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, 2022

OR

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

For the transition period from _____ to _____

Commission File Number 0-51481

STRATA SKIN SCIENCES, INC.

(Exact name of registrant as specified in its charter)

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

5 Walnut Grove Drive, Suite 140, Horsham, Pennsylvania 19044
(Address of principal executive offices, including zip code)

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

Securities registered under Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value per share	SSKN	The NASDAQ Stock Market LLC

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

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically 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 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 ☐	Accelerated filer ☐
Non-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 ☒

The number of shares outstanding of the issuer's common stock as of May 6, 2022 was 34,723,046 shares.

STRATA SKIN SCIENCES, INC.

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PART I – Financial Information

ITEM 1. Financial Statements

STRATA Skin Sciences, Inc. and Subsidiary
Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)

	March 31, 2022 (unaudited)	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 10,923	$ 12,586
Accounts receivable, net of allowance for doubtful accounts of $288 and $275 at March 31, 2022 and December 31, 2021, respectively	2,972	3,433
Inventories	4,758	3,489
Prepaid expenses and other current assets	393	462
Total current assets	19,046	19,970
Property and equipment, net	6,921	6,883
Operating lease right-of-use assets	549	638
Intangible assets, net	19,568	10,083
Goodwill	8,803	8,803
Other assets	200	216
Total assets	$ 55,087	$ 46,593
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 3,970	$ 2,822
Accrued expenses and other current liabilities	6,539	6,377
Deferred revenues	3,121	3,285
Current portion of operating lease liabilities	289	318
Current portion of contingent consideration	500	-
Total current liabilities	14,419	12,802
Long-term debt	7,356	7,319
Deferred revenues and other liabilities	320	400
Deferred tax liability	266	266
Operating lease liability, net of current portion	324	392
Contingent consideration, net of current portion	8,622	-
Total liabilities	31,307	21,179
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Series C convertible preferred stock, $0.10 par value; 10,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, $0.001 par value, 150,000,000 shares authorized; 34,723,046, and 34,364,679, shares issued and outstanding at March 31, 2022 and December 31, 2021, respectively	35	34
Additional paid-in capital	247,926	247,059
Accumulated deficit	(224,181)	(221,679)
Total stockholders' equity	23,780	25,414
Total liabilities and stockholders' equity	$ 55,087	$ 46,593

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

STRATA Skin Sciences, Inc. and Subsidiary
Condensed Consolidated Statements of Operations
(in thousands, except share and per share amounts)
(unaudited)

	For the Three Months Ended March 31,	
	2022	2021
Revenues, net	$ 7,041	$ 5,827
Cost of revenues	2,913	2,114
Gross profit	4,128	3,713
Operating expenses:		
Engineering and product development	163	384
Selling and marketing	3,616	2,932
General and administrative	2,652	2,789
	6,431	6,105
Loss from operations	(2,303)	(2,392)
Other income (expense):		
Interest expense	(199)	(30)
Interest income	-	8
	(199)	(22)
Loss before income taxes	(2,502)	(2,414)
Income tax expense	-	(4)
Net loss	$ (2,502)	$ (2,418)
Net loss per share of common stock, basic and diluted	$ (0.07)	$ (0.07)
Weighted average shares of common stock outstanding, basic and diluted	34,679,246	33,802,129

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

STRATA Skin Sciences, Inc. and Subsidiary
Condensed Consolidated Statements of Changes in Stockholders' Equity
For The Three Months Ended March 31, 2022 and 2021
(in thousands, except share amounts)
(unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at January 1, 2022	34,364,679	$ 34	$ 247,059	$ (221,679)	$ 25,414
Stock-based compensation	-	-	368	-	368
Issuance of common stock for acquisition	358,367	1	499	-	500
Net loss	-	-	-	(2,502)	(2,502)
Balance at March 31, 2022	34,723,046	$ 35	$ 247,926	$ (224,181)	$ 23,780

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at January 1, 2021	33,801,045	$ 34	$ 244,831	$ (218,973)	$ 25,892
Stock-based compensation	-	-	662	-	662
Issuance of restricted stock	16,260	-	-	-	-
Net loss	-	-	-	(2,418)	(2,418)
Balance at March 31, 2021	33,817,305	$ 34	$ 245,493	$ (221,391)	$ 24,136

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

STRATA Skin Sciences, Inc. and Subsidiary
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	For the Three Months Ended March 31,	
	2022	2021
Cash flows from operating activities:		
Net loss	$ (2,502)	$ (2,418)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Amortization of intangible assets	696	352
Amortization of right-of-use assets	89	86
Depreciation	625	481
Amortization of deferred financing costs and debt discount	37	-
Provision for (recoveries of) doubtful accounts	13	(54)
Stock-based compensation	368	662
Loss on disposal of property and equipment	17	-
Deferred taxes	-	4
Changes in operating assets and liabilities:		
Accounts receivable	448	145
Inventories	(1,198)	132
Prepaid expenses and other assets	85	(65)
Accounts payable	1,148	387
Accrued expenses and other liabilities	175	586
Deferred revenues	(257)	(54)
Operating lease liabilities	(97)	(91)
Net cash (used in) provided by operating activities	(353)	153
Cash flows from investing activities:		
Purchase of property and equipment	(679)	(740)
Cash paid in connection with TheraClear asset acquisition	(631)	-
Net cash used in investing activities	(1,310)	(740)
Net decrease in cash, cash equivalents and restricted cash	(1,663)	(587)
Cash, cash equivalents and restricted cash, beginning of period	12,586	18,112
Cash, cash equivalents and restricted cash, end of period	$ 10,923	$ 17,525
Cash and cash equivalents	$ 10,923	$ 10,043
Restricted cash	-	7,482
	$ 10,923	$ 17,525
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 160	$ 30
Supplemental disclosure of non-cash operating, investing and financing activities:		
Inventories acquired in connection with TheraClear asset acquisition	$ 71	$ -
Intangible assets acquired in connection with TheraClear asset acquisition	$ 10,182	$ -
Contingent consideration issued in connection with TheraClear asset acquisition	$ 9,122	$ -
Common stock issued in connection with TheraClear asset acquisition	$ 500	$ -

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

STRATA SKIN SCIENCES, INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share, and per share amounts and number of lasers)
(unaudited)

Note 1
The Company:

Background
STRATA Skin Sciences, Inc. (the "Company") is a medical technology company in dermatology dedicated to developing, commercializing and marketing innovative products for the treatment of dermatologic conditions. Its products include the XTRAC® and Pharos® excimer lasers and VTRAC® lamp systems utilized in the treatment of psoriasis, vitiligo and various other skin conditions. In January 2022, the Company acquired the TheraClear acne treatment device to broaden its opportunities with expansion potential in the acne care market.

The XTRAC is an ultraviolet light excimer laser system utilized to treat psoriasis, vitiligo and other skin diseases. The XTRAC excimer laser system received clearance from the United States Food and Drug Administration (the "FDA") in 2000. As of March 31, 2022, there were 903 XTRAC systems placed in dermatologists' offices in the United States and 55 systems internationally under the Company's recurring revenue business model. The XTRAC systems deployed under the recurring revenue model generate revenue on a per procedure basis or include a fixed payment over an agreed upon period with a capped number of treatments, which if exceeded would incur additional fees. The per-procedure charge is inclusive of the use of the system and the services provided by the Company to the customer, which includes system maintenance and other services. The VTRAC Excimer Lamp system, offered in addition to the XTRAC system internationally, provides targeted therapeutic efficacy demonstrated by excimer technology with a lamp system.

Since 2019, the Company has been transitioning its international dermatology procedures equipment sales through its master distributor to a direct distribution model for equipment sales and recurring revenue on a country-by-country basis, primarily in the Middle East and Asia.

