      | 31                |
| Gross profit  | <u>88</u>                               | <u>26</u>         |
| Operating expenses:                                     |   |                   |
| Selling, marketing and research                         | 275                                     | 394               |
| Personnel and benefits                                  | 420                                     | 417               |
| General and administrative                              | 356                                     | 427               |
| Total operating expenses                                | <u>1,051</u>                            | <u>1,238</u>      |
| Operating loss  | <u>(963)</u>                            | <u>(1,212)</u>    |
| Other (expense) income, net                             | (12)                                    | (1)               |
| Net loss  | <u>\$ (975)</u>                         | <u>\$ (1,213)</u> |
|   |   |                   |
| Net loss per share attributable to common shareholders: |   |                   |
| Basic and diluted                                       | <u>\$ (0.13)</u>                        | <u>\$ (0.19)</u>  |
|   |   |                   |
| Weighted average number of common shares outstanding:   |   |                   |
| Basic and diluted                                       | <u>7,669,181</u>                        | <u>6,504,590</u>  |

*See accompanying notes to condensed consolidated financial statements*

**MYOS RENS TECHNOLOGY INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited; in thousands)

|   | <b>Three Months Ended<br/>March 31,</b> |               |
|---|---|---------------|
|   | <b>2019</b>                             | <b>2018</b>   |
| <b>Cash Flows From Operating Activities:</b>                                    |   |               |
| Net loss  | \$ (975)                                | \$ (1,213)    |
| Adjustments to reconcile net loss to net cash from operating activities:        |   |               |
| Depreciation  | 7                                       | 11            |
| Amortization  | 72                                      | 72            |
| Stock-based compensation  | 243                                     | 123           |
| Changes in operating assets and liabilities:                                    |   |               |
| Decrease in accounts receivable   | 59                                      | 3             |
| Increase in inventories   | (10)                                    | (3)           |
| Increase in operating lease right of use asset                                  | 224                                     | -             |
| Decrease (increase) in prepaid expenses and other assets                        | 995                                     | 2             |
| Increase in operating lease liabilities   | (231)                                   | -             |
| Increase (decrease) in accounts payable and accrued expenses                    | (280)                                   | 16            |
| Net cash provided by (used in) operating activities                             | <u>104</u>                              | <u>(989)</u>  |
| <b>Cash Flows From Financing Activities:</b>                                    |   |               |
| Proceeds from registered direct offering of common stock, net                   | 228                                     | 296           |
| Net proceeds from issuance of common stock in private placement                 | 1,850                                   | -             |
| Net cash provided by financing activities                                       | <u>2,078</u>                            | <u>296</u>    |
| Net increase (decrease) in cash   | 2,182                                   | (693)         |
| Cash at beginning of period   | 15                                      | 923           |
| Cash at end of period   | <u>\$ 2,197</u>                         | <u>\$ 230</u> |
| <b>Supplemental schedule of non-cash investing and financing activities:</b>    |   |               |
| Conversion of related party promissory note payable into shares of common stock | 250                                     | -             |
| Reclassification of deferred offering costs to additional paid in capital       | 16                                      | 6             |

*See accompanying notes to condensed consolidated financial statements*

**MYOS RENS TECHNOLOGY INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
(in thousands, except share amounts)

|  | Three Months Ended March 31, 2019 |             |                                  |                        |                                  |
|--|-----------------------------------|-------------|----------------------------------|------------------------|----------------------------------|
|  | Common Stock                      |             | Additional<br>paid-in<br>capital | Accumulated<br>deficit | Total<br>stockholders'<br>equity |
|  | Shares                            | Amount      |                                  |                        |                                  |
| <b>Balance at December 31, 2018</b>  | 7,481,723                         | \$ 8        | \$ 37,880                        | \$ (35,067)            | \$ 2,821                         |
| Net proceeds from sale of common stock   | 111,129                           | -           | 212                              | -                      | 212                              |
| Net proceeds from private placement of stock   | 1,267,123                         | 1           | 1,849                            | -                      | 1,850                            |
| Issuance of common stock upon conversion of related party<br>promissory note payable | 171,233                           | -           | 250                              | -                      | 250                              |
| Stock-based compensation expense   | -                                 | -           | 42                               | -                      | 42                               |
| Issuance of restricted stock   | 139,450                           | -           | 201                              | -                      | 201                              |
| Net loss   | -                                 | -           | -                                | (975)                  | (975)                            |
| <b>Balance at March 31, 2019</b>   | <u>9,170,658</u>                  | <u>\$ 9</u> | <u>\$ 40,434</u>                 | <u>\$ (36,042)</u>     | <u>\$ 4,401</u>                  |

  

|  | Three Months Ended March 31, 2018 |             |                                  |                        |                                  |
|--|-----------------------------------|-------------|----------------------------------|------------------------|----------------------------------|
|  | Common Stock                      |             | Additional<br>paid-in<br>capital | Accumulated<br>deficit | Total<br>stockholders'<br>equity |
|  | Shares                            | Amount      |                                  |                        |                                  |
| <b>Balance at December 31, 2017</b>    | 6,340,604                         | \$ 6        | \$ 36,202                        | \$ (31,844)            | \$ 4,364                         |
| Net proceeds from sale of common stock | 140,295                           | 1           | 289                              | -                      | 290                              |
| Stock-based compensation expense       | 55,147                            | -           | 123                              | -                      | 123                              |
| Net loss                               | -                                 | -           | -                                | (1,213)                | (1,213)                          |
| <b>Balance at March 31, 2018</b>       | <u>6,536,046</u>                  | <u>\$ 7</u> | <u>\$ 36,614</u>                 | <u>\$ (33,057)</u>     | <u>\$ 3,564</u>                  |

*See accompanying Notes to Consolidated Financial Statements*

**MYOS RENS TECHNOLOGY INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2019**

**(Unaudited; amounts in thousands, except share and per share amounts, unless otherwise indicated)**

**NOTE 1 – NATURE OF OPERATIONS, BASIS OF PRESENTATION AND LIQUIDITY**

**Basis of Presentation**

The accompanying condensed consolidated balance sheet as of December 31, 2018, which has been derived from audited consolidated financial statements, and the unaudited interim condensed consolidated financial statements as of March 31, 2019 have been prepared in accordance with accounting principles generally accepted in the U.S. (“U.S. GAAP”) and the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). Certain information and disclosures required by U.S. GAAP for complete consolidated financial statements have been condensed or omitted herein. The unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on March 27, 2019. The unaudited interim condensed consolidated financial statements presented herein reflect all normal adjustments that are, in the opinion of management, necessary for a fair presentation of the statement of the financial position, results of operations and cash flows for the periods presented. The Company is responsible for the unaudited interim condensed consolidated financial statements included in this report. The results of any interim period are not necessarily indicative of the results for the full year.

**Nature of Operations**

MYOS RENS Technology Inc. is an emerging company focused on the discovery, development and commercialization of products that improve muscle health and performance. The Company was incorporated under the laws of the State of Nevada on April 11, 2007. On March 17, 2016, the Company merged with its wholly-owned subsidiary and changed its name from MYOS Corporation to MYOS RENS Technology Inc. As used in these financial statements, the terms “the Company”, “MYOS”, “our”, or “we”, refers to MYOS RENS Technology Inc. and its subsidiary, unless the context indicates otherwise.

We continue to pursue additional distribution and branded sales opportunities. There can be no assurance that we will be able to secure distribution arrangements on terms acceptable to us, or that we will be able to generate significant sales of our current and future branded products. We expect to continue developing our own core branded products in markets such as functional foods, sports and fitness nutrition and to pursue international sales opportunities. We remain committed to continuing our focus on various clinical trials in support of enhancing our commercial strategy as well as enhancing our intellectual property assets, to develop product improvements and new products, and to reduce the cost of our products by finding more efficient manufacturing processes and contract manufacturers.

**Strategic Investment Transaction**

On December 17, 2015, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with RENS Technology Inc. (the “Purchaser”), pursuant to which the Purchaser agreed to invest \$20.25 million in the Company in three tranches (the “Financing”) in exchange for an aggregate of 3,537,037 shares (the “Shares”) of the Company’s common stock, par value \$0.001 per share (“Common Stock”). In the first tranche, which closed on March 3, 2016, the Purchaser acquired 1,500,000 Shares and a warrant to purchase 375,000 shares of Common Stock (the “Initial Warrant”) for \$5.25 million. On August 19, 2016, the Purchaser notified the Company that it did not intend to fulfill its obligation to fund the second tranche of the Financing in accordance with terms of the Purchase Agreement.

On January 6, 2017, the Company commenced an action in the Supreme Court of New York, County of New York (the “Court”), against the Purchaser, RENS Agriculture, the parent company of the Purchaser, and Ren Ren, a principal in both entities and one of our directors, arising from the Purchaser’s breach of the Purchase Agreement. See NOTE 15-LEGAL PROCEEDINGS.

**MYOS RENS TECHNOLOGY INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2019**

**(Unaudited; amounts in thousands, except share and per share amounts, unless otherwise indicated)**

**Going Concern and Liquidity**

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. GAAP, which contemplates the continuation of the Company as a going concern. The Company has suffered recurring losses from operations and incurred a net loss of approximately \$975 for the three months ended March 31, 2019 and \$3,223 for the year ended December 31, 2018.

As of March 31, 2019 the Company had cash of \$2,197 and working capital of \$2,905 (current assets of \$4,055 less current liabilities of \$1,150). For the three months ended March 31, 2019 and 2018, our net loss was \$975 and \$1,213 respectively. For the three months ended March 31, 2019 net cash provided by operating activities was \$104. For the three months ended March 31, 2018 net cash used in operating activities was \$989.

The Company has historically recorded minimal sales during the past nineteen consecutive quarters. In June 2018, the Company launched a Fortetropin<sup>®</sup> based pet product called Myos Canine Muscle Formula. In March 2018, the Company launched Yolked<sup>™</sup>, a new sports nutrition product line. In March 2017, the Company launched Qurr, a Fortetropin<sup>®</sup> powered product line to support the vital role of muscle in overall well-being.

As of the filing date of this Form 10-Q, management believes that there may not be sufficient capital resources from operations and existing financing arrangements in order to meet operating expenses and working capital requirements for the next twelve months. These circumstances raise substantial doubt about the Company's ability to continue as a going concern.

Accordingly, the Company is evaluating various alternatives, including reducing operating expenses, securing additional financing through debt or equity securities to fund future business activities and other strategic alternatives. There can be no assurance that the Company will be able to generate the level of operating revenues in its business plan, or if additional sources of financing will be available on acceptable terms, if at all. If no additional sources of financing are available, our future operating prospects may be adversely affected. The accompanying condensed consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

**At-the-Market Offering**

On February 21, 2017, the Company entered into a sales agreement with H.C. Wainwright & Co., LLC ("H.C. Wainwright") which established an at-the-market equity program pursuant to which the Company may offer and sell up to \$6.0 million of its shares of common stock from time to time through H.C. Wainwright. The Company incurred \$125 of deferred offering costs in connection with this program which were originally recorded as a long term other asset on the Company's condensed consolidated balance sheets. Since this sales agreement expired by June 30, 2018 the remaining deferred offering costs of \$96 were recognized as legal expenses recorded within the accompanying condensed consolidated statements of operations as general and administrative expenses in the three months ended March 31, 2018.

On January 19, 2018, the Company sold 140,295 shares of common stock for \$2.111 per share for gross proceeds of \$296 in an at-the-market offering. On various dates in April 2018, the Company sold an aggregate of 131,225 shares of common stock at various prices for aggregate gross proceeds of \$176 under the Company's existing at-the-market program. A total of 771,520 shares were sold under this program for aggregate gross proceeds of \$1,544.



**MYOS RENS TECHNOLOGY INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2019**

**(Unaudited; amounts in thousands, except share and per share amounts, unless otherwise indicated)**

On July 24, 2018, the Company entered into a new sales agreement with H.C. Wainwright which established a new at-the-market equity program pursuant to which the Company may offer and sell shares of common stock from time to time through H.C. Wainwright. The Company incurred \$108 of deferred offering costs in connection with the execution of this new sales agreement which was recorded as a long term other asset on the Company's condensed consolidated balance sheets as of December 31, 2018.

The deferred offering costs will be reflected as a reduction in equity as the Company incurs sales of its stock pursuant to this program. For the three months ended March 31, 2019, \$16 was recognized and reclassified to additional paid in capital. Management continues to evaluate the ongoing progress of this program and its related outstanding deferred offering costs.