In late 2019, there was an outbreak of a new strain of coronavirus ("COVID-19") which became a global pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, constrained work force participation and created significant volatility and disruption of financial markets. In addition, the pandemic led to the suspension of elective procedures in the U.S. and to the temporary closure of many physician practices which are our primary customers. While most offices reopened, some practices closed and never reopened, and the ongoing impact of the COVID-19 pandemic and its variants on the Company's operational and financial performance, including its ability to execute its business strategies and initiatives in the expected time frames will depend on future developments, including the duration and ongoing spread of the COVID-19 outbreak and its variants, continued or renewed restrictions on business operations and transportation, any governmental and societal responses thereto, including legislative or regulatory changes as well as the percentage of the populace vaccinated and the effectiveness of COVID-19 vaccines and the continued impact on worldwide economic and geopolitical conditions, all of which are uncertain and cannot be predicted.

Domestically, as the procedures for which the Company's devices are used are elective in nature; and as social distancing, travel restrictions, and other restrictions became prevalent in the United States, this had a negative impact on the Company's recurring revenue model and its financial position and cash flow. The virus has disrupted the supply chains world-wide which the Company depends upon to provide a steady source of components to manufacture and repair the Company's devices. To mitigate the impact of COVID-19 the Company took a variety of measures to ensure the availability and functioning of its critical infrastructure by implementing business continuity plans. To promote the safety and security of its employees, while complying with various government mandates including work-from-home arrangements and social-distancing initiatives to reduce the transmission of COVID-19, the Company is complying with federal and local regulations at its facilities. In addition, the Company created and executed programs utilizing its direct-to-consumer advertising and call center to contact patients and partner clinics to restart the Company's partners' businesses. In October 2021, the Company implemented a policy whereby all Company employees are required to be vaccinated or complete weekly COVID-19 testing. See Note 2, **Liquidity** for discussion on Company liquidity.

Supply chain disruptions which began during the pandemic have continued and may continue for the foreseeable future. While the Company's operations have not been materially impacted by the general trends in supply chain problems, the Company continues to monitor and assess potential risks.

STRATA Skin Sciences, Inc. and Subsidiary
Notes to Unaudited Condensed Consolidated Financial Statements
(in thousands, except share and per share amounts and number of lasers)
(unaudited)

***Basis of Presentation*:**

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

Unaudited Interim Condensed Consolidated Financial Statements
The accompanying unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC") for interim financial reporting. These condensed consolidated statements are unaudited and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments and accruals) necessary to fairly present the results of the interim periods. The condensed consolidated balance sheet at December 31, 2021 has been derived from the audited consolidated financial statements at that date. Operating results and cash flows for the three months ended March 31, 2022 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2022 or any other future period. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been omitted in accordance with the rules and regulations for interim reporting of the SEC. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the "2021 Form 10-K"), and other forms filed with the SEC from time to time. Dollar amounts included herein are in thousands, except share, per share data and number of lasers.

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

Significant Accounting Policies
The significant accounting policies used in preparation of these condensed consolidated financial statements are disclosed in the Company's 2021 Form 10-K, and there have been no changes to the Company's significant accounting policies during the three months ended March 31, 2022.

Use of Estimates
The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting periods. Actual results could differ from those estimates and be based on events different from those assumptions. As of March 31, 2022, the more significant estimates include revenue recognition with respect to deferred revenues and the contract term and valuation allowances of accounts receivable, inputs used when evaluating goodwill for impairment, inputs used in the valuation of acquired intangible assets, state sales and tax accruals, the estimated useful lives of intangible assets, and the valuation allowance related to deferred tax assets.

STRATA Skin Sciences, Inc. and Subsidiary
Notes to Unaudited Condensed Consolidated Financial Statements
(in thousands, except share and per share amounts and number of lasers)
(unaudited)

Fair Value Measurements

The Company measures financial assets and liabilities at fair value at each reporting period using a fair value hierarchy that requires the use of observable inputs and minimizes the use of unobservable inputs. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1 – quoted market prices in active markets for identical assets or liabilities.
- Level 2 – observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – inputs that are generally unobservable and typically reflect the Company's estimate of assumptions that market participants would use in pricing the asset or liability.

The fair values of cash and cash equivalents and restricted cash are based on their respective demand values, which are equal to the carrying values. The carrying values of all short-term monetary assets and liabilities are estimated to approximate their fair values due to the short-term nature of these instruments. As of March 31, 2022 and December 31, 2021, the carrying value of the Company's current Senior Term Facility approximated its fair value due to its variable interest rate.

Accrued Warranty Costs

The Company offers a standard warranty on product sales generally for a one to two-year period, however, the Company has offered longer warranty periods, ranging from three to four years, in order to meet competition or meet customer demands. The Company provides for the estimated cost of the future warranty claims on the date the product is sold. The activity in the warranty accrual during the three months ended March 31, 2022 and 2021 is summarized as follows:

	Three Months Ended, March 31,	
	2022	2021
Balance, beginning of period	$ 79	$ 113
Additions	34	4
Expirations and claimed satisfied	(14)	(32)
Total	99	85
Less current portion within accrued expenses and other current liabilities	(66)	(63)
Balance within deferred revenues and other liabilities	$ 33	$ 22

Net Loss Per Share

Basic net loss per share of common stock is computed by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during each period. Diluted loss per share of common stock includes the effect, if any, from the potential exercise or conversion of securities such as unvested restricted stock awards, stock options and warrants for common stock which would result in the issuance of incremental shares of common stock. For diluted net loss per share, the weighted-average number of shares of common stock is the same as for basic net loss per share due to the fact that when a net loss exists, dilutive securities are not included in the calculation as the impact is anti-dilutive.

The following potentially dilutive securities have been excluded from the computation of diluted weighted-average shares of common stock outstanding, as they would be anti-dilutive:

	March 31,	
	2022	2021
Unvested restricted stock units	89,681	-
Stock options	4,434,714	6,925,478
Common stock warrants	373,626	-
Total	4,898,021	6,925,478

STRATA Skin Sciences, Inc. and Subsidiary
Notes to Unaudited Condensed Consolidated Financial Statements
(in thousands, except share and per share amounts and number of lasers)
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Accounting Pronouncements Recently Adopted

In May 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2021-04, Earnings per Share (Topic 260), Debt – Modifications and Extinguishments (Subtopic 470-50), Compensation – Stock Compensation (Topic 718), and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges or Freestanding Equity-Classified Written Call Options. The pronouncement outlines how an entity should account for modifications made to equity-classified written call options, including stock options and warrants to purchase the entity's own common stock. The guidance in the ASU requires an entity to treat a modification of an equity-classified written call option that does not cause the option to become liability-classified as an exchange of the original option for a new option. This guidance applies whether the modification is structured as an amendment to the terms and conditions of the equity-classified written call option or as termination of the original option and issuance of a new option. The guidance is effective prospectively for fiscal years beginning after December 15, 2021. The adoption of this guidance on January 1, 2022 did not have a material effect on the condensed consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended subsequently by ASUs 2018-19, 2019-04, 2019-05, 2019-10, 2019-11 and 2020-03. The guidance in the ASUs requires that credit losses be reported using an expected losses model rather than the incurred losses model that is currently used. The standard also establishes additional disclosures related to credit risks. This standard is effective for fiscal years beginning after December 15, 2022 and early adoption is permitted. The Company does not believe this will have a material effect on its condensed consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting and in January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848): Scope. These pronouncements provide temporary optional expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates. The transition period for adopting these ASUs is March 2020 through December 31, 2022. The Company continues to evaluate the temporary expedients and options available under this guidance and the effects of these pronouncements and, as the Company does not have any hedging activities, does not believe this will have a material effect on its condensed consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, Debt with Conversion and Other Options (Subtopic 470-20) and Derivative and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's own Equity. The pronouncement simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. Specifically, the ASU simplifies accounting for convertible instruments by removing major separation models required under current U.S. GAAP. In addition, the ASU removes certain settlement conditions that are required for equity contracts to qualify for it and simplifies the diluted earnings per share (EPS) calculations in certain areas. The guidance is effective beginning after December 15, 2023 and early adoption is permitted. The Company does not currently engage in contracts covered by this guidance and does not believe it will have a material effect on the Company's condensed consolidated financial statements, but it could in the future.

Note 2
Liquidity:

The Company has been negatively impacted by the ongoing COVID-19 pandemic, has historically experienced recurring losses, has been dependent on raising capital from the sale of securities in order to continue to operate and refinanced its debt at a lower interest rate. During the COVID-19 pandemic, the Company received cash proceeds from a Paycheck Protection Program ("PPP") loan, which was forgiven, and an Economic Injury Disaster Loan (the "EIDL loan") that was repaid at the time the Senior Term Facility was entered into with MidCap Financial Trust in September 2021 (Note 9). Additionally, in October 2021, the Company entered into an equity distribution agreement with an investment bank under which the Company may sell up to $11.0 million of its common stock in registered "at-the-market" offerings. Management believes that the Company's cash and cash equivalents, combined with the anticipated revenues from the sale or use of its products, will be sufficient to satisfy the Company's working capital needs, capital asset purchases, outstanding commitments and other liquidity requirements associated with its existing operations for at least the next 12 months following the date of the issuance of these unaudited interim condensed consolidated financial statements. However, the negative impact of the ongoing COVID-19 outbreak on the financial markets and supply chain disruptions could interfere with the Company's ability to access financing and on favorable terms.

STRATA Skin Sciences, Inc. and Subsidiary
Notes to Unaudited Condensed Consolidated Financial Statements
(in thousands, except share and per share amounts and number of lasers)
(unaudited)

Note 3
Revenue Recognition:

Revenues from the Company's dermatology recurring procedures customers are earned by providing physicians with its laser products and charging the physicians a fee for a fixed number of treatment sessions or a fixed fee for a specified period of time not to exceed an agreed upon number of treatments; if that number is exceeded additional fees will have to be paid. The placement of the laser products at physician locations represents embedded leases which are accounted for as operating leases. For the lasers placed-in service under these arrangements, the terms of the domestic arrangements are generally 36 months with automatic one-year renewals and include a termination clause that can be effected at any time by either party with 30 to 60 day notice. Amounts paid are generally non-refundable. Sales of access codes for a fixed number of treatment sessions are considered variable treatment code payments and are recognized as revenue over the estimated usage period of the agreed upon number of treatments. Sales of access codes for a specified period of time are recognized as revenue on a straight-line basis as the lasers are being used over the term period specified in the agreement. Variable treatment code payments that will be paid only if the customer exceeds the agreed upon number of treatments are recognized only when such treatments are being exceeded and used. Internationally, the Company generally sells access codes for a fixed amount on a monthly basis to its distributors and the terms are generally 48 months, with termination in the event of the customers' failure to remit payments timely, and include a potential buy-out at the end of the term of the contract. Currently, this is the only foreign recurring revenue. Prepaid amounts recorded in deferred revenue and customer deposits recorded in accounts payable are recognized as revenue over the lease term in the patterns described above. Pricing is fixed with the customer. With respect to lease and non-lease components, the Company adopted the practical expedient to account for the arrangement as a single lease component.

Revenues from the Company's dermatology procedures equipment are recognized when control of the promised goods or services is transferred to its customers or distributors, in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. Accordingly, the Company determines revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, performance obligations are satisfied.

Accounting for the Company's contracts involves the use of significant judgments and estimates including determining the separate performance obligations, allocating the transaction price to the different performance obligations and determining the method to measure the entity's performance toward satisfaction of performance obligations that most faithfully depicts when control is transferred to the customer. The Company allocates the contract's transaction price to each performance obligation using the Company's best estimate of the standalone selling price for each distinct good or service in the contract. The Company maximizes the use of observable inputs by beginning with average historical contractual selling prices and adjusting as necessary and on a consistent and rational basis for other inputs such as pricing trends, customer types, volumes and changing cost and margins.

Revenues from dermatology procedures equipment are recognized when control of the promised products is transferred to either the Company's distributors or end-user customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products (the transaction price). Control transfers to the customer at a point in time. To indicate the transfer of control, the Company must have a present right to payment and legal title must have passed to the customer. The Company ships most of its products FOB shipping point, and as such, the Company primarily transfers control and records revenue upon shipment. From time to time the Company will grant certain customers, for example governmental customers, FOB destination terms, and the transfer of control for revenue recognition occurs upon receipt. The Company has elected to recognize the cost of freight and shipping activities as fulfillment costs. Amounts billed to customers for shipping and handling are included as part of the transaction price and recognized as revenue when control of the underlying goods are transferred to the customer. The related shipping and freight charges incurred by the Company are included in cost of revenues.

STRATA Skin Sciences, Inc. and Subsidiary
Notes to Unaudited Condensed Consolidated Financial Statements
(in thousands, except share and per share amounts and number of lasers)
(unaudited)

The following table summarizes the Company's expected future undiscounted fixed treatment code payments from international recurring revenue customers as of March 31, 2022:

Remaining 2022	$	1,263
2023		1,624
2024		1,303
2025		530
2026		4
Total	$	4,724

Remaining performance obligations related to Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, represent the aggregate transaction price allocated to performance obligations with an original contract term greater than one year, which are fully or partially unsatisfied at the end of the period. Remaining performance obligations include the potential obligation to perform under extended warranties but exclude any equipment accounted for as leases. As of March 31, 2022, the aggregate amount of the transaction price allocated to remaining performance obligations was $21, and the Company expects to recognize $10 of the remaining performance obligations within one year and the balance over one to three years. Contract assets primarily relate to the Company's rights to consideration for work completed in relation to its services performed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. Currently, the Company does not have any contract assets which have not transferred to a receivable.

Contract liabilities primarily relate to extended warranties where the Company has received payments but has not yet satisfied the related performance obligations. The allocations of the transaction price are based on the price of stand-alone warranty contracts sold in the ordinary course of business. The advance consideration received from customers for the warranty services is a contract liability that is recognized ratably over the warranty period. As of March 31, 2022, the $10 of short-term contract liabilities is presented as deferred revenues and the $11 of long-term contract liabilities is presented within deferred revenues and other liabilities on the condensed consolidated balance sheet. For the three months ended March 31, 2022 and 2021, the Company recognized $5 and $34, respectively, as revenue from amounts classified as contract liabilities (i.e. deferred revenues) as of December 31, 2021 and 2020.

With respect to contract acquisition costs, the Company applied the practical expedient and expenses these costs immediately.

Note 4
Acquisition of TheraClear Assets:

In January 2022, the Company acquired certain assets related to the TheraClear Devices from Theravant Corporation ("Theravant"). The TheraClear asset acquisition will allow the Company to further develop, commercialize and market the TheraClear Devices that are used for acne treatment, as well as advance the TheraClear technology into multiple other devices that can be used to treat a range of additional indications.

The Company made an upfront cash payment of $500 and issued to Theravant 358,367 shares of common stock with an aggregate value of $500 as of the closing date in connection with the TheraClear asset acquisition. Theravant is eligible to receive up to $3.0 million in future earnout payments upon the achievement of certain annual net revenue milestones, up to $20.0 million in future royalty payments based upon a percentage of gross profit from future domestic sales ranging from 10-20%, 25% of gross profit from international sales over the subsequent four-year period, and up to $1.0 million in future milestone payments upon the achievement of certain development and commercialization related targets.