On January 15, 2019, the Company sold 32,489 shares of common stock for \$2.00 per share for gross proceeds of \$65 in an at-the-market offering.

On March 19, 2019, the Company sold 78,640 shares of common stock for \$1.85 per share for gross proceeds of \$146 in an at-the-market offering.

As of the filing date of this Form 10-Q, a total of 882,649 shares were sold under this program for aggregate gross proceeds of \$1,755.

**Private Placement**

On April 25, 2018, the Company entered into a securities purchase agreement with private investors providing for the issuance and sale by the Company of 806,452 shares of common stock, in a private placement offering at a purchase price of \$1.24 per share, for gross proceeds of \$1,000 and net proceeds of \$978.

On March 27, 2019, the Company entered into a securities purchase agreement with private investors providing for the issuance and sale by the Company of 1,438,356 shares of common stock, in a private placement offering at a purchase price of \$1.46 per share, for gross proceeds of \$1,850 and \$250 related to the conversion of a related party promissory note payable.

**Promissory Note Payable**

On August 30, 2018, the Company executed an unsecured promissory note (the "Note") in the principal amount of up to \$750 in favor of Joseph Mannello, the Company's chief executive officer (the "Lender"). Pursuant to the Note, on August 30, 2018, the Lender advanced \$500 of funds to the Company. On September 27, 2018, the Lender advanced an additional \$250 of funds to the Company. On November 13, 2018, the Company amended and restated the Note to increase the maximum amount that may be drawn down under the Note from \$750 to \$1,000. The Company drew down an additional \$250 under the Note in December 2018. On March 27, 2019 \$250 of the Note was converted into 171,233 shares in connection with a private placement transaction.

The Note accrues interest at a rate of 5% per annum and all payments of principal, interest and other amounts under the Note are payable on August 31, 2019 or earlier under certain circumstances. The Company may prepay, in whole or in part, at any time, the principal, interest and other amounts owing under the Note, without penalty. The proceeds of the Note will be used by the Company for general working capital purposes.

As of March 31, 2019, the Company accrued \$25 of interest expense on the Note.

**MYOS RENS TECHNOLOGY INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2019**

**(Unaudited; amounts in thousands, except share and per share amounts, unless otherwise indicated)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation**

The accompanying condensed consolidated financial statements include the accounts of MYOS RENS Technology Inc. and its wholly-owned subsidiary, Atlas Acquisition Corp. All material intercompany balances and transactions have been eliminated in consolidation.

**Reclassification of Prior Period Presentation**

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no impact on the Company's prior year net loss or stockholders' equity.

**Use of Estimates**

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, equity and the disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the condensed consolidated financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future non-conforming events. Accordingly, the actual results could differ significantly from estimates. Significant items subject to such estimates include but are not limited to the valuation of stock-based awards, measurement of allowances for doubtful accounts and inventory reserves, the amount of deferred offering costs recognized, the selection of asset useful lives, fair value estimations used to test long-lived assets, including intangibles, impairments and provisions necessary for assets and liabilities.

Management's estimates, including evaluation of impairment of long-lived assets and inventory reserves are based in part on forecasted future results. A variety of factors could cause actual results to differ from forecasted results and these differences could have a significant effect on asset carrying amounts. Management believes that we have the ability to sell raw materials to a third party in the event the Company does not obtain the requisite amount of revenue.

**Cash and Cash Equivalents**

The Company considers all highly liquid investments purchased with a maturity of three months or less and money market accounts to be cash equivalents. At March 31, 2019 and December 31, 2018 the Company had no cash equivalents. As part of our ongoing liquidity assessments, management evaluates our cash and cash equivalents. The Company maintains its bank accounts with high credit quality financial institutions and has never experienced any losses related to these bank accounts. The Company minimizes its credit risk associated with cash by periodically evaluating the credit quality of its financial institutions. The amount of funds held in these accounts can fluctuate due to the timing of receipts and payments in the ordinary course of business and due to other reasons, such as business-development activities so the Company may at times have exposure to cash in excess of FDIC insured limits.

**MYOS RENS TECHNOLOGY INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2019**

**(Unaudited; amounts in thousands, except share and per share amounts, unless otherwise indicated)**

**Inventory Reserves**

Inventories are valued at the lower of cost or net realizable value, with cost determined on a first in, first-out basis. Each quarter the Company evaluates the need for a change in the inventory reserve based on projected future sales and expiration dates of products. Our policy is to recognize an inventory reserve as a loss in earnings in the period in which evidence exists that the net realizable value of inventory is less than its cost due to damage, physical deterioration, obsolescence, and changes in inventory reserve estimates, changes in price levels or other causes. Net realizable value is the estimated selling price in the ordinary course of business, less costs to complete and sell finished goods, including direct selling costs such as transportation and sales commissions as well as inventory write-offs. The multiple possible outcomes that can result from applying lower of cost or net realizable value can make inventory valuation highly complex. For the three months ended March 31, 2019 no additional reserve was recorded within cost of sales on the condensed consolidated statements of operations.

**Deferred Offering Costs**

The Company defers as other assets the direct incremental costs of raising capital until such time as the offering is completed. At the time of the completion of the offering, the costs are charged against the capital raised. Should the offering not be completed, deferred offering costs are charged to operations during the period in accordance with SEC guidance. Since the February 21, 2017 sales agreement expired by June 30, 2018 the remaining deferred offering costs of \$96 on the Company's condensed consolidated balance sheets were recognized and recorded within the Company's condensed consolidated statements of operations as general and administrative expenses.

On July 24, 2018, the Company entered into a new sales agreement, incurring \$108 of deferred offering costs. As of March 31, 2019, \$92 of deferred offering costs is included as a long term asset on the accompanying condensed consolidated balance sheet.

**Leases**

The Company determines if an arrangement is a lease at inception. Operating lease assets and liabilities are included in operating lease right of use ("ROU") lease assets, current portion of operating lease liabilities, and long term operating lease liabilities on the Company's condensed consolidated balance sheets.

Operating lease right of use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease right of use assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. Since the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The operating right of use assets also include any lease payments made and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

**Fair Value of Long-Lived Assets**

We test long-lived assets, including fixed assets and intangibles with finite lives, for recoverability when events or changes in circumstances indicate that the net carrying amount is greater than its fair value. Assets are grouped and evaluated at the lowest level for their identifiable cash flows that are largely independent of the cash flows of other groups of assets. We consider historical performance and future estimated results in our evaluation of potential impairment and then compare the carrying amount of the asset to the future estimated cash flows expected to result from the use of the asset. If the carrying amount of the asset exceeds estimated expected undiscounted future cash flows, we measure the amount of impairment by comparing the carrying amount of the asset to its fair value. The estimation of fair value is generally measured by discounting expected future cash flows at the rate we utilize to evaluate potential investments. We estimate fair value based on the information available in making the necessary estimates, judgments and projections.

**Fixed Assets**

Fixed assets are stated at cost and depreciated to their estimated residual value over their estimated useful lives of 3 to 7 years. Leasehold improvements are amortized over the lesser of the asset's useful life or the contractual remaining lease term including expected renewals. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation are reversed from the accounts and the resulting gains or losses are included in the condensed consolidated statements of operations.

Depreciation is provided using the straight-line method for all fixed assets. Repairs and maintenance costs are expensed as incurred.

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**Intangible Assets**

The Company's intangible assets consist primarily of intellectual property pertaining to Fortetropin<sup>®</sup>, including its formula, trademarks, trade secrets, patent application and domain names. Based on expansion into new markets and introduction of new formulas, management determined that the intellectual property had a finite useful life of ten (10) years and began amortizing the asset over its estimated useful life beginning April 2014.

In July 2014, the Company acquired the United States patent application for the manufacturing of Fortetropin<sup>®</sup> from Deutsches Institut für Lebensmitteltechnik e.V. - the German Institute for Food Technologies ("DIL"). The cost of the patent application, which was capitalized as an intangible asset, was determined to be \$101, based on the present value of the minimum guaranteed royalty payable to DIL using a discount rate of 10%. The intangible asset is being amortized over an estimated useful life of ten (10) years. The remaining contingent royalty payments will be recorded as the contingency is resolved and the royalty becomes payable under the arrangement. For additional information on the amended supply agreement with DIL refer to "NOTE 12 – COMMITMENTS AND CONTINGENCIES - Supply Agreement."

Intangible assets also includes patent costs associated with applying for a patent and being issued a patent. Costs to defend a patent and costs to invalidate a competitor's patent or patent application are expensed as incurred. Upon issuance of the patent, capitalized patent costs are reclassified from intangibles with indefinite lives to intangibles with finite lives and amortized on a straight-line basis over the shorter of the estimated economic life or the initial term of the patent, generally 20 years.

Our policy is to evaluate intangible assets subject to amortization for possible impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Impairment testing of intangible assets subject to amortization involves comparing the carrying amount of the asset to the forecasted undiscounted future cash flows. In the event the carrying value of the asset exceeds the undiscounted future cash flows, the carrying value is considered not recoverable and an impairment exists. An impairment loss is measured as the excess of the asset's carrying value over its fair value, calculated using a discounted future cash flow method. The computed impairment loss is recognized in the period that the impairment occurs. Assets which are not impaired may require an adjustment to the remaining useful lives for which to amortize the asset.

There were no impairment charges for the three months ended March 31, 2019 and the year ended December 31, 2018. Intangible assets at March 31, 2019 and December 31, 2018 consisted of the following:

|  | <b>March 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|--|---------------------------|------------------------------|
| Intangibles with finite lives:                         |                           |                              |
| Intellectual property                                  | \$ 2,101                  | \$ 2,101                     |
| Website - qurr.com                                     | 380                       | 380                          |
| Less: accumulated amortization – intellectual property | (1,047)                   | (994)                        |
| Less: accumulated amortization - website               | (261)                     | (242)                        |
| <b>Total intangible assets, net</b>                    | <b>\$ 1,173</b>           | <b>\$ 1,245</b>              |

Assuming no additions, disposals or adjustments are made to the carrying values and/or useful lives of the intangible assets, amortization expense for intangible assets is estimated to be as follows:

| <b>Years Ended December 31,</b> | <b>Amount</b>   |
|---------------------------------|-----------------|
| 2019 (remaining nine months)    | \$ 214          |
| 2020                            | 232             |
| 2021                            | 232             |
| 2022                            | 232             |
| 2023                            | 210             |
| 2024                            | 53              |
| <b>Total</b>                    | <b>\$ 1,173</b> |

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**Revenue**

Revenue Recognition

Net revenues include products and shipping and handling charges, net of estimates for incentives and other sales allowances or discounts. Our product sales generally do not provide for rights of return. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring products. All revenue is recognized when we satisfy our performance obligations under the contract. We recognize revenue by transferring the promised products to the customer, with revenue recognized at the point in time the customer obtains control of the products. We consider charges associated with shipping and handling activities as costs to fulfill our performance obligations. Using probability assessments, we estimate sales incentives expected to be paid over the term of the contract. The majority of our contracts have a single performance obligation and are short term in nature. Sales taxes that are collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from net sales.

Accounts Receivable

Credit is extended based upon an evaluation of the customer's financial condition. Accounts receivable are stated at their estimated net realizable value. Any allowance for doubtful accounts is based on an analysis of customer accounts and historical experience.

Contract Liabilities

Contract liabilities may include deferred revenue related to customer payments made in advance of the customer obtaining control of the product, as well as liabilities associated with sales incentives. At March 31, 2019 and December 31, 2018, the Company had no contract liability balances.

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Disaggregation of Revenue

Our net revenues by product type are presented below for the three months ended March 31, 2019 and 2018.

| <b>Product Type</b>                 | <b>Three months ended</b> |                           |
|-------------------------------------|---------------------------|---------------------------|
|                                     | <b>March 31,<br/>2019</b> | <b>March 31,<br/>2018</b> |
| Qurr® (1)                           | \$ 16                     | 50                        |
| Yolked® (2)                         | 68                        | -                         |
| Myos Canine Muscle Formula® (3)     | 61                        | -                         |
| Physician Muscle Health Formula (4) | 4                         | 7                         |
| <b>Total Net Revenues</b>           | <b>\$ 149</b>             | <b>57</b>                 |

(1) Launched in March 2017

(2) Launched in March 2018

(3) Launched in June 2018

(4) Launched in May 2016

**Advertising**

The Company charges advertising expenses to selling, marketing and research as incurred. Advertising expenses were \$236 and \$150 for the three months ended March 31, 2019 and 2018, respectively.

**Research and Development**

Research and development expenses consist primarily of operating expenses, the cost of manufacturing our product for clinical study, the cost of conducting clinical studies and the cost of conducting preclinical and research activities.

Research and development expenses were \$9 and \$186 for the three months ended March 31, 2019 and 2018, respectively.

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**Shipping and Handling**

The Company records expenses for shipping and handling of products to our customers as cost of sales. These expenses were \$6 and \$5 for the three months ended March 31, 2019 and 2018, respectively.

**Stock-based Compensation**

Stock-based payments are measured at their estimated fair value on the date of grant. Stock-based awards to non-employees are re-measured at fair value each financial reporting date until performance is completed. Share-based compensation expense recognized during a period is based on the estimated number of awards that are ultimately expected to vest. For stock options and restricted stock that do not vest immediately but which contain only a service vesting feature, we recognize compensation cost on the unvested shares and options on a straight-line basis over the remaining vesting period. These expenses are included as personnel and benefits within the condensed consolidated statements of operations. Stock-based compensation expenses were \$243 and \$123 for the three months ended March 31, 2019 and 2018, respectively.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of stock options and the market price of our common stock on the date of grant for the fair value of restricted stock issued. Our determination of the fair value of stock-based awards is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, our expected stock price volatility over the term of the awards, and certain other market variables such as the risk-free interest rate.

**Segment Information**

Accounting Standards Codification ("ASC") 280, *Disclosures about Segments of an Enterprise and Related Information*, establishes standards for reporting information about operating segments and requires selected information for those segments to be presented in the financial statements. It also establishes standards for related disclosures about products and services and geographic areas. Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions how to allocate resources and assess performance. Management has determined that the Company operates in one segment.

**Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby observable and unobservable inputs, used in valuation techniques, are assigned a hierarchical level.

The following are the hierarchy levels of inputs to measure fair value:

- Level 1:* Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:* Inputs that utilize observable quoted prices for similar assets and liabilities in active markets and observable quoted prices for identical or similar assets in markets that are not very active.
- Level 3:* Inputs that utilize unobservable inputs and include valuations of assets or liabilities for which there is little, if any, market activity.

A financial asset or liability's classification within the above hierarchy is determined based on the lowest level input that is significant to the fair value measurement. At March 31, 2019 and December 31, 2018 the Company's financial instruments consisted primarily of cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable and accrued expenses and other current liabilities. Due to their short-term nature, the carrying amounts of the Company's financial instruments approximated their fair values.

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**Basic and Diluted Loss Per Share**

Basic net loss per share is computed by dividing net loss available to common stockholders for the period by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing net loss for the period by the weighted average number of common shares outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if potential dilutive securities outstanding had been issued. The Company uses the “treasury stock” method to determine the dilutive effect of common stock equivalents such as options, warrants and restricted stock. For the three months ended March 31, 2019 and 2018, the Company incurred a net loss. Accordingly, the Company’s common stock equivalents were anti-dilutive and excluded from the diluted net loss per share computation.

The aggregate number of potentially dilutive common stock equivalents outstanding at March 31, 2019 excluded from the diluted net loss per share computation because their inclusion would be anti-dilutive were 1,083,082, which includes warrants to purchase an aggregate of 663,356 shares of common stock and options to purchase an aggregate of 224,380 shares of common stock.

The aggregate number of potentially dilutive common stock equivalents outstanding at March 31, 2018 excluded from the diluted net loss per share computation because their inclusion would be anti-dilutive were 1,439,942, which includes outstanding and exercisable warrants to purchase an aggregate of 821,202 shares of common stock, and vested stock options to purchase an aggregate of 618,740 shares of common stock.

**Income Taxes**

Income taxes are accounted for under the asset and liability method in accordance with ASC 740, *Accounting for Income Taxes* (“ASC 740”). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial carrying amounts of existing assets and liabilities and their respective tax bases as well as operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance to the extent that the recoverability of the asset is unlikely to be recognized. The Company follows ASC 740 rules governing uncertain tax positions, which provides guidance for recognition and measurement. This prescribes a threshold condition that a tax position must meet for any of the benefits of the uncertain tax position to be recognized in the financial statements. It also provides accounting guidance on recognition, classification and disclosure of these uncertain tax positions. The Company has no uncertain income tax positions.

For the three months ended March 31, 2019 and 2018, the Company did not recognize any interest or penalty expense related to income taxes. The Company files income tax returns in the U.S. federal jurisdiction and states in which it does business.



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**NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS**

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The new guidance improves and clarifies the fair value measurement disclosure requirement of ASC 820. The new disclosure requirements include the changes in unrealized gains or losses included in other comprehensive income for recurring Level 3 fair value measurement held at the end of reporting period and the explicit requirement to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. The other provisions of ASU 2018-13 also include eliminated and modified disclosure requirements. The guidance is effective for fiscal years beginning after December 15, 2019 with early adoption permitted, including in an interim period for which financial statements have not been issued or made available for issuance. The Company has evaluated the impact of early adoption of this ASU and determined that it will not have a significant impact on its condensed consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. The new guidance expands the scope of Topic 718 to include share-based payments granted to nonemployees in exchange for goods or services used or consumed in an entity's own operations, and supersedes the guidance in ASC 505-50, Equity-Based Payments to Non-Employees. The most significant change resulting from this update is that stock-based awards granted to non-employees will no longer need to be re-measured at fair value at each financial reporting date until performance is complete, as these awards will be measured at fair value at the grant date. The guidance is effective January 1, 2019 with early adoption permitted, including in an interim period for which financial statements have not been issued. The Company has evaluated the impact of early adoption of this ASU and determined that it will not have a significant impact on its condensed consolidated financial statements.

In March 2018, the FASB issued ASU 2018-5 – Income Taxes (Topic 740): Amendments to SEC Paragraphs pursuant to SEC Staff Accounting Bulletin No. 118. This ASU provided guidance related to Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 118 ("SAB 118"), which addresses the accounting implications of the Tax Act. SAB 118 allows a company to record provisional amounts during a measurement period not to extend beyond one year of the enactment date and was effective upon issuance. We have analyzed the Tax Act, and in certain areas, have made reasonable estimates of the effects on our condensed consolidated financial statements and tax disclosures.

In September 2017, the FASB issued ASU No. 2017-13, Revenue from Contracts with Customers which amended FASB Accounting Standards Codification (ASC) by creating Topic 606, Revenue from Contracts with Customers. In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 supersedes nearly all existing revenue recognition guidance under U.S. GAAP and requires revenue to be recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract.

The FASB also issued the following amendments to ASU No. 2014-09 to provide clarification on the guidance:

- ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606) – Deferral of the Effective Date
- ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606) – Principal versus Agent (Reporting Revenue Gross vs. Net)
- ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606) – Identifying Performance Obligations and Licensing
- ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606) – Narrow-Scope Improvements and Practical Expedients

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The adoption of Topic 606 is required for public entities for reporting periods beginning after December 15, 2017. The Company has adopted the provisions of this ASU for its fiscal year beginning January 1, 2018 using the modified retrospective transition method. This method involves application of the new guidance to either: (a) all contracts at the date of initial application or (b) only contracts that are not completed at the date of initial application. Under this method, if necessary, a cumulative effect adjustment is recognized as of the date of initial application. The adoption of ASU 2014-09 did not have an impact on the Company and therefore, no cumulative effect adjustment was required.

In May 2017, the FASB issued ASU No. 2017-09, Compensation – Stock Compensation (Topic 718). The amendments in this update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. This update is effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period, for (1) public business entities for reporting periods for which financial statements have not yet been issued and (2) all other entities for reporting periods for which financial statements have not yet been made available for issuance. The amendments in this update should be applied prospectively to an award modified on or after the adoption date. This accounting guidance was effective for us beginning January 1, 2018. The Company has evaluated the impact of the updated guidance and has determined that the adoption of ASU 2017-09 did not have a significant impact on its condensed consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, “Simplifying the Test for Goodwill”, which eliminates the second step in the current goodwill impairment calculation. Currently there is a two-step process for determining the amount of any goodwill impairment. In Step 1 an entity determines if the carrying value of the reporting unit (for which goodwill has been recorded) exceeds the fair value of the reporting unit. If the calculation in Step 1 indicates that the carrying value of a reporting unit for which goodwill has been recorded exceeds the fair value, the entity would have to determine the implied fair value of the reporting unit’s goodwill. An impairment would be recorded to the extent that the goodwill carrying value exceeded the implied fair value of goodwill at the reporting date. The amount of any goodwill impairment must take into consideration the effects of income taxes for any tax deductible goodwill. The effective date to adopt the ASU is for fiscal years beginning after December 15, 2019. The ASU is to be applied prospectively. Early adoption is permitted. The Company has evaluated the impact of the updated guidance and has determined that the adoption of ASU 2017-04 is not expected to have a significant impact on its condensed consolidated financial statements.

In February 2016, the FASB issued its final standard on lease accounting, ASU No. 2016-02, “Leases (Topic 842),” which superseded Topic 840, “Leases,” which was further modified in ASU No. 2018-10, “Codification Improvements to Topic 842, Leases,” ASU No. 2018-11, “Leases (Topic 842) Targeted Improvements” and ASU No. 2019-01 “Leases (Topic 842) Codification Improvements” to clarify the implementation guidance. The new accounting standard was effective for the Company beginning on January 1, 2019 and required the recognition on the balance sheet of right-of-use assets and lease liabilities for all long-term leases, including operating leases, on the balance sheet. The Company elected the optional transition method and adopted the new guidance on January 1, 2019 on a modified retrospective basis with no restatement of prior period amounts. As allowed under the new accounting standard, the Company elected to apply practical expedients to carry forward the original lease determinations, lease classifications and accounting of initial direct costs for all asset classes at the time of adoption. The Company also elected not to separate lease components from non-lease components and to exclude short-term leases from its condensed consolidated balance sheet. The Company’s adoption of the new standard resulted in the recognition of right-of-use assets of \$236 and liabilities of \$245, with no material cumulative effect adjustment to equity as of the date of adoption. In connection with the adoption of this guidance, as required, the Company reclassified deferred rent liabilities as reductions to lease assets. Adoption of the new standard did not have a material impact on the Company’s condensed consolidated statements of operations or cash flows. See Note 13- LEASES for additional information.

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**NOTE 4 – INVENTORIES, NET**

Inventories, net at March 31, 2019 and December 31, 2018 consisted of the following:

|                          | <b>March 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|--------------------------|---------------------------|------------------------------|
| Raw materials            | \$ 1,655                  | \$ 1,769                     |
| Work in process          | 18                        | 37                           |
| Finished goods           | 178                       | 135                          |
|                          | 1,851                     | 1,941                        |
| Less: inventory reserves | (165)                     | (265)                        |
| Inventories, net         | <u>\$ 1,686</u>           | <u>\$ 1,676</u>              |

**NOTE 5 – FIXED ASSETS**

Fixed assets at March 31, 2019 and December 31, 2018 consisted of the following:

|                                   | <b>March 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|-----------------------------------|---------------------------|------------------------------|
| Furniture, fixtures and equipment | \$ 116                    | \$ 116                       |
| Computers and software            | 68                        | 68                           |
| Leasehold improvements            | 239                       | 239                          |
| Other                             | 7                         | 7                            |
| Total fixed assets                | 430                       | 430                          |
| Less: accumulated depreciation    | (288)                     | (281)                        |
| Net book value of fixed assets    | <u>\$ 142</u>             | <u>\$ 149</u>                |

Depreciation expense was \$7 and \$11 for the three months ended March 31, 2019 and 2018, respectively.