The Company determined this transaction represented an asset acquisition as substantially all of the value was in the TheraClear technology intangible asset as defined by ASC 805, Business Combinations.

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The purchase price was allocated, on a relative fair basis, to the technology intangible asset and acquired inventories as follows:

Consideration:	
Cash payment	$ 500
Common stock issued	500
Transaction costs	131
Contingent consideration	9,122
Total consideration	$ 10,253
Assets acquired:	
Technology intangible asset	$ 10,182
Inventories	71
Total assets acquired	$ 10,253

The technology intangible asset is being amortized on a straight-line basis over a period of ten years, to be updated for subsequent changes in the contingent consideration that is allocated to its carrying value. The intangible asset was valued using the relief from royalty method. Significant assumptions used in the relief from royalty method include a 14.5% weighted average cost of capital and 15.0% of revenues for the royalty rate. The net book value of acquired inventories approximated its fair value. To calculate the fair value of the earnout using Monte Carlo simulations, Company projections were utilized to develop expected revenues and gross profits based on the risk inherent in the projections using the Geometric-Brownian motion for the earnout periods and related earnout payments. Significant assumptions used in the Geometric-Brownian motion analysis include projected revenues, projected gross profit, risk free rate of return of 1.6%, revenue volatility of 45.0%, and a cost of equity of 10.5%. Due to uncertainties associated with the development of a new product line and the use of estimates and assumptions to determine the fair value of the contingent consideration, the amount ultimately paid in connection with the earnout may differ from the estimated fair value at the acquisition date. A revaluation of the contingent consideration would only be required if there is a significant change to the underlying valuation assumptions. The contingent consideration will be adjusted when the contingency is resolved and the consideration is paid or becomes payable. Any difference between the cash payment and the amount accrued for contingent consideration will result in an adjustment to the technology intangible asset. Contingent consideration expected to be paid within the next year is classified as current on the condensed consolidated balance sheet.

Note 5
Inventories:

Inventories consist of the following:

	March 31, 2022	December 31, 2021
Raw materials and work-in-process	$ 3,881	$ 3,201
Finished goods	877	288
Total inventories	$ 4,758	$ 3,489

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

Note 6
Property and Equipment, net:

Property and equipment consist of the following:

	March 31, 2022	December 31, 2021
Lasers placed-in-service	$ 26,685	$ 25,949
Equipment, computer hardware and software	268	238
Furniture and fixtures	218	213
Leasehold improvements	90	254
	27,261	26,654
Accumulated depreciation and amortization	(20,340)	(19,771)
Property and equipment, net	$ 6,921	$ 6,883

Depreciation and amortization expense was $625 and $481 for the three months ended March 31, 2022 and 2021, respectively.

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Note 7
Intangible Assets, net:

Intangible assets consist of the following as of March 31, 2022:

	Balance	Accumulated Amortization	Intangible Assets, net
Core technology	$ 5,700	$ (3,848)	$ 1,852
Product technology	12,182	(2,232)	9,950
Customer relationships	6,900	(4,658)	2,242
Tradenames	1,500	(1,013)	487
Pharos customer lists	5,314	(277)	5,037
	$ 31,596	$ (12,028)	$ 19,568

Intangible assets consist of the following as of December 31, 2021:

	Balance	Accumulated Amortization	Intangible Assets, net
Core technology	$ 5,700	$ (3,705)	$ 1,995
Product technology	2,000	(2,000)	-
Customer relationships	6,900	(4,485)	2,415
Tradenames	1,500	(975)	525
Pharos customer lists	5,314	(166)	5,148
	$ 21,414	$ (11,331)	$ 10,083

Amortization expense was $696 and $352 for the three months ended March 31, 2022 and 2021, respectively.

Definite-lived intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying value of the asset group may not be recoverable. The Company recognizes an impairment loss when and to the extent that the recoverable amount of an asset group is less than its carrying value. There were no impairment charges for the three months ended March 31, 2022 or 2021.

The following table summarizes the estimated future amortization expense for the above intangible assets for the next five years:

Remaining 2022	$ 2,175
2023	2,871
2024	2,871
2025	2,166
2026	1,461

Note 8
Accrued Expenses and Other Current Liabilities:

Accrued expenses and other current liabilities consist of the following:

	March 31, 2022	December 31, 2021
Warranty obligations	$ 66	$ 59
Compensation and related benefits	1,992	2,052
State sales, use and other taxes	3,739	3,697
Professional fees and other	742	569
Total accrued expenses and other current liabilities	$ 6,539	$ 6,377

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Note 9
Long-term Debt:

Senior Term Facility
On September 30, 2021, the Company entered into a credit and security agreement with MidCap Financial Trust, also acting as the administrative agent, and the lenders identified therein ("Senior Term Facility"). The Senior Term Facility provides for an $8.0 million senior term loan that was drawn upon by the Company upon executing the agreement. Borrowings under the Senior Term Facility bear interest at LIBOR (with a LIBOR floor rate of 0.50%) plus 7.50% per year and mature on September 1, 2026, unless terminated earlier. The Company is obligated to make monthly interest-only payments through September 30, 2024. From October 1, 2024 to the date of maturity, the Company will make 24 equal monthly principal payments plus interest, and all borrowings are secured by substantially all of the Company's assets. The Senior Term Facility was amended on January 10, 2022 to provide MidCap Financial Trust's consent to the acquisition of TheraClear Devices (Note 4).

The Company may voluntarily prepay the outstanding term loan, with such prepayment at least $5.0 million, at any time upon 30 days' written notice. Upon prepayment, the Company will be required to pay a prepayment fee equal to (i) 4.00% of the outstanding principal prepaid or required to be prepaid (whichever is greater), if the prepayment is made within 12 months of September 30, 2021, (ii) 3.00% of the outstanding principal prepaid or required to be prepaid (whichever is greater), if the prepayment is made between 12 months and 24 months after September 30, 2021, (iii) 2.00% of the outstanding principal prepaid or required to be prepaid (whichever is greater), if the prepayment is made between 24 months and 36 months after September 30, 2021, or (iv) 1.00% of the outstanding principal prepaid or required to be prepaid (whichever is greater), if the prepayment is made after 36 months after September 30, 2021 and prior to the maturity date.

The Senior Term Facility contains certain customary representations and warranties, affirmative covenants and conditions. The Senior Term Facility also contains a number of negative covenants that subject the Company to certain exceptions and waivers and restrictions, as defined in the agreement. In addition, the Senior Term Facility contains a quarterly financial covenant that requires the Company to not have less than $24.0 million of net revenue for the trailing 12-month period as of September 30, 2021, with compliance measured on the last day of each fiscal quarter beginning on September 30, 2021. At March 31, 2022, the minimum net revenue threshold was $25.5 million. The minimum net revenue threshold will increase to $30.0 million by December 31, 2023. At March 31, 2022, the Company was in compliance with all financial and nonfinancial covenants within the Senior Term Facility.

The Senior Term Facility contains customary indemnification obligations and customary events of default, including, among other things, (i) nonpayment, (ii) breach of warranty, (iii) nonperformance of covenants and obligations, (iv) default on other indebtedness, (v) judgments, (iv) change of control, (vii) bankruptcy and insolvency, (viii) impairment of security, (xi) regulatory matters, (xii) failure to remain a publicly traded company and (xiii) material adverse event. Where an event of default arises from certain bankruptcy events, the commitments shall automatically and immediately terminate and the principal of, and interest then outstanding on, all of the loans shall become immediately due and payable. Subject to certain notice requirements and other conditions, upon the occurrence of other events of default, including the occurrence of a condition having or reasonably likely to have a material adverse effect, commitments may be terminated and the principal of, and interest then outstanding on, all of the loans may become immediately due and payable. On March 31, 2022, no event of default had occurred and the Company believed that events or conditions having a material adverse effect, giving rise to an acceleration of any amounts outstanding under the Senior Term Facility, had not occurred and was remote.