**NOTE 6 – PREPAID EXPENSES AND OTHER CURRENT ASSETS**

Prepaid expenses and other current assets consist of various payments that the Company has made in advance for goods or services to be received in the future. Prepaid expenses and other current assets at March 31, 2019 and December 31, 2018 consisted of the following:

|   | <b>March 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|---|---------------------------|------------------------------|
| Prepaid research & development                  | \$ 37                     | \$ -                         |
| Prepaid expenses                                | 98                        | -                            |
| Prepaid other                                   | 18                        | 10                           |
| Total prepaid expenses and other current assets | <u>\$ 153</u>             | <u>\$ 10</u>                 |

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**NOTE 7 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses and other current liabilities consist of estimated future payments that relate to the current and prior accounting periods. Management reviews these estimates regularly to determine their reasonableness. Accrued expenses and other current liabilities at March 31, 2019 and December 31, 2018 consisted of the following:

|  | March 31,<br>2019 | December 31,<br>2018 |
|--|-------------------|----------------------|
| Professional fees                                    | \$ 85             | \$ 85                |
| Research & development                               | 32                | 91                   |
| Board compensation                                   | -                 | 181                  |
| Other  | 1                 | 26                   |
| Total accrued expenses and other current liabilities | <u>\$ 118</u>     | <u>\$ 383</u>        |

**NOTE 8 - PROMISSORY NOTE PAYABLE**

On August 30, 2018, the Company executed an unsecured promissory note (the “Note”) in the principal amount of \$750 in favor of Joseph Mannello, the Company’s chief executive officer (the “Lender”). Pursuant to the Note, on August 30, 2018, the Lender advanced \$500 of funds to the Company. On September 26, 2018, the Lender advanced an additional \$250 of funds to the Company. The Note accrues interest at a rate of 5% per annum and all payments of principal, interest and other amounts under the Note are payable on August 31, 2019 or earlier under certain circumstances. The Company may prepay, in whole or in part, at any time, the principal, interest and other amounts owing under the Note, without penalty. The proceeds of the Note will be used by the Company for general working capital purposes. On November 13, 2018, the Company amended and restated the Note to increase the maximum amount that may be drawn down under the Note from \$750 to \$1,000. The Company drew down an additional \$250 under the Note in December 2018. As of December 31, 2018, the balance of the Note was \$1,000 and the Company accrued \$15 of interest expense. In March 2019 \$250 of the Note was converted into 171,233 shares as part of a private placement. As of March 31, 2019, the balance of the Note was \$750 and the Company accrued \$25 of interest expense.

**NOTE 9 – STOCKHOLDERS’ EQUITY**

**Preferred Stock Purchase Rights**

Effective February 14, 2017, the Board of Directors declared a dividend of one right (“Right”) for each of the Company’s issued and outstanding shares of common stock. The Rights were granted to the stockholders of record at the close of business on February 24, 2017. Each Right entitles the registered holder, upon the occurrence of certain events specified in the Rights Agreement, to purchase from the Company one one-thousandth of a share of the Company’s Series A Preferred Stock at a price of \$7.00, subject to certain adjustments.

The Rights are not exercisable until the occurrence of certain events, including a person acquiring or obtaining the right to acquire beneficial ownership of 10% or more of the Company’s outstanding common stock. The Rights are evidenced by certificates for the common stock and automatically transfer with the common stock unless they become exercisable. If the Rights become exercisable, separate certificates evidencing the Rights will be distributed to each holder of common stock. Holders of the preferred stock will be entitled to certain dividend, liquidation and voting rights. The rights are redeemable by us at a fixed price as determined by the Board, after certain defined events.

As of March 31, 2019, the Rights have no dilutive effect on the earnings per common share calculation and no shares of preferred stock have been issued. At the time of issuance, the Company determined that these Rights have a de minimis fair value. The description and terms of the Rights are set forth in the Rights Agreement dated as of February 14, 2017 between the Company and Island Stock Transfer, as Rights Agent.

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**Issuance of Common Stock**

The Company has periodically issued common stock in connection with certain private and public offerings. For the three months ended March 31, 2019 and 2018 the Company has received aggregate gross proceeds of \$2,312 and \$296 from these offerings:

| <b>Date</b>                         | <b>Shares</b>            | <b>Gross Proceeds</b> |
|-------------------------------------|--------------------------|-----------------------|
| March 27, 2019                      | 1,438,356 <sup>(1)</sup> | \$ 2,100              |
| January 1, 2019 thru March 31, 2019 | 111,129 <sup>(2)</sup>   | 212                   |
| January 19, 2018                    | 140,295 <sup>(3)</sup>   | 296                   |

- (1) Shares issued pursuant to a private placement with accredited investors for \$1.46 per share.  
(2) Shares of common stock sold for between \$1.85 and \$2.00 per share in at-the-market offerings.  
(3) Shares of common stock sold for \$2.111 per share in an at-the-market offering.

**NOTE 10 – WARRANTS**

The following table summarizes information about outstanding and exercisable warrants at March 31, 2019:

| <b>Description</b>                | <b>Grant Date</b> | <b>Number of Shares Underlying Warrants Originally Granted</b> | <b>Shares Underlying Warrants Exchanged, Exercised or Expired</b> | <b>Shares Underlying Warrants Outstanding and Exercisable</b> | <b>Exercise Price</b> | <b>Expiration Term in years</b> |
|-----------------------------------|-------------------|--|---|---|-----------------------|---------------------------------|
| Series B <sup>(1)</sup>           | January 27, 2014  | 157,846  | (157,846)   | -   | \$ -                  | -                               |
| Series C <sup>(2)</sup>           | November 19, 2014 | 145,399  | (142,957)   | 2,442   | \$ 12.00              | 0.75                            |
| Repricing Series C <sup>(2)</sup> | November 19, 2014 | -  | 142,957   | 142,957   | \$ 9.00               | 0.75                            |
| Repricing Series E <sup>(2)</sup> | November 19, 2014 | -  | 142,957   | 142,957   | \$ 9.00               | 0.75                            |
| Rens <sup>(3)</sup>               | March 3, 2016     | 375,000  | -   | 375,000   | \$ 7.00               | 0.75                            |
| Total                             |                   | <u>678,245</u>   | <u>(14,889)</u>   | <u>663,356</u>  |                       |                                 |

- (1) Issued in connection with the January 27, 2014 private placement transaction and which expired in January 2019.  
(2) Issued in connection with the November 19, 2014 registered-direct public offering, and subsequently revised pursuant to Warrant Exercise Agreements entered into on May 18, 2015.  
(3) Shares issued pursuant to the closing of the first tranche of the financing with RENS Technology Inc.

**MYOS RENS TECHNOLOGY INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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(Unaudited; amounts in thousands, except share and per share amounts, unless otherwise indicated)

**NOTE 11 – STOCK COMPENSATION**

**Equity Incentive Plan**

In November 2016, the Company increased the number of shares available for issuance under its 2012 Equity Incentive Plan (as amended, the “Plan”) from 550,000 to 850,000, which was approved by the Company’s shareholders in December 2016. The Plan provides for grants of stock options, stock appreciation rights, restricted stock, other stock-based awards and other cash-based awards. As of March 31, 2019, the remaining shares of common stock available for future issuances of awards was 231,260. The Company granted an aggregate of 30,000 options to purchase restricted common stock to certain directors prior to the adoption of the Plan. Stock options generally vest and become exercisable with respect to 100% of the common stock subject to such stock option on the third (3rd) anniversary of the date of grant. Any unvested portion of a stock option shall expire upon termination of employment or service of the participant granted the stock option, and the vested portion shall remain exercisable in accordance with the provisions of the Plan.

**Stock Options**

The following table summarizes stock option activity for the three months ended March 31, 2019:

|  | <b>Shares<br/>Under<br/>Options</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> | <b>Weighted<br/>Average<br/>Remaining<br/>Contractual<br/>Term (Years)</b> |
|--|-------------------------------------|--|--|
| Balance at December 31, 2018                                 | 598,740                             | \$ 6.76  | 5.65   |
| Options granted during the three months ended March 31, 2019 | 52,000                              | 2.00   | 9.75   |
| Balance at March 31, 2019                                    | <u>650,740</u>                      | <u>\$ 4.83</u>                                     | <u>8.55</u>  |

At March 31, 2019 and December 31, 2018, the exercisable options had no intrinsic value. As of March 31, 2019, 451,480 options have vested and 199,260 options remain unvested. The vesting terms range from zero to 4 years and the vested options have a weighted average remaining term of 5.65 years and a weighted average exercise price of \$6.76 per share.

The weighted average grant date fair value of the 52,000 stock options granted during the three months ended March 31, 2019 was \$0.76. The following table summarizes the assumptions used to value stock using a Black-Scholes model:

|                                 |         |
|---------------------------------|---------|
| Expected annualized volatility: | 50.00%  |
| Annual risk-free interest rate: | 2.38%   |
| Expected time to maturity:      | 7 years |
| Exercise Price                  | \$ 2.00 |

The risk-free rate is based on the U.S. Treasury rate for a note with a similar term in effect at the time of the grant. The expected annualized volatility is based on the volatility of the Company’s historical stock prices.

**Stock-Based Compensation:**

Stock-based compensation consists of expenses related to the issuance of stock options and restricted stock. Stock-based compensation expenses were \$243 and \$123 for the three months ended March 31, 2019 and 2018, respectively.

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**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**Supply Agreement**

On November 18, 2016, the Company entered into an Amended Supply Agreement with DIL Technologie GmbH (“DIL”). Pursuant to the agreement (and so long as the agreement is effective), DIL will manufacture and supply the Company with Fortetropin®, the active ingredient for its products, and the Company will purchase quantities of Fortetropin® from DIL in its discretion. DIL will manufacture the formula exclusively for the Company in perpetuity, and may not manufacture the formula for other entities (but may manufacture it for its own non-commercial research). The Company agreed, commencing January 2017, to pay DIL €10 (approximately \$12) per month for collaborative research. The monthly payments terminate upon the earlier of: (a) the date that the Company orders additional product in accordance with the terms of the agreement and (b) December 31, 2018, and the Company has no further financial obligations to DIL thereafter. The agreement expired on December 31, 2018 and the Company has not renewed it.

**Defined Contribution Plan**

The Company established a 401(k) Plan (the “401(k) Plan”) for eligible employees of the Company effective April 1, 2014. Generally, all employees of the Company who are at least twenty-one years of age and who have completed three months of service are eligible to participate in the 401(k) Plan. The 401(k) Plan is a defined contribution plan that provides that participants may make salary deferral contributions up to the maximum allowed by law (subject to catch-up contributions) in the form of voluntary payroll deductions. The Company’s matching contribution is equal to 100 percent on the first four percent of a participant’s compensation which is deferred as an elective deferral.

The Company’s aggregate matching contributions were \$8 and \$8 for the three months ended March 31, 2019 and 2018, respectively.

**Product Liability**

As a manufacturer of nutritional supplements that are ingested by consumers, the Company may be subject to various product liability claims. Although we have not had any claims to date, it is possible that future product liability claims could have a material adverse effect on our business or financial condition, results of operations or cash flows. The Company currently maintains product liability insurance of \$5 million per-occurrence and a \$10 million annual aggregate coverage. At March 31, 2019 and December 31, 2018, the Company had not recorded any accruals for product liability claims.

**NOTE 13 – LEASES**

**Operating Leases**

The Company has operating leases for its executive office and office equipment. The remaining terms on these leases range from 4 to 5 years. The Company entered into an operating lease in August 2012, which was amended in March 2019, for its executive office located at 45 Horsehill Road, Suite 106, Hanover Township, Morris County, New Jersey, which consists of approximately 5,225 square feet of space. The lease agreement expires in December 2022 and contains an additional three year option to extend the lease and annual escalating payments. We used a discount rate of 12% to calculate the right of use asset and operating lease liability recorded on our condensed consolidated balance sheet. The Company uses this facility as its corporate headquarters, and as its research and manufacturing facility.

The Company’s office equipment operating lease is for a copier and the agreement expires in November 2023. The components of lease expense of \$16 for the three months ended March 31, 2019 were recorded in the condensed consolidated statement of operations.

The following table provides a breakdown of lease balances within the condensed consolidated balance sheet as of March 31, 2019:

|   | <b>March 31,<br/>2019</b> |
|---|---------------------------|
| <b>Operating lease right of use asset</b> | <b>\$ 224</b>             |
| <b>Operating lease liability:</b>         |                           |
| Lease Liability : current                 | \$ 46                     |
| Lease Liability : non-current             | 185                       |
| <b>Total operating lease liability</b>    | <b>\$ 231</b>             |

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Other information related to leases are as follows:

|  | <b>March 31,<br/>2019</b> |
|--|---------------------------|
| Cash paid for rent included in the measurement of operating lease liabilities cash flows | \$ 19                     |
| Right-of-use asset obtained in exchange for new operating lease liability                | -                         |
| Weighted-average remaining lease term- operating leases, in years                        | 3.79                      |
| Weighted-average discount rate - operating leases  | 11.7%                     |

Future minimum lease payments for operating leases with initial or remaining noncancellable lease terms in excess of one year as of March 31, 2019 are as follows:

| <b>For years ending</b>                    | <b>Amount</b> |
|--|---------------|
| 2019 (remaining nine months)               | \$ 56         |
| 2020                                       | 69            |
| 2021                                       | 77            |
| 2022                                       | 80            |
| 2023                                       | 3             |
| Thereafter                                 | -             |
| <b>Total future minimum lease payments</b> | <b>\$ 285</b> |
| Imputed interest                           | (54)          |
| <b>Total Lease Liability</b>               | <b>\$ 231</b> |

There were no material operating leases that the Company had entered into and that were yet to commence as of March 31, 2019.



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**NOTE 14 – RELATED PARTY TRANSACTIONS**

The following is a description of the transactions we have engaged in with our directors, director nominees and officers and beneficial owners of more than five percent of our voting securities and their affiliates:

On August 30, 2018, the Company executed an unsecured promissory note (the “Note”) in the principal amount of \$750 in favor of Joseph Mannello, the Company’s chief executive officer (the “Lender”). The Note accrues interest at a rate of 5% per annum and all payments of principal, interest and other amounts under the Note are payable on August 31, 2019 or earlier under certain circumstances. The Company may prepay, in whole or in part, at any time, the principal, interest and other amounts owing under the Note, without penalty. The Note includes standard events of default including non-payment of the principal or accrued interest due on the Note.

On November 13, 2018, the Company amended and restated the Note to increase the maximum amount that may be drawn down under the Note from \$750 to \$1,000. The Company drew down an additional \$250 under the Note in December 2018. As of December 31, 2018, the balance of the Note was \$1,000 and the Company accrued \$15 of interest expense. In March 2019, \$250 of the Note was converted into 171,233 shares as part of a private placement. As of March 31, 2019, the balance of the Note was \$750 and the Company accrued \$25 of interest expense.

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**NOTE 15 – LEGAL PROCEEDINGS**

On January 6, 2017, in connection with the financing contemplated by a securities purchase agreement with RENS Technology Inc. (the “Purchaser”), we commenced an action in the Supreme Court of New York, County of New York (the “Court”), against the Purchaser, RENS Agriculture, the parent company of the Purchaser, and Ren Ren, a principal in both entities and one of our directors, arising from the Purchaser’s breach of the agreement under which the Purchaser agreed to invest an aggregate of \$20.25 million in our company in exchange for an aggregate of 3,537,037 shares of our common stock and warrants to purchase an aggregate of 884,259 shares of common stock.

On April 11, 2017, the Court noted that we had demonstrated a likelihood of success on the merits of the breach of contract claim. Thereafter, a hearing was scheduled on the application by the Purchaser to dismiss the complaint and various pre-trial discovery applications by both parties.

In August 2017, before the hearing occurred, the Company amended its complaint repeating most of the initial claims but adding several additional claims against RENS Agriculture, Mr. Ren and two additional Chinese defendants, including a claim against RENS Agriculture for breaching the exclusive distribution agreement, as well as claims against all defendants for theft and misappropriation of our confidential proprietary information and trade secrets, breach of fiduciary duty and duty of loyalty, misappropriation of corporate opportunity, unfair competition and a number of other torts. We are seeking damages and injunctive relief. The Purchaser has filed a motion to dismiss the amended complaint, which is still pending and scheduled for oral argument in the second quarter of 2019.

The parties are currently in settlement discussions regarding the foregoing matter.

The outcome of this matter cannot be determined as of the date of these condensed consolidated financial statements.

On August 16, 2017, the Purchaser commenced an action in the District Court of Clark County in the State of Nevada against us and Joseph Mannello, our then interim Chief Executive Officer, alleging that Mr. Mannello had breached his fiduciary duties and had mismanaged our company. The action sought monetary damages against Mr. Mannello and the appointment of a receiver over our company. The Purchaser filed an application to appoint a receiver, and Mr. Mannello and our company filed a motion to dismiss the action. On April 11, 2019, the parties filed, and the court entered, a Stipulation and Order of dismissal which dismissed this action in its entirety.

## ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our interim condensed consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and related notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2018.*

*Certain statements in this section contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this report and not clearly historical in nature are forward-looking, and the words “may,” “will,” “expect,” “anticipate,” “continue,” “estimate,” “project,” “intend,” “predict,” “forecast,” “potential,” “believe,” “plan,” “might,” “could,” “should,” “would,” “seek” and similar expressions are intended to identify forward-looking statements regarding events, conditions, and financial trends that may affect future plans of operations, business strategy, operating results, and financial position generally are intended to identify forward-looking statements. Any statements in this report that are not historical facts are forward-looking statements. Actual results may differ materially from those projected or implied in any forward-looking statements. Such statements involve risks and uncertainties, including but not limited to those relating to product and customer demand, market acceptance of our products, the ability to create new products, the ability to achieve a sustainable profitable business, the effect of economic conditions, the ability to protect our intellectual property rights, competition from other providers and products, risks in product development, our ability to raise capital to fund continuing operations, and other factors discussed from time to time in our filings with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise any forward-looking statement for events or circumstances after the date on which such statement is made except as required by law. Amounts in this section are in thousands, unless otherwise indicated.*

### General

We are an emerging company focused on the discovery, development and commercialization of nutritional ingredients, functional foods, and other technologies aimed at maintaining or improving the health and performance of muscle tissue. As used in this report, the “Company”, “MYOS”, “our”, or “we” refers to MYOS RENS Technology Inc. and its wholly-owned subsidiary, unless the context indicates otherwise.

### Overview

We were incorporated in the State of Nevada on April 11, 2007. On March 17, 2016, we merged with our wholly-owned subsidiary and changed our name from MYOS Corporation to MYOS RENS Technology Inc.

Prior to February 2011, we did not have any operations and did not generate any revenues. In February 2011, we entered into an intellectual property purchase agreement pursuant to which our subsidiary purchased from Peak Wellness, Inc. certain trademarks, trade secrets, patent applications and certain domain names as well as the intellectual property pertaining to Fortetropin<sup>®</sup>, a proprietary bioactive composition derived from fertilized egg yolk that has been shown in clinical trials to increase lean muscle mass, size and strength.

Fortetropin<sup>®</sup> is the Company’s proprietary all-natural food ingredient clinically shown to increase muscle size, lean body mass and strength as part of resistance training in humans. Fortetropin<sup>®</sup> has also been shown to reduce muscle atrophy in dogs following orthopedic surgery. Fortetropin<sup>®</sup> is made from fertilized chicken egg yolks using a proprietary process that retains the biological integrity and bioactivity of the product. In a rodent study, Fortetropin<sup>®</sup> was shown to up-regulate muscle building pathways and down-regulate muscle degrading pathways.

## Plan of Operation

Our initial core ingredient is Fortetropin<sup>®</sup>, a natural and proprietary bioactive composition derived from fertilized egg yolk that has been shown in clinical trials to increase lean muscle mass, size and strength. Our plan of action is to: (i) create a sales platform through marketing products containing our proprietary ingredient Fortetropin<sup>®</sup> in established, growing, and new markets and strategic selection of partnerships and collaborations to maximize near-term and future revenues, (ii) deepen our scientific understanding of the activity of Fortetropin<sup>®</sup> as a natural product to improve muscle health and performance, and to leverage this knowledge to strengthen and build our intellectual property estate, (iii) conduct research and development activities to evaluate the impact of Fortetropin<sup>®</sup> on muscle health and wellness in humans as well as domestic pets. (iv) identify other products and technologies which may broaden our portfolio and define a business development strategy to protect, enhance and accelerate the growth of our products, (v) reduce the cost of manufacturing through process improvement, and (vi) identify contract manufacturing organizations that can fully meet our future growth requirements and (vii) develop a differentiated and advantaged consumer positioning, brand name and iconography.

Since February 2011, our principal business activities have been focused on deepening our scientific understanding relating to the activity of Fortetropin<sup>®</sup>, and to leverage this knowledge to strengthen and build our intellectual property estate; developing sales and marketing strategies aimed at expanding our commercial presence; evaluating the value of Fortetropin<sup>®</sup> in therapeutic markets, including the treatment of sarcopenia, cachexia, anorexia, obesity and muscular disorders; and, conducting research and development focused on the discovery, development and commercialization of other products and technologies aimed at maintaining or improving the health and performance of muscle tissue. Since our inception in April 2007, we have recognized cumulative revenues of approximately \$8.5 million.

Our commercial focus is to leverage our clinical data to develop multiple products to target the large, but currently underserved, markets focused on muscle health. The sales channels through which we sell our products are evolving.

We continue to pursue additional distribution and branded sales opportunities. There can be no assurance that we will be able to secure distribution arrangements on terms acceptable to the Company, or that we will be able to generate significant sales of our current and future branded products. We expect to continue developing our own core branded products in markets such as functional foods, sports and fitness nutrition and rehabilitation and restorative health and to pursue international sales opportunities.

## **Strategy**

Our strategy is to understand the complex genetic and molecular pathways regulating muscle mass and function. Understanding the impact of complex regulatory pathways which act to build and maintain healthy lean muscle is central to our research and development activities. We are developing nutritional products that target specific mechanisms to promote muscle health in ways that cannot be met by other food products.

We will seek to gain market share for our core branded products in the 1) sports and fitness nutrition, 2) rehabilitation and restorative health and 3) domestic pet muscle health verticals by (i) formulating and developing new and complementary product lines, (ii) expanding U.S. distribution by increasing the channels of sale, (iii) expanding distribution geography beyond the U.S. and (iv) seeking strategic relationships with other distributors.

## **Marketing, Sales and Distribution**

Our commercial focus is to leverage our clinical data to develop multiple products to target the large, but currently underserved, markets focused on muscle health. The sales channels through which we sell our products are evolving.

In 2016, we launched Physician Muscle Health Formula, a proprietary formulation containing Fortetropin<sup>®</sup> and sold directly to physicians to give to their patients who are focused on wellness. The Company recorded \$4 and \$7 in net revenue relating to this product for the three months ended March 31, 2019, and March 31, 2018.

In March 2017, we launched Qurr, a Fortetropin<sup>®</sup>-powered product line formulated to support the vital role of muscle in overall well-being as well as in fitness. Qurr is a line of flavored puddings, powders, and shakes for daily use. Our Qurr line of muscle-focused over-the-counter products are available through a convenient, direct-to-consumer e-commerce platform at [www.qurr.com](http://www.qurr.com). For the three months ended March 31, 2019 and March 31, 2018 the Company recorded \$16 and \$50 of net revenue for our Qurr product line.

In March 2018, we launched Yolked<sup>®</sup>, a Fortetropin<sup>®</sup>-powered product which is NSF Certified for Sports, and developed and marketed to collegiate and professional athletes who want to increase their muscle size and performance with an all-natural advanced nutrition product. For the three months ended March 31, 2019 the Company recorded \$67 of net revenue for our Yolked<sup>®</sup> product line.

In June 2018, we launched our Fortetropin<sup>®</sup> based pet product Myos Canine Muscle Formula<sup>®</sup> ("MCMF"). Two veterinarian hospitals had previously performed some informal observational studies with older dogs experiencing muscle atrophy and observed positive results in the dogs after taking our pet product. We believe that the positive feedback received from the veterinarian community, together with the positive results from our study with Kansas State University will enable us to grow our domestic pet business product line. For the three months ended March 31, 2019 the Company recorded \$61 of net revenue for our MCMF product.

## ***Clinical and Basic Research Programs***

As an emerging company focused on the discovery, development and commercialization of advanced nutrition products that improve muscle health and performance, we are dedicated to basic and clinical research that supports our existing and future product portfolio. Our research program is actively evaluating the many active proteins, lipids and peptides in Fortetropin<sup>®</sup>, specifically as a natural, reversible, temporary modulator of the regulatory protein myostatin, and to leverage this knowledge to strengthen and build our intellectual property. We are dedicated to protecting our innovative technology and believe that our research programs will establish a basis for the continued prosecution of patent applications in order to protect and augment the Company's intellectual property estate. We expect our investment in research and development to continue to grow in the future.