In connection with entering into the Senior Term Facility, the Company issued an affiliate of the lender a warrant to purchase 373,626 shares of the Company's common stock at an initial exercise price of $1.82 per share. The warrants are equity classified and are exercisable at any time on or prior to the tenth anniversary of their issue date. The estimated fair value of the warrants was $585 and determined using the Black-Scholes option pricing model. The key assumptions used in the Black-Scholes option pricing model were (i) an expected term of ten years, (ii) expected volatility of 88.6%, (iii) a risk-free rate of 1.50% and (iv) no estimated dividend yield. In addition, the Company incurred third party costs and lender fees of $133. The proceeds were allocated on a basis that approximates the relative fair value method. The fair value of the warrants and fees incurred were recorded as a debt discount and are being recognized as interest expense over the life of the Senior Term Facility using the effective-interest method. The unamortized debt discount was $644 as of March 31, 2022. The Company recognized interest expense of $199 during the three months ended March 31, 2022, of which $37 was related to the amortization of the debt discount.

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Future minimum principal payments at March 31, 2022 are as follows:

2024	$ 1,000
2025	4,000
2026	3,000
Total	$ 8,000

Note 10
Stock-based Compensation:

The Company's 2016 Omnibus Incentive Stock Plan ("2016 Plan"), as amended, has reserved up to 7,832,651 shares of common stock for future issuance. As of March 31, 2022, there were 3,412,029 shares of common stock remaining available for issuance for awards under the 2016 Plan.

The Company measures stock-based awards at their grant-date fair value and records compensation expense on a straight-line basis over the requisite service period of the awards. The Company recorded stock-based compensation expense of $368 and $662 for the three months ended March 31, 2022 and 2021, respectively, and within general and administrative expenses in the accompanying condensed consolidated statements of operations.

Stock Options

The following table summarizes stock option activity for the three months ended March 31, 2022:

	Number of shares	Weighted average exercise price per share	Weighted average remaining contractual term (years)
Outstanding at January 1, 2022	3,938,613	$ 1.90	
Granted	860,000	$ 1.45	
Exercised	(15,000)	$ 1.29	
Forfeited and expired	(348,899)	$ 2.97	
Outstanding at March 31, 2022	4,434,714	$ 1.73	8.8
Exercisable at March 31, 2022	1,396,863	$ 1.94	7.5

The weighted-average grant date fair value of options granted was $1.09 per share during the three months ended March 31, 2022. As of March 31, 2022, the total unrecognized compensation expense related to unvested stock option awards was $3,393, which the Company expects to recognize over a weighted-average period of approximately 2.6 years. The aggregate intrinsic value of options outstanding and options exercisable at March 31, 2022 was $39 and $1, respectively.

For the three months ended March 31, 2022, the fair value of each option was estimated on the date of grant using the weighted average assumptions in the table below:

Expected volatility	89.6%
Risk-free interest rate	2.4%
Expected life (in years)	6.1
Expected dividend yield	0.0%

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On March 30, 2022, the Company granted 160,000 stock-based options to the Chief Executive Officer. The vesting of these awards is contingent upon meeting one or more financial goals (a performance condition) or a common stock share price (a market condition). The fair value of stock-based awards is determined at the date of grant. Stock-based compensation expense is recorded ratably for market condition awards during the requisite service period and is not reversed, except for forfeitures, at the vesting date regardless of whether the market condition is met. Stock-based compensation expense for performance condition awards is re-evaluated at each reporting period based on the probability of the achievement of the goal. Stock-based compensation expense related to these options is nominal for the three months ended March 31, 2022.

Restricted Stock Units

Restricted stock units have been issued to certain board members. Restricted stock units unvested are summarized in the following table:

	Number of shares	Weighted average grant date fair value
Unvested at January 1, 2022	90,540	$ 1.45
Granted	9,141	$ 1.47
Vested	(10,000)	$ 1.45
Unvested at March 31, 2022	89,681	$ 1.45

As of March 31, 2022, the total unrecognized compensation expense related to unvested restricted stock units was $35, which the Company expects to recognize over a weighted-average period of approximately 0.3 years.

Note 11
Income Taxes:

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

No income tax expense was incurred for the three months ended March 31, 2022. Income tax expense of $4 for the three months ended March 31, 2021 was comprised primarily of changes in deferred tax liability related to goodwill. Goodwill is an amortizing asset according to tax regulations.

The United States enacted the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The CARES Act is an approximately $2 trillion emergency economic stimulus package in response to the COVID-19 outbreak, which among other things, contains numerous income tax provisions. Some of these tax provisions are expected to be effective retroactively for years ending before the date of enactment. The Company analyzed the impact of the CARES Act and does not foresee a significant impact on its condensed consolidated financial position, results of operations, effective tax rate and cash flows.

The Company has experienced certain ownership changes, which under the provisions of Section 382 of the Internal Revenue Code of 1986, as amended, result in annual limitations on the Company’s ability to utilize its net operating losses in the future. The February 2014, July 2014, June 2015 and May 2018 equity raises by the Company will limit the annual use of these net operating loss carryforwards. Although the Company has not performed a Section 382 study, any limitation of its pre-change net operating loss carryforwards that would result in a reduction of its deferred tax asset would also have an equal and offsetting adjustment to the valuation allowance.

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Note 12
Business Segments:

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

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

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

Three Months Ended March 31, 2022

	Dermatology Recurring Procedures	Dermatology Procedures Equipment	TOTAL
Revenues, net	$ 5,067	$ 1,974	$ 7,041
Costs of revenues	2,032	881	2,913
Gross profit	3,035	1,093	4,128
Gross profit %	59.9%	55.4%	58.6%
Allocated operating expenses:			
Engineering and product development	126	37	163
Selling and marketing	3,300	316	3,616
Unallocated operating expenses	-	-	2,652
	3,426	353	6,431
(Loss) income from operations	(391)	740	(2,303)
Interest expense	-	-	(199)
(Loss) income before income taxes	$ (391)	$ 740	$ (2,502)

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Three Months Ended March 31, 2021

	Dermatology Recurring Procedures	Dermatology Procedures Equipment	TOTAL
Revenues, net	$ 4,679	$ 1,148	$ 5,827
Costs of revenues	1,501	613	2,114
Gross profit	3,178	535	3,713
Gross profit %	67.9%	46.6%	63.7%
Allocated operating expenses:			
Engineering and product development	361	23	384
Selling and marketing	2,802	130	2,932
Unallocated operating expenses	-	-	2,789
	3,163	153	6,105
Income (loss) from operations	15	382	(2,392)
Interest expense	-	-	(30)
Interest income	-	-	8
Income (loss) before income taxes	$ 15	$ 382	$ (2,414)

The following tables present the Company's revenue disaggregated by geographical region for the three months ended March 31, 2022 and 2021, respectively. Domestic refers to revenue from customers based in the United States, and foreign recurring revenue is derived from sales to the Company's distributors, primarily in Asia.