We invest in research and development activities externally through academic and industry collaborations aimed at enhancing our products, optimizing manufacturing and broadening the product portfolio. We have developed the following collaborations with various academic centers:

- In February 2019, we entered into an agreement with the College of Veterinary Medicine at Kansas State University to study the impact of Fortetropin<sup>®</sup> on quality of life and activity in geriatric dogs. The principal investigator for this study is Kenneth R. Harkin DVM, DACVIM (SAIM), Professor and Section Head, College of Veterinary Medicine, Kansas State University. In this randomized, double-blind, placebo-controlled study, 40 geriatric dogs will randomly be assigned to two groups where they will consume either Fortetropin<sup>®</sup> or a placebo for 14 weeks. The quality of life evaluation at baseline, midpoint and end of study will be based on questionnaires filled by the dog owners. The level activity at baseline, midpoint and end of study will be based on data recorded on the Vettrax collars worn by the dogs.
- In May 2018, we entered into a research agreement with Weill Cornell Medical College to study the efficacy of Fortetropin<sup>®</sup> in preventing weight and muscle loss associated with cancer in a mouse model of lung cancer. The results from this research did not show that Fortetropin<sup>®</sup> had a significant impact on cancer-related weight and muscle loss. Therefore, we have decided not to pursue future cachexia-related studies with Fortetropin<sup>®</sup>.
- In March 2018, we entered into a research agreement with Rutgers University, The State University of New Jersey, to work with Rutgers researchers in a program focused on discovering compounds and products for improving muscle health and performance.
- In December 2017, we entered into an agreement with the University of California, Berkeley's Department of Nutritional Sciences & Toxicology. The research project will study the effects of Fortetropin<sup>®</sup> on increasing the fractional rate of skeletal muscle protein synthesis in men and women between 60 and 75 years old. The Principal Investigator for this clinical study is William J. Evans, PhD, Adjunct Professor of Human Nutrition at the Department of Nutritional Sciences & Toxicology at the University of California, Berkeley. Professor Evans, a leading authority in muscle health research, is coordinating the activities of a multi-disciplinary team of scientists and physicians. In this randomized, double-blind, placebo-controlled clinical study, 20 subjects, men and women 60 – 75 years of age, will consume either Fortetropin<sup>®</sup> or a placebo for 21 days along with daily doses of a heavy water tracer. After 21 days, a micro-biopsy will be collected from each subject to determine the fractional rate of muscle protein synthesis. In July 2018, we agreed to pay for additional costs incurred in connection with the study. We anticipate the clinical study will be completed by the end of the second quarter of 2019.

- In April 2017, we entered into an agreement with the College of Veterinary Medicine at Kansas State University to study the impact of Fortetropin® on reducing muscle atrophy in dogs after Tibial-Plateau-Leveling Osteotomy (“TPLO”) surgery to repair the cranial cruciate ligament (CCL). In August 2018, we agreed to pay for additional costs incurred in connection with the study. The study was completed and Kenneth R. Harkin DVM, DACVIM (SAIM), Professor and Section Head, College of Veterinary Medicine, Kansas State University and the principal investigator of the study presented the results titled, “The Impact of Fortetropin® Supplementation on Dogs Recovering from TPLO surgery” at the VMX Conference in Orlando in January 2019.

The randomized, double-blind, placebo-controlled study evaluated the impact of Fortetropin® on attenuating muscle atrophy following a common surgical procedure known as TPLO in 100 dogs at Kansas State University. TPLO is performed by veterinary surgeons to repair ruptures of the cranial cruciate ligament (CCL), a canine ligament that is analogous to the anterior cruciate ligament (ACL) in humans. In the weeks that follow TPLO surgery, the immobilized operated limb frequently shows significant muscle loss due to muscle disuse atrophy. The objective of the study was to determine whether Fortetropin® could reduce this muscle atrophy with respect to a macronutrient-matched placebo. The study showed that: i) Fortetropin® prevented the loss of muscle mass in these dogs as measured by the thigh circumference in their affected and unaffected limbs; ii) Fortetropin® supplemented dogs had a significant improvement in percentage of weight supported by the affected limb (more rapid return to normal stance force distribution) than the placebo group; and iii) Fortetropin® prevented a rise in serum myostatin levels in dogs. We believe the results of this study are not only relevant to our veterinary business, which was established in 2018, but are also relevant to our human muscle nutrition business, with a particular focus on recovery and rehabilitation.

- In May 2015, we initiated a dose response clinical study led by Jacob Wilson, Ph.D., CSCS\*D, Professor of Health Sciences and Human Performance at the University of Tampa, to examine the effects of Fortetropin® supplementation on plasma myostatin levels at various dosing levels in young adult males and females. This study was intended to help us better define the dose response curve, the minimal effective dose and effects of Fortetropin® on serum myostatin. In this double blind placebo controlled clinical study, 80 male and female subjects ranging in ages between 18 and 22 were randomized into four groups such that no significant differences in serum myostatin concentration existed between groups. Following assignment to one of the four groups, blood samples were collected to establish baseline values. Subjects were subsequently supplemented with three different doses of Fortetropin® (2.0g, 4.0g and 6.6g) and a matching placebo for one week. Following one week of supplementation, blood samples were collected and serum myostatin levels were assayed. Results demonstrated that Fortetropin® reduces serum myostatin levels at daily doses of 4.0g and 6.6g. This research, which continues to build upon our current understanding of Fortetropin®, may result in the formulation of new products. An abstract of this study was presented at the 2016 International Conference on Frailty & Sarcopenia Research (Philadelphia, PA) in April 2016.
- In August 2014, we entered into a research agreement with Human Metabolome Technologies America, Inc., (“HMT”), to apply their proprietary, state-of-the-art capillary electrophoresis-mass spectrometry (CE-MS) technologies to characterize the metabolomic profiles of plasma samples obtained from healthy male subjects who used either Fortetropin® or placebo with the goal of identifying metabolites with pro-myogenic activity in the plasma samples of subjects who took Fortetropin® as well as examining the effect on glucose and fat metabolism. HMT used a metabolite database of over 290 lipids and over 900 metabolites to identify potential plasma biomarkers related to muscle growth. The study was completed during the fourth quarter of 2014. Initial data from this study indicated that subjects who received Fortetropin® displayed differential metabolomic profiles relative to subjects who received placebo. The early indications of plasma biomarkers may guide future study design for Fortetropin® clinical trials by identifying clinically-relevant endpoints. The results from this study were presented at the Sarcopenia, Cachexia and Wasting Disorders Conference (Berlin, Germany) in December 2016.

- In May 2014, we entered into an agreement with the University of Tampa to study the effects of Fortetropin<sup>®</sup> supplementation in conjunction with modest resistance training in 18-21 year old males. The study was a double-blind, placebo-controlled trial which examined the effects of Fortetropin<sup>®</sup> on skeletal muscle growth, lean body mass, strength, and power in recreationally trained males. Forty-five subjects were divided into placebo, 6.6g and 19.8g dosing arms of Fortetropin<sup>®</sup> daily for a period of 12 weeks. Results demonstrated a statistically significant increase in both muscle thickness and lean body mass in subjects taking Fortetropin<sup>®</sup> but not in subjects taking placebo. The clinical study also analyzed blood myostatin levels via high-sensitivity enzyme-linked immunosorbent assay (“ELISA”) based analysis. Results demonstrated statistically significant reduction in serum myostatin levels in both groups that consumed Fortetropin<sup>®</sup> but not in the group that consumed the placebo. The lipid serum safety protocol demonstrated that daily use of Fortetropin<sup>®</sup> at recommended and three times the recommended dose had no adverse lipid effect and did not adversely affect cholesterol, HDL or triglyceride levels. Data from the study was presented at the American College of Nutrition’s 55<sup>th</sup> annual conference. A separate mechanism of action study at the University of Tampa demonstrated that in addition to reducing serum myostatin levels, Fortetropin<sup>®</sup> showed activity in mTOR and Ubiquitin pathways, two other crucial signaling pathways in the growth and maintenance of healthy muscle. Specifically, the preclinical data showed that Fortetropin<sup>®</sup> up-regulates the mTOR regulatory pathway. The mTOR pathway is responsible for production of a protein kinase related to cell growth and proliferation that increases skeletal muscle mass. Up-regulation of the mTOR pathway is important in preventing muscle atrophy. The preclinical study also demonstrated that Fortetropin<sup>®</sup> acts to reduce the synthesis of proteins in the Ubiquitin Proteasome Pathway, a highly selective, tightly regulated system that serves to activate muscle breakdown. Over-expression of the Ubiquitin Proteasome Pathway is responsible for muscle degradation. We believe that Fortetropin<sup>®</sup> has the ability to regulate production in the Ubiquitin Proteasome Pathway, which may have significant implications for preventing age-related muscle loss.

The foregoing programs are an integral part of our business strategy. We believe that they will provide a clear scientific rationale for Fortetropin<sup>®</sup> as an advanced nutritional product and support its use in different medical and health applications in the future.

We intend to pursue additional clinical studies and medical research to support differentiated and advantaged marketing claims, to build and enhance our competitive insulation through an aggressive intellectual property strategy, to develop product improvements and new products in consumer preferred dosage forms, to enhance overall marketing, and to pursue best in class personnel.



## Results of Operations

### Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

|                                 | Three Months<br>March 31, |            | Change  |        |
|---------------------------------|---------------------------|------------|---------|--------|
|                                 | 2019                      | 2018       | Dollars | %      |
| Net revenues                    | \$ 149                    | \$ 57      | \$ 92   | 161%   |
| Cost of sales                   | 61                        | 31         | 30      | 97%    |
| Gross profit                    | 88                        | 26         | 62      | 238%   |
| Operating expenses:             |                           |            |         |        |
| Selling, marketing and research | 275                       | 394        | (119)   | -30%   |
| Personnel and benefits          | 420                       | 417        | 3       | 1%     |
| General and administrative      | 356                       | 427        | (71)    | -17%   |
| Total operating expenses        | 1,051                     | 1,238      | (187)   | -15%   |
| Operating loss                  | (963)                     | (1,212)    | 249     | -21%   |
| Interest expense                | (12)                      | (1)        | (11)    | 1,100% |
| Net loss                        | \$ (975)                  | \$ (1,213) | \$ 238  | -20%   |

#### Net revenues

Net revenues for the three months ended March 31, 2019 increased \$92 or 161% to \$149 compared to net revenues of \$57 for the three months ended March 31, 2018. This increase is primarily due to an increase of \$129 for two new products launched in 2018, Yolked and Myos Canine Muscle Formula, offset by a decrease of \$37 from our old product lines.

#### Cost of sales

Cost of sales for the three months ended March 31, 2019 increased \$30 or 97% to \$61 compared to cost of sales of \$31 for the three months ended March 31, 2018 primarily due to an increase in costs for our new products.

#### Operating expenses

Operating expenses for the three months ended March 31, 2019 decreased \$187 or 15% to \$1,051, compared to operating expenses of \$1,238 for the three months ended March 31, 2018. The \$187 decrease is primarily due to a 30% decrease in selling, marketing and research expenses of \$119; a 1% increase in personnel and benefits of \$3; and a 17% decrease in general and administrative of \$71.

## Liquidity and Capital Resources

As of the filing date of this report, management believes that there may not be sufficient capital resources from operations and existing financing arrangements in order to meet operating expenses and working capital requirements for the next twelve months. These circumstances raise substantial doubt about the Company's ability to continue as a going concern. Accordingly, the Company is evaluating various alternatives, including reducing operating expenses, securing additional financing through debt or equity securities to fund future business activities and other strategic alternatives. There can be no assurance that the Company will be able to generate the level of operating revenues in its business plan, or if additional sources of financing will be available on acceptable terms, if at all. If no additional sources of financing are available, our future operating prospects may be adversely affected. The accompanying condensed consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Working capital at March 31, 2019 and December 31, 2018 is summarized as follows:

|  | <b>March 31,<br/>2019</b> | <b>December 31,<br/>2018</b> | <b>Increase<br/>(Decrease)</b> |
|--|---------------------------|------------------------------|--------------------------------|
| Current Assets:                                |                           |                              |                                |
| Cash   | \$ 2,197                  | \$ 15                        | \$ 2,182                       |
| Accounts receivable, net                       | 19                        | 78                           | (59)                           |
| Inventories, net                               | 1,686                     | 1,676                        | 10                             |
| Prepaid expenses and other assets              | 153                       | 1,134                        | (981)                          |
| <b>Total current assets</b>                    | <b>\$ 4,055</b>           | <b>\$ 2,903</b>              | <b>\$ 1,152</b>                |
| Current liabilities:                           |                           |                              |                                |
| Accounts payable                               | \$ 211                    | \$ 236                       | \$ (25)                        |
| Accrued expenses and other current liabilities | 164                       | 383                          | (219)                          |
| Notes payable and accrued interest             | 775                       | 1,015                        | (240)                          |
| <b>Total current liabilities</b>               | <b>\$ 1,150</b>           | <b>\$ 1,634</b>              | <b>\$ (484)</b>                |

Working capital increased \$1,636 to \$2,905 at March 31, 2019 compared to \$1,269 at December 31, 2018.

Significant changes in working capital components were as follows:

- Cash increased \$2,182 primarily due to net proceeds provided by financing activities of \$2,078 and \$104 provided by operating activities during the three months ended March 31, 2019.
- Prepaid expenses and other assets decreased \$981 primarily due to collection of a tax receivable of \$1,124.
- Total current liabilities decreased \$484 primarily due to a decrease in accounts payable, accrued expenses and other liabilities of \$244 and the conversion of \$250 of the promissory note payable offset by accrued interest of \$10.

At March 31, 2019, we had cash of \$2,197 and total assets of \$5,736.

Summarized cash flows for the three months ended March 31, 2019 and 2018 are as follows:

|   | <b>Three Months Ended<br/>March 31,</b> |                 |                 |
|---|---|-----------------|-----------------|
|   | <b>2019</b>                             | <b>2018</b>     | <b>Change</b>   |
| Net cash provided by (used in) operating activities | \$ 104                                  | \$ (989)        | \$ 1,093        |
| Net cash provided by financing activities           | 2,078                                   | 296             | 1,782           |
| <b>Net increase (decrease) in cash</b>              | <b>\$ 2,182</b>                         | <b>\$ (693)</b> | <b>\$ 2,875</b> |

Net cash used in operating activities represents net loss adjusted for certain non-cash items and changes in operating assets and liabilities.

Net cash provided by operating activities for the three months ended March 31, 2019 was \$104 an increase of \$1,093 compared to \$989 used in operating activities for the three months ended March 31, 2018.

Net cash provided by financing activities for the three months ended March 31, 2019 was \$2,078 an increase of \$1,782 compared to \$296 for the three months ended March 31, 2018.

For additional information about the changes in operating assets and liabilities, refer to the above discussion on working capital.

On March 27, 2019 the Company consummated a private placement of shares of common stock pursuant to the terms of a securities purchase agreement dated as of March 25, 2019 at a purchase price of \$1.46 per share. In the private placement, the Company issued 1,438,356 shares of common stock to a group of accredited investors, including two members of the Company's board of directors, for aggregate gross proceeds of \$2.1 million, which includes the conversion of \$250 of a related party promissory note. The Company intends to use the net proceeds from the private placement primarily for working capital, research and development, strategic initiatives and other general corporate purposes.

#### **Long-term Contractual Obligations**

As of the date of this report, other than changes related to adoption of the new lease accounting standard as described in "Note 13 –LEASES" to the condensed consolidated financial statements, there were no material changes to our long-term contractual obligations outside the ordinary course of business, as reported in our Annual Report on Form 10-K for the year ended December 31, 2018.

#### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

## Recent Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The new guidance improves and clarifies the fair value measurement disclosure requirement of ASC 820. The new disclosure requirements include the changes in unrealized gains or losses included in other comprehensive income for recurring Level 3 fair value measurement held at the end of reporting period and the explicit requirement to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. The other provisions of ASU 2018-13 also include eliminated and modified disclosure requirements. The guidance is effective for fiscal years beginning after December 15, 2019 with early adoption permitted, including in an interim period for which financial statements have not been issued or made available for issuance. The Company has evaluated the impact of early adoption of this ASU and determined that it will not have a significant impact on its condensed consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. The new guidance expands the scope of Topic 718 to include share-based payments granted to nonemployees in exchange for goods or services used or consumed in an entity's own operations, and supersedes the guidance in ASC 505-50, Equity-Based Payments to Non-Employees. The most significant change resulting from this update is that stock-based awards granted to non-employees will no longer need to be re-measured at fair value at each financial reporting date until performance is complete, as these awards will be measured at fair value at the grant date. The guidance is effective January 1, 2019 with early adoption permitted, including in an interim period for which financial statements have not been issued. The Company has evaluated the impact of early adoption of this ASU and determined that it will not have a significant impact on its condensed consolidated financial statements.

In March 2018, the FASB issued ASU 2018-5 – Income Taxes (Topic 740): Amendments to SEC Paragraphs pursuant to SEC Staff Accounting Bulletin No. 118. This ASU provided guidance related to Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 118 ("SAB 118"), which addresses the accounting implications of the Tax Act. SAB 118 allows a company to record provisional amounts during a measurement period not to extend beyond one year of the enactment date and was effective upon issuance. We have analyzed the Tax Act, and in certain areas, have made reasonable estimates of the effects on our condensed consolidated financial statements and tax disclosures.

In September 2017, the FASB issued ASU No. 2017-13, Revenue from Contracts with Customers which amended FASB Accounting Standards Codification® (ASC) by creating Topic 606, Revenue from Contracts with Customers. In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 supersedes nearly all existing revenue recognition guidance under U.S. GAAP and requires revenue to be recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract.

The FASB also issued the following amendments to ASU No. 2014-09 to provide clarification on the guidance:

- ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606) – Deferral of the Effective Date
- ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606) – Principal versus Agent (Reporting Revenue Gross vs. Net)
- ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606) – Identifying Performance Obligations and Licensing
- ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606) – Narrow-Scope Improvements and Practical Expedients

The adoption of Topic 606 is required for public entities for reporting periods beginning after December 15, 2017. The Company has adopted the provisions of this ASU for its fiscal year beginning January 1, 2018 using the modified retrospective transition method. This method involves application of the new guidance to either: (a) all contracts at the date of initial application or (b) only contracts that are not completed at the date of initial application. Under this method, if necessary, a cumulative effect adjustment is recognized as of the date of initial application. The adoption of ASU 2014-09 did not have an impact on the Company, and therefore, no cumulative effect adjustment was required.

In May 2017, the FASB issued ASU No. 2017-09, Compensation – Stock Compensation (Topic 718). The amendments in this Update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. This update is effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period, for (1) public business entities for reporting periods for which financial statements have not yet been issued and (2) all other entities for reporting periods for which financial statements have not yet been made available for issuance. The amendments in this update should be applied prospectively to an award modified on or after the adoption date. This accounting guidance was effective for us beginning January 1, 2018. The Company has evaluated the impact of the updated guidance and has determined that the adoption of ASU 2017-09 did not have a significant impact on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, “Simplifying the Test for Goodwill, which eliminates the second step in the current goodwill impairment calculation. Currently there is a two-step process for determining the amount of any goodwill impairment. In Step 1 an entity determines if the carrying value of the reporting unit (for which goodwill has been recorded) exceeds the fair value of the reporting unit. If the calculation in Step 1 indicates that the carrying value of a reporting unit for which goodwill has been recorded exceeds the fair value, the entity would have to determine the implied fair value of the reporting unit’s goodwill. An impairment would be recorded to the extent that the goodwill carrying value exceeded the implied fair value of goodwill at the reporting date. The amount of any goodwill impairment must take into consideration the effects of income taxes for any tax deductible goodwill. The effective date to adopt the ASU is for fiscal years beginning after December 15, 2019. The ASU is to be applied prospectively. Early adoption is permitted. The Company has evaluated the impact of the updated guidance and has determined that the adoption of ASU 2017-04 is not expected to have a significant impact on its condensed consolidated financial statements.

In February 2016, the FASB issued its final standard on lease accounting, ASU No. 2016-02, “Leases (Topic 842),” which superseded Topic 840, “Leases,” which was further modified in ASU No. 2018-10, “Codification Improvements to Topic 842, Leases,” ASU No. 2018-11, “Leases (Topic 842) Targeted Improvements” and ASU No. 2019-01 “Leases (Topic 842) Codification Improvements” to clarify the implementation guidance. The new accounting standard was effective for the Company beginning on January 1, 2019 and required the recognition on the balance sheet of right-of-use assets and lease liabilities for all long-term leases, including operating leases, on the balance sheet. The Company elected the optional transition method and adopted the new guidance on January 1, 2019 on a modified retrospective basis with no restatement of prior period amounts. As allowed under the new accounting standard, the Company elected to apply practical expedients to carry forward the original lease determinations, lease classifications and accounting of initial direct costs for all asset classes at the time of adoption. The Company also elected not to separate lease components from non- lease components and to exclude short-term leases from its condensed consolidated balance sheet. The Company’s adoption of the new standard resulted in the recognition of right-of-use assets of \$236 and liabilities of \$245, with no material cumulative effect adjustment to equity as of the date of adoption. In connection with the adoption of this guidance, as required, the Company reclassified deferred rent liabilities as reductions to lease assets. Adoption of the new standard did not have a material impact on the Company’s condensed consolidated statements of income or cash flows. See Note 13 - LEASES for additional information.

## **Critical Accounting Policies**

### **Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, equity and the disclosures of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future non-conforming events. Accordingly, the actual results could differ significantly from estimates. Significant items subject to such estimates include but are not limited to the valuation of stock-based awards, measurement of allowances for doubtful accounts and inventory reserves, the amount of deferred offering costs recognized, the selection of asset useful lives, fair value estimations used to test long-lived assets, including intangibles, impairments, and provisions necessary for assets and liabilities.

Management's estimates, including evaluation of impairment of long-lived assets and inventory reserves are based in part on forecasted future results. A variety of factors could cause actual results to differ from forecasted results and these differences could have a significant effect on asset carrying amounts. Management believes that we have the ability to sell raw materials to a third party in the event the Company does not obtain the requisite amount of revenue.

### **Concentrations of Credit Risk**

Management regularly reviews accounts receivable, and if necessary, establishes an allowance for doubtful accounts that reflects management's best estimate of amounts that may not be collectible based on historical collection experience and specific customer information. Bad debt expense recognized as a result of an allowance for doubtful accounts is classified under general and administrative expenses in the statements of operations. If we are unable to collect our outstanding accounts receivable from our distributors, or if our distributors are unable or unwilling to purchase our products, our operating results and financial condition will be adversely affected.

## **Fair Value of Long-Lived Assets**

We test long-lived assets, including fixed assets and intangibles with finite lives, for recoverability when events or changes in circumstances indicate that the net carrying amount is greater than its fair value. Assets are grouped and evaluated at the lowest level for their identifiable cash flows that are largely independent of the cash flows of other groups of assets. We consider historical performance and future estimated results in our evaluation of potential impairment and then compare the carrying amount of the asset to the future estimated cash flows expected to result from the use of the asset. If the carrying amount of the asset exceeds estimated expected undiscounted future cash flows, we measure the amount of impairment by comparing the carrying amount of the asset to its fair value. The estimation of fair value is generally measured by discounting expected future cash flows at the rate we utilize to evaluate potential investments. We estimate fair value based on the information available in making the necessary estimates, judgments and projections.

## **Fixed Assets**

Fixed assets are stated at cost and depreciated to their estimated residual value over their estimated useful lives of 3 to 7 years. Leasehold improvements are amortized over the lesser of the asset's useful life or the contractual remaining lease term including expected renewals. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation are reversed from the accounts and the resulting gains or losses are included in the condensed consolidated statements of operations.

Depreciation is provided using the straight-line method for all fixed assets. Repairs and maintenance costs are expensed as incurred.

## **Intangible Assets**

The Company's intangible assets consist primarily of intellectual property pertaining to Fortetropin<sup>®</sup>, including its formula, trademarks, trade secrets, patent application and domain names. Based on expansion into new markets and introduction of new formulas, management determined that the intellectual property had a finite useful life of ten (10) years and began amortizing the asset over its estimated useful life beginning April 2014.

Intangible assets include patent costs associated with applying for a patent and being issued a patent. Costs to defend a patent and costs to invalidate a competitor's patent or patent application are expensed as incurred. Upon issuance of the patent, capitalized patent costs are reclassified from intangibles with indefinite lives to intangibles with finite lives and amortized on a straight-line basis over the shorter of the estimated economic life or the initial term of the patent, generally 20 years.

Our policy is to evaluate intangible assets subject to amortization for possible impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Impairment testing of intangible assets subject to amortization involves comparing the carrying amount of the asset to the forecasted undiscounted future cash flows. In the event the carrying value of the asset exceeds the undiscounted future cash flows, the carrying value is considered not recoverable and an impairment exists. An impairment loss is measured as the excess of the asset's carrying value over its fair value, calculated using a discounted future cash flow method. The computed impairment loss is recognized in the period that the impairment occurs. Assets which are not impaired may require an adjustment to the remaining useful lives for which to amortize the asset.

There were no impairment charges for the three months ended March 31, 2019 and the year ended December 31, 2018.

## **Stock-based Compensation**

Stock-based payments are measured at their estimated fair value on the date of grant. Stock-based compensation expense recognized during a period is based on the estimated number of awards that are ultimately expected to vest. For stock options and restricted stock that do not vest immediately but which contain only a service vesting feature, we recognize compensation cost on the unvested shares and options on a straight-line basis over the remaining vesting period.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of options and the market price of our common stock on the date of grant for the fair value of restricted stock issued. Our determination of the fair value of stock-based awards is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, our expected stock price volatility over the term of the awards, and certain other market variables such as the risk-free interest rate.

## **Income Taxes**

We account for income taxes using an asset and liability approach which allows for the recognition and measurement of deferred tax assets based upon the likelihood of realization of tax benefits in future years. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before we are able to realize their benefits, or that future deductibility is uncertain.