Three Months Ended March 31, 2022

	Dermatology Recurring Procedures	Dermatology Procedures Equipment	TOTAL
Domestic	$ 4,689	$ 695	$ 5,384
Foreign	378	1,279	1,657
Total	$ 5,067	$ 1,974	$ 7,041

Three Months Ended March 31, 2021

	Dermatology Recurring Procedures	Dermatology Procedures Equipment	TOTAL
Domestic	$ 4,426	$ 258	$ 4,684
Foreign	253	890	1,143
Total	$ 4,679	$ 1,148	$ 5,827

Note 13
Significant Customer Concentrations:

For the three months ended March 31, 2022 and 2021, revenues from sales to one of the Company's distributors were $810, or 11.5%, and $683, or 11.7%, respectively.

No other customer represented more than 10% of total company revenues for the three months ended March 31, 2022 and 2021.

No customer represented more than 10% of total accounts receivable as of March 31, 2022 or December 31, 2021.

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Note 14
Commitments and Contingencies:

Leases
The Company recognizes right-of-use assets ("ROU assets") and operating lease liabilities when it obtains the right to control an asset under a leasing arrangement with an initial term greater than 12 months. The Company adopted the short-term accounting election for leases with a duration of less than one year. The Company leases its facilities and certain IT and office equipment under non-cancellable operating leases. All of the Company's leasing arrangements are classified as operating leases with remaining lease terms ranging from one to three years, and one facility lease has a renewal option for two years. Renewal options have been excluded from the determination of the lease term as they are not reasonably certain of exercise.

Operating lease costs were $113 and $116 for the three months ended March 31, 2022 and 2021, respectively. Cash paid for amounts included in the measurement of operating lease liabilities was $113 and $116 for the three months ended March 31, 2022 and 2021, respectively. As of March 31, 2022, the incremental borrowing rate was 9.76% and the weighted average remaining lease term was 2.3 years.

The following table summarizes the Company's operating lease maturities as of March 31, 2022:

	Amount
Remaining 2022	$ 258
2023	242
2024	186
Total remaining lease payments	686
Less: imputed interest	(73)
Total lease liabilities	$ 613

Accrued State Sales and Use Tax
The Company records state sales tax collected and remitted for its customers on dermatology procedures equipment sales on a net basis, excluded from revenue. The Company's sales tax expense that is not presently being collected and remitted for the recurring revenue business is recorded in general and administrative expenses within the condensed consolidated statements of operations.

The Company believes its state sales and use tax accruals have been properly recognized such that, if the Company's arrangements with customers are deemed more likely than not that the Company would not be exempt from sales tax in a particular state, the basis for measurement of the state sales and use tax is calculated in accordance with ASC 405, *Liabilities*, as a transaction tax. If and when the Company is successful in defending itself or in settling the sales tax obligation for a lesser amount, the reversal of this liability is to be recorded in the period the settlement is reached. However, the precise scope, timing and time period at issue, as well as the final outcome of any audit and actual settlement, remains uncertain.

In the ordinary course of business, the Company is, from time to time, subject to audits performed by state taxing authorities. These actions and proceedings are generally based on the position that the arrangements entered into by the Company are subject to sales and use tax rather than exempt from tax under applicable law. Several states have assessed the Company an aggregate of $2,375 including penalties and interest for the period from March 2014 through April 2020. The Company received notification that an administrative state judge issued an opinion finding in favor of the Company that the sale of XTRAC treatment codes was not taxable as sales tax with respect to that state's first assessment. This ruling covers $1,484 of the total $2,375 of assessments. The jurisdiction filed an appeal of the administrative law judge's finding and, following the submission of legal briefs by both sides and oral argument held in January 2022. On May 6, 2022, the Company received a written decision from Tax Appeals Tribunal ("Tribunal") overturning the favorable sales tax determination of the administrative law judge. The Company has until September 6, 2022 to file an appeal of the Tribunal's decision.

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The Company is also in another jurisdiction's administrative process of appeal with respect to the remaining $891 of assessments, and the timing of the process has been impacted by the COVID-19 pandemic. If there is a determination that the true object of the Company's recurring revenue model is not exempt from sales taxes and is not a prescription medicine, or the Company does not have other defenses where the Company prevails, the Company may be subject to sales taxes in those particular states for previous years and in the future, plus potential interest and penalties.

Milestone Payments

In January 2022, the Company entered into a Development Agreement (the "Development Agreement") with Theravant Corporation ("Theravant"). Under the Development Agreement, the Company will reimburse Theravant for costs incurred in further developing certain TheraClear technology and other healthcare products and methods for the medical aesthetic marketplace. In connection with the development of three devices, Theravant is eligible to receive $500 upon FDA clearance for each device and $500 upon achievement of certain net revenue targets for each device, aggregating to $3,000 of potential future milestone payments under the Development Agreement. The Development Agreement has a three-year term, unless terminated sooner by either party, and is being accounted for separately from the TheraClear asset acquisition discussed in Note 4.

Legal Matters

In the ordinary course of business, the Company is routinely a defendant in or party to pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. These actions and proceedings are generally based on alleged violations of employment, contract and other laws. In some of these actions and proceedings, claims for substantial monetary damages are asserted against the Company. In the ordinary course of business, the Company is also subject to regulatory and governmental examinations, information gathering requests, inquiries, investigations, and threatened legal actions and proceedings. In connection with formal and informal inquiries by federal, state, local and foreign agencies, the Company receives numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of its activities.

On April 1, 2022, a proposed representative class action under California's Private Attorneys General Act ("PAGA") was filed in Superior Court of California, County of San Diego against the Company and an employment agency which provided the Company with temporary employees. The complaint alleges various violations of the California Labor Code, including California's wage and hour laws, relating to current and former non-exempt employees of the Company. The complaint seeks class status and payments for allegedly unpaid compensation and attorney's fees. In a related matter, the attorneys in this matter and the proposed class representative, in a letter dated March 12, 2022, to the California Labor & Workforce Development Agency made nearly identical claims seeking the right to pursue a PAGA action against the Company and the employment agency. No amount has been accrued for this matter as of March 31, 2022.

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

The following discussion of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and notes to condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q (this "Report"). This discussion contains forward-looking statements that involve risks and uncertainties. These forward-looking statements include, but are not limited to, statements about the plans, objectives, expectations and intentions of STRATA Skin Sciences, Inc., a Delaware corporation (referred to in this Report as "we," "us," "our," "STRATA," "STRATA Skin Sciences" or "registrant") and other statements contained in this Report that are not historical facts. When reviewing the discussion below, you should keep in mind the substantial risks and uncertainties that characterize our business including the scope and duration of the COVID-19 outbreak and its impact on global economic systems. In particular, we encourage you to review the risks and uncertainties described in Part II-Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021. These risks and uncertainties could cause actual results to differ materially from those projected in forward-looking statements contained in this Report or implied by past results and trends. Forward-looking statements are statements that attempt to forecast or anticipate future developments in our business, financial condition or results of operations and statements These statements, like all statements in this Report, speak only as of their date (unless another date is indicated), and we undertake no obligation to update or revise these statements in light of future developments.

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

Introduction, Outlook, Overview of Business Operations and Recent Developments

STRATA Skin Sciences, Inc. is a medical technology company in dermatology dedicated to developing, commercializing and marketing innovative products for the treatment of dermatologic conditions. Its products include the XTRAC® and now Pharos® excimer lasers and VTRAC® lamp systems utilized in the treatment of psoriasis, vitiligo and various other skin conditions. Its products also include the TheraClear® Acne Clearing System utilized in the treatment of mild to moderate inflammatory, comedonal and pustular acne.

The XTRAC ultraviolet light excimer laser system is utilized to treat psoriasis, vitiligo and other skin diseases. The XTRAC excimer laser system received clearance from the United States Food and Drug Administration in 2000 and has since become a widely recognized treatment among dermatologists. The system delivers targeted 308nm ultraviolet light to affected areas of skin, leading to psoriasis clearing and vitiligo repigmentation, following a series of treatments. As of March 31, 2022, there were 903 XTRAC systems placed in dermatologists' offices in the United States under our dermatology recurring procedures model, an increase from 890 at the end of December 31, 2021. Under the dermatology recurring procedures model, the XTRAC system is placed in a physician's office and fees are charged on a per procedure basis or a fee is charged on a periodic basis not to exceed an agreed upon number of procedures. The XTRAC system's use for psoriasis is covered by nearly all major insurance companies, including Medicare. The VTRAC Excimer Lamp system, offered internationally in addition to the XTRAC, provides targeted therapeutic efficacy demonstrated by excimer technology with the simplicity of design and reliability of a lamp system. We believe there are approximately 7.5 million people in the United States and up to 125 million people worldwide suffering from psoriasis, and 1% to 2% of the world's population suffers from vitiligo.

The Pharos excimer laser system holds FDA clearance to treat chronic skin diseases, including psoriasis, vitiligo, atopic dermatitis and leukoderma.

In late 2019, there was an outbreak of a new strain of coronavirus ("COVID-19") which became a global pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, constrained work force participation and created significant volatility and disruption of financial markets. In addition, the pandemic led to the suspension of elective procedures in the U.S. and to the temporary closure of many physician practices which are our primary customers. While most offices have reopened, some physician practices closed and never reopened, and the impact of the ongoing COVID-19 pandemic and its variants on our operational and financial performance, including our ability to execute our business strategies and initiatives in the expected time frames, will depend on future developments, including the duration and ongoing spread of the COVID-19 outbreak and its variants, continued or renewed restrictions on business operations and transportation, any governmental and societal responses thereto, including legislative or regulatory as well as the percentage of the populace vaccinated and effectiveness of COVID-19 vaccines and the continued impact on worldwide economic and geopolitical conditions, all of which are uncertain and cannot be predicted.

Domestically, as the procedures in which our devices are used are elective in nature and as social distancing, travel restrictions, and other restrictions became prevalent in the United States, this had a negative impact on our recurring revenue model and our financial position and cash flow. The virus has disrupted the supply chains world-wide that we depend upon to provide a steady source of components to manufacture and repair our devices.

To mitigate the impact of COVID-19, we have taken a variety of measures to ensure the availability and functioning of our critical infrastructure by implementing business continuity plans to promote the safety and security of our employees, while complying with various government mandates, including work-from-home arrangements and social-distancing initiatives to reduce the transmission of COVID-19, and complying with federal and local regulations at our facilities. The Company implemented a policy whereby all Company employees are required to be vaccinated or complete weekly COVID-19 testing. In addition, we created and executed programs utilizing our direct-to-consumer advertising and call center to contact patients and partner clinics to restart our partners' businesses.

In the event our own employees are impacted through direct or ancillary contact with a person who has the virus, we may need to devise other methods of transacting business in our offices by working from home and or potentially ceasing operations for a period of time. Supply chain disruptions which began during the pandemic have continued and may continue for the foreseeable future. While the Company's operations have not been materially impacted by the general trends in supply chain problems, the Company continues to monitor and assess potential risks.

The ongoing COVID-19 pandemic has had a negative impact on our results of operations and financial performance through the first quarter of fiscal 2022. We experienced a significant number of cases of a COVID-19 variant among our employees in January 2022 and some physician offices continue to experience staffing issues, and we believe these shortages of trained personnel have negatively impacted our business. Accordingly, current results and financial conditions discussed herein may not be indicative of future operating results and trends.

In August 2021, we acquired certain assets and assumed certain liabilities related to the Pharos U.S. dermatology business of Ra Medical Systems, Inc. ("Ra Medical") for an upfront cash payment of $3.7 million. The Pharos asset acquisition provides us with the opportunity to market our full business solutions to Ra Medical's existing customer base of 400 dermatology practices and increase our recurring revenue base. The Pharos transaction also provides a highly synergistic path to gain additional placements for our XTRAC excimer laser system.

In January 2022, we acquired certain assets of TheraClear Devices from Theravant Corporation ("Theravant"). The TheraClear asset acquisition will allow us to further develop, commercialize and market the TheraClear Devices that are used for acne treatment, as well as advance the TheraClear technology into multiple other devices that can be used to treat a range of additional indications. We made an upfront cash payment of $0.5 million in connection with the asset acquisition. In addition, Theravant received 358,367 shares of our common stock with an aggregate value of $0.5 million as of the closing date and is eligible to receive up to $3.0 million in future earnout payments upon the achievement of certain annual net revenue milestones, up to $20.0 million in future royalty payments based upon a percentage of gross profit from future domestic sales ranging from 10-20%, 25% of gross profit from international sales over the subsequent four-year period, and up to $1.0 million in future milestone payments upon the achievement of certain development and commercialization related targets.

In January 2022, we entered into a Development Agreement (the "Development Agreement") with Theravant. Under the Development Agreement, the Company will reimburse Theravant for costs incurred in further developing certain TheraClear technology and other healthcare products and methods for the medical aesthetic marketplace. In connection with the development of three devices, Theravant is eligible to receive $500 upon FDA clearance for each device and $500 upon achievement of certain net revenue targets for each device, aggregating to $3,000 of potential future milestone payments under the Development Agreement. The Development Agreement has a three-year term, unless terminated sooner by either party.

Key Technology

- *XTRAC® Excimer Laser.* XTRAC received FDA clearance in 2000 and has since become a widely recognized treatment among dermatologists for psoriasis and other skin diseases. The XTRAC System delivers ultra-narrowband ultraviolet B ("UVB"**)** light to affected areas of skin. Following a series of treatments typically performed twice weekly, psoriasis remission can be achieved, and vitiligo patches can be re-pigmented. XTRAC is endorsed by the National Psoriasis Foundation, and its use for psoriasis is covered by nearly all major insurance companies, including Medicare. We estimate that more than half of all major insurance companies now offer reimbursement for vitiligo as well, a figure that is increasing. In February 2022, we announced the commercial launch, with the first installation in the U.S. market, of our next generation excimer laser system, XTRAC Momentum™ 1.0
- In the third quarter of 2018, we announced the FDA granted clearance for our Multi Micro Dose (MMD) tip for our XTRAC excimer laser. The MMD Tip accessory is indicated for use in conjunction with the XTRAC laser system to filter the Narrow Band UVB ("NB-UVB") light at delivery in order to calculate and individualize the maximum non-blistering dose for a particular patient.
- In January 2020, we announced the FDA granted clearance of our XTRAC Momentum Excimer Laser Platform.
- *VTRAC® Lamp.* VTRAC received FDA clearance in 2005 and provides targeted therapeutic efficacy demonstrated by excimer technology with the simplicity of design and reliability of a lamp system.
- *TheraClear Acne Treatment Device.* The TheraClear® Acne Clearing System combines intense pulse light with vacuum (suction) for the treatment of mild to moderate inflammatory acne (including acne vulgaris), comedonal acne and pustular acne.

Critical Accounting Policies and Estimates

There have been no changes to our critical accounting policies in the three months ended March 31, 2022 except for contingent consideration as described below. Critical accounting policies and the significant estimates made in accordance with such policies are regularly discussed with our Audit Committee. Those policies are discussed under "*Critical Accounting Policies*" in our "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" included in Item 7, as well as in our consolidated financial statements and the footnotes thereto for the fiscal year ended December 31, 2021 of our Annual Report on Form 10-K as filed with the SEC on March 21, 2022.