We record a valuation allowance for deferred tax assets, if any, based on our estimates of future taxable income as well as tax planning strategies when it is more likely than not that a portion or all of its deferred tax assets will not be realized. If we are able to utilize more of our deferred tax assets than the net amount previously recorded when unanticipated events occur, an adjustment to deferred tax assets would increase our net income when those events occur.

## **Inventory Reserves**

Inventories are valued at the lower of cost or net realizable value, with cost determined on a first-in, first-out basis. Our policy is to recognize an inventory reserve as a loss in earnings in the period in which evidence exists that the net realizable value of inventory is less than its cost due to damage, physical deterioration, obsolescence, and changes in inventory reserve estimates, changes in price levels or other causes. Net realizable value is the estimated selling price in the ordinary course of business, less costs to complete and sell finished goods, including direct selling costs such as transportation and sales commissions as well as inventory write-offs. The multiple possible outcomes that can result from applying lower of cost or net realizable value can make inventory valuation highly complex.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are a smaller reporting company, and therefore, we are not required to provide information required by this Item of Form 10-Q.

## **Item 4. Controls and Procedures**

### *Evaluation of Disclosure Controls and Procedures*

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that is designed to provide reasonable assurance that information we are required to disclose in the reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedure include, without limitations, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

In accordance with Exchange Act Rules 13a-15 and 15d-15, an evaluation was completed by our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2019. Based on that evaluation, management concluded that due to a material weakness in our internal control over financial reporting, our disclosure controls and procedures were not effective.

We are implementing remedial measures designed to address the material weakness.

### *Changes in Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

On January 6, 2017, in connection with the financing contemplated by a securities purchase agreement with RENS Technology Inc. (the “Purchaser”), we commenced an action in the Supreme Court of New York, County of New York (the “Court”), against the Purchaser, RENS Agriculture, the parent company of the Purchaser, and Ren Ren, a principal in both entities and one of our directors, arising from the Purchaser’s breach of the agreement under which the Purchaser agreed to invest an aggregate of \$20.25 million in our company in exchange for an aggregate of 3,537,037 shares of our common stock and warrants to purchase an aggregate of 884,259 shares of common stock.

On April 11, 2017, the Court noted that we had demonstrated a likelihood of success on the merits of the breach of contract claim. Thereafter, a hearing was scheduled on the application by the Purchaser to dismiss the complaint and various pre-trial discovery applications by both parties.

In August 2017, the Company amended its complaint repeating most of the initial claims but adding several additional claims against RENS Agriculture, Mr. Ren and two additional Chinese defendants, including a claim against RENS Agriculture for breaching the exclusive distribution agreement, as well as claims against all defendants for theft and misappropriation of our confidential proprietary information and trade secrets, breach of fiduciary duty and duty of loyalty, misappropriation of corporate opportunity, unfair competition and a number of other torts. We are seeking damages and injunctive relief. The Purchaser has filed a motion to dismiss the amended complaint, which is still pending and scheduled for oral argument in the second quarter of 2019.

The parties are currently in settlement discussions regarding the foregoing matter.

The outcome of this matter cannot be determined as of the date of this report.

On August 16, 2017, the Purchaser commenced an action in the District Court of Clark County in the State of Nevada against us and Joseph Mannello, our then interim Chief Executive Officer, alleging that Mr. Mannello had breached his fiduciary duties and had mismanaged our company. The action sought monetary damages against Mr. Mannello and the appointment of a receiver over our company. The Purchaser filed an application to appoint a receiver and Mr. Mannello and our company filed a motion to dismiss the action. On April 11, 2019, the parties filed, and the Court entered, a Stipulation and Order of dismissal which dismissed this action in its entirety.

### Item 1A. Risk Factors.

Factors that could cause our actual results to differ materially from those in this report are any of the risks described in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on March 27, 2019. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

As of the date of this report, there have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC, except we may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

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

On March 27, 2019, the Company consummated a private placement (the “Private Placement”) of shares of the Company’s common stock, pursuant to the terms of a Securities Purchase Agreement dated as of March 20, 2019 at a purchase price of \$1.46 per share. In the Private Placement, the Company issued 1,438,356 shares of common stock to a group of accredited investors, including two members of the Company’s board of directors, for aggregate gross proceeds of \$2.1 million. The securities issued in the Private Placement as described above have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), and such issuances were made pursuant to the exemptions from registration provided by Section 4 (a)(2) of the Securities Act and/or Regulation D promulgated thereunder.

**Item 3. Defaults Upon Senior Securities.**

None

**Item 4. Mine Safety Disclosures.**

None

**Item 5. Other Information.**

None

**Item 6. Exhibits.**

| No.     | Description  |
|---------|--|
| 10.1    | <a href="#">Form of Securities Purchase Agreement, dated March 20, 2019, between the Company and each of the investors (incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K, filed with the SEC on March 26, 2019)</a> |
| 10.2    | <a href="#">Third Amendment to Commercial Lease, dated March 28, 2019, by and between the Company and Cutler Holdings, L.L.C.</a>  |
| 31.1    | <a href="#">Certification of Principal Executive Officer and Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>                   |
| 32.1*   | <a href="#">Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>  |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document  |
| 101.SCH | XBRL Taxonomy Extension Schema Document  |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document   |
| 101.LAB | XBRL Taxonomy Extension Labels Linkbase Document   |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document   |

\* Furnished herewith

## SIGNATURES

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

**MYOS RENS TECHNOLOGY INC.**

Date: May 8, 2019

By: /s/ Joseph Mannello

Name: Joseph Mannello

Title: Chief Executive Officer

**THIRD AMENDMENT TO COMMERCIAL LEASE**

This **THIRD AMENDMENT TO COMMERCIAL LEASE** (this “**Amendment**”) is made as of March 28, 2019 (the “**Effective Date**”), by and between **CUTLER HOLDINGS, L.L.C.** (“**Landlord**”) and **MYOS RENS TECHNOLOGY INC.**, formerly known as Myos Corporation (“**Tenant**”).

**RECITALS**

WHEREAS, Landlord currently leases to Tenant, and Tenant currently leases from Landlord, approximately 5,566 GSF of space in the building located at 45 Horsehill Road, Hanover Township, Morris County, New Jersey (the “**Building**”), known as Suite 106 (the “**Premises**”) pursuant to that certain Commercial Lease dated August 1, 2012 (the “**Original Lease**”), as amended by that certain First Amendment to Commercial Lease dated June 6, 2014 (the “**First Amendment**”), and that certain Second Amendment to Commercial Lease dated March 30, 2017 (the “**Second Amendment**” and, together with the Original Lease and the First Amendment, collectively, the “**Lease**”); and

WHEREAS, the term of the Lease is currently scheduled to expire on December 31, 2019.

WHEREAS, the parties desire to extend the term and further modify certain terms of the Lease, pursuant and subject to the terms and conditions set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Defined Terms. Capitalized terms used but not otherwise defined herein shall have the meaning ascribed thereto in the Lease. The foregoing recitals are incorporated herein and made a substantive part of this Amendment.

2. Term Extension. The Term of the Lease, as amended hereby, is extended for a period of three (3) years, commencing on January 1, 2020 (the “**Extension Commencement Date**”) and expiring on December 31, 2022 (the “**Extended Expiration Date**”), unless sooner terminated in accordance with the terms of the Lease. The period of time commencing on the Extension Commencement Date and expiring on the Extended Expiration Date shall be referred to herein as the “**Extension Period**”. From and after the Effective Date, (i) the term “**Termination Date**” as used in the Lease, as amended hereby, shall mean the Extended Expiration Date, and (ii) the term “**Term**” as used in the Lease, as amended hereby, shall include the Extension Period.

3. Base Annual Rent for Premises. The Base Annual Rent for the Premises during the Extension Period will be payable by the terms of the Lease as set forth below:

| Time Period     | Demised Premises | Rate per GSF | Base Annual Rent | Monthly Base Rent |
|-----------------|------------------|--------------|------------------|-------------------|
| 1/1/20-12/31/20 | 5,566            | \$ 12.95     | \$ 72,079.70     | \$ 6,006.64       |
| 1/1/21-12/31/21 | 5,566            | \$ 13.34     | \$ 74,242.09     | \$ 6,186.84       |
| 1/1/22-12/31/22 | 5,566            | \$ 13.74     | \$ 76,469.35     | \$ 6,372.45       |

Notwithstanding anything to the contrary contained herein, the Monthly Base Rent (but not additional rent as provided for in the Lease) shall abate during the period beginning on January 1, 2020 and ending on January 31, 2020. If prior to or during said abatement period, Tenant commits a default under the Lease and does not cure it within the time provided in the Lease for cure, if any, the foregoing abatement shall immediately cease and Tenant shall thereafter pay the full Monthly Base Rent, without the abatement. If the Lease shall terminate following such abatement period due to a default by Tenant under the Lease, Tenant shall reimburse Landlord the full amount of the abatement.

4. Extension Options. For the avoidance of doubt, Tenant shall continue to have two (2) options to renew the Lease upon the terms and conditions set forth in Section 3A of the Original Lease, as amended by the Second Amendment.

5. Representations. Tenant represents and warrants to Landlord that, as of the Effective Date: (a) Tenant is the sole owner of Tenant's interest in the Lease and Tenant has not made any assignment, pledge, disposition or other conveyance of such interest, (b) any and all approval (partnership, corporate, governmental or otherwise) that is required to give effect to Tenant's execution, delivery and performance of this Amendment has been obtained, and (c) the individual(s) executing this Amendment on Tenant's behalf is authorized to do so.

6. Broker's Fee. Tenant represents and warrants that it has not had any dealings with any real estate broker or leasing agent in connection with this Amendment, and that no person or entity is entitled to receive any real estate brokerage, leasing commission or finder's fees by reason of the execution of this Amendment. Tenant hereby indemnifies Landlord from and against any claim for a brokerage commission or leasing commission in connection with the execution of this Amendment.

7. Incorporation. This Amendment is incorporated into the Lease by reference and all terms and conditions of the Lease (except as expressly modified herein) are incorporated into this Amendment by reference. The terms and conditions of the Lease shall remain in full force and effect except as modified hereby. In the event of any conflict between the provisions of this Amendment and the Lease, the provisions in this Amendment shall prevail and be paramount.

8. Neutral Interpretation. This Amendment shall be interpreted neutrally between the parties without regard to which party drafted or caused to be drafted this Amendment.

9. Counterparts. This Amendment may be executed in counterparts, each of which shall be deemed to be an original and all of which, when taken together, shall constitute one and the same agreement. A signature transmitted by facsimile or other electronic means shall be sufficient and binding for all purposes.

10. Effectiveness. This Amendment shall become effective on and only on its execution and delivery by each party hereto.

11. Amendment. The Lease as amended hereby may not be further altered, amended, changed, terminated, modified or supplemented in any respect, unless the same shall be in writing and signed by each party hereto.

12. Severability. No determination by any court that any provision hereof is invalid or unenforceable in any instance shall affect the validity or enforceability of any other provision hereof, or such provision in any circumstance not controlled by such determination.

13. Governing Law. This Amendment shall be construed and governed by the laws of the State of New Jersey.

[The signatures of the parties appear on the following page.]

IN WITNESS WHEREOF, the parties have executed this Amendment, intending to be legally bound hereby, as of the date and year set forth above.

Landlord:

Tenant:

CUTLER HOLDINGS, L.L.C.

MYOS RENS TECHNOLOGY INC. (F/k/a  
Myos Corporation)

By: /s/ William Cutler  
William Cutler

By:/s/ Joe Mannello  
Joe Mannello

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECURITIES EXCHANGE ACT RULES 13A-14(A) AND 15D-14(A)  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph Mannello, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MYOS RENS Technology Inc. (the “report”);
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. I am 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 my 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 my 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 my 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. I have disclosed, based on my 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: May 8, 2019

By: /s/ Joseph Mannello  
Name: Joseph Mannello  
Title: Chief Executive Officer  
(Principal Executive Officer and Principal Financial Officer)



**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this quarterly report on Form 10-Q of MYOS RENS Technology Inc. (the “Company”) for the quarter ended March 31, 2019, (the “Report”), I, Joseph Mannello, the Principal Executive Officer and the Principal Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 8, 2019

By: /s/ Joseph Mannello  
Name: Joseph Mannello  
Title: Chief Executive Officer  
(Principal Executive Officer and Principal Financial  
Officer)

This certification accompanies this report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purpose of Section 18 of the Securities Exchange Act of 1934, as amended.