Contingent Consideration

The purchase price for certain assets acquired related to TheraClear Devices during January 2022 includes earnout payments, or contingent consideration. Estimates that involve a significant level of estimation uncertainty include the valuation of contingent consideration, which was determined using forecasted financial information available at the acquisition date, a discount rate and various other assumptions as described in more detail in Note 4 to our condensed consolidated financial statements. Due to uncertainties associated with the development of a new product line and the use of estimates and assumptions to determine the fair value of the contingent consideration, the amount ultimately paid in connection with the earnout may differ from the estimated fair value at the acquisition date. A revaluation of the contingent consideration would only be required if there is a significant change to the underlying valuation assumptions. The contingent consideration will be adjusted when the contingency is resolved and the consideration is paid or becomes payable. Any difference between the cash payment and the amount accrued for contingent consideration will result in an adjustment to the technology intangible asset.

Results of Operations

Revenues

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

	For the Three Months Ended March 31,	
	2022	2021
Dermatology Recurring Procedures	$ 5,067	$ 4,679
Dermatology Procedures Equipment	1,974	1,148
Total Revenues	$ 7,041	$ 5,827

Dermatology Recurring Procedures

The ongoing COVID-19 pandemic has had a negative impact on our results for the first quarter of 2022 and 2021, and we expect it will have a negative impact on our revenue for as long as the pandemic continues. Recognized recurring treatment revenue for the three months ended March 31, 2022 was $5,067, which we estimate is approximately 71,000 treatments with prices between $65 to $95 per treatment, compared to recognized recurring treatment revenue for the three months ended March 31, 2021 of $4,679, which we estimate is approximately 67,000 treatments, with prices between $65 to $95 per treatment.

Increases in procedures are dependent upon building market acceptance through marketing programs with our physician partners and their patients to show that the XTRAC procedures will be of clinical benefit and will be generally reimbursed by insurers. We believe that several factors have an impact on the prescribed use of XTRAC treatments for psoriasis and vitiligo patients. Specifically, we believe that there is a lack of awareness of the positive effects of XTRAC treatments among both sufferers and providers; and the treatment regimen, which can sometimes require up to 12 or more treatments, has limited XTRAC use to certain patient populations. Therefore, our strategy is to continue to execute a direct-to-patient program for XTRAC advertising in the United States, targeting psoriasis and vitiligo patients through a variety of media including television and radio; and through our use of social media such as Facebook and Twitter. We monitor the results of our advertising expenditures in this area to reach the more than 10 million patients in the United States we believe are afflicted with these diseases.

Revenues from dermatology recurring procedures are recognized over the estimated usage period of the agreed upon number of treatments, as the treatments are being used. As of March 31, 2022 and 2021, we deferred net revenues of $1,971 and $1,769, respectively, which will be recognized as revenue over the remaining usage period for domestic placements. Higher deferred revenue from the fourth quarter of 2021 favorably impacted the first quarter of 2022 as compared to the first quarter of 2021 when lower deferred revenue negatively impacted that period.

Dermatology Procedures Equipment

For the three months ended March 31, 2022, dermatology procedures equipment revenues were $1,974. Internationally, we sold 14 systems (11 XTRAC and 3 VTRAC). Domestically, there were no systems sold during the three months ended March 31, 2022. In addition to equipment sales, we recognized approximately $400 of deferred service revenue associated with assumed service contracts from Ra Medical during the three months ended March 31, 2022.

For the three months ended March 31, 2021, dermatology procedures equipment revenues were $1,148. Internationally, we sold 2 systems (all XTRAC). Domestically, there were no systems sold during the three months ended March 31, 2021.

Cost of Revenues

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

	For the Three Months Ended March 31,	
	2022	2021
Dermatology Recurring Procedures	$ 2,032	$ 1,501
Dermatology Procedures Equipment	881	613
Total Cost of Revenues	$ 2,913	$ 2,114

Gross Profit Analysis

The following tables present changes in our gross profit for the periods presented below:

Company Profit Analysis	For the Three Months Ended March 31,	
	2022	2021
Revenues	$ 7,041	$ 5,827
Cost of revenues	2,913	2,114
Gross profit	$ 4,128	$ 3,713
Gross profit percentage	58.6%	63.7%

Gross profit increased to $4,128 for the three months ended March 31, 2022 from $3,713 during the same period in 2021. As a percent of revenues, the gross profit was 58.6% for the three months ended March 31, 2022, as compared to 63.7% for the same period in 2021. The decrease in gross profit percentage was primarily the result of an increase in amortization of intangible assets due to the Pharos and TheraClear asset acquisitions and a change in product mix with higher sales of dermatology procedures equipment, which has a lower margin than dermatology recurring procedures.

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

Dermatology Recurring Procedures	For the Three Months Ended March 31,	
	2022	2021
Revenues	$ 5,067	$ 4,679
Cost of revenues	2,032	1,501
Gross profit	$ 3,035	$ 3,178
Gross profit percentage	59.9%	67.9%

The primary reasons that gross profit percentage decreased for the three months ended March 31, 2022 as compared to the same period in 2021 were higher amortization of intangible assets due to the Pharos and TheraClear asset acquisitions and higher depreciation expenses and labor costs in the first quarter of 2022, partially offset by higher recurring revenue sales.

Dermatology Procedures Equipment	For the Three Months Ended March 31,	
	2022	2021
Revenues	$ 1,974	$ 1,148
Cost of revenues	881	613
Gross profit	$ 1,093	$ 535
Gross profit percentage	55.4%	46.6%

The primary reasons for the increase in gross profit percentage for the three months ended March 31, 2022 as compared to the same period in 2021 were product mix and higher sales margins, and the absorption of acquired inventories and recognition of deferred service revenue associated with assumed service contracts from Ra Medical.

Engineering and Product Development

For the three months ended March 31, 2022, engineering and product development expenses were $163 as compared to $384 for the three months ended March 31, 2021. Engineering and product development costs during the three-month period in 2022 were lower primarily as a result of reduction of costs incurred in connection with developing XTRAC Momentum™ 1.0, our next generation excimer laser system that was commercially launched in February 2022.

Selling and Marketing Expenses

For the three months ended March 31, 2022, selling and marketing expenses were $3,616 as compared to $2,932 for the three months ended March 31, 2021. Sales and marketing expenses for the three months ended March 31, 2022 were higher as compared to the same period in 2021 primarily due to investments we made in sales and marketing and direct-to-consumer and dermatologists advertising, as well as increased head count and employee-related expenses, in the first quarter of 2022.

General and Administrative Expenses

For the three months ended March 31, 2022, general and administrative expenses decreased to $2,652 from $2,789 for the three months ended March 31, 2021. General and administrative expenses were lower for the three months ended March 31, 2022 as compared to the same period in 2021, primarily due to higher compensation, severance and recruiting expenses incurred in the first quarter of 2021 as a result of the CEO transition, offset by higher accounting and legal fees in the current period.

Interest Expense

Interest expense is primarily attributable to our debt obligations. Interest expense increased to $199 for the three months ended March 31, 2022 from $30 for the three months ended March 31, 2021. The increase was primarily the result of a higher interest rate on the Senior Term Facility entered into in September 2021.

Non-GAAP adjusted EBITDA

We have determined to supplement our condensed consolidated financial statements, prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), presented elsewhere within this Report, with certain non-GAAP measures of financial performance. These non-GAAP measures include non-GAAP adjusted EBITDA, "Earnings Before Interest, Taxes, Depreciation, and Amortization."

This non-GAAP disclosure has limitations as an analytical tool, should not be viewed as a substitute for Net Earnings (Loss) determined in accordance with U.S. GAAP, and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under U.S. GAAP, nor is it necessarily comparable to non-GAAP performance measures that may be presented by other companies. We consider these non-GAAP measures in addition to our results prepared under current accounting standards, but they are not a substitute for, nor superior to, U.S. GAAP measures. These non-GAAP measures are provided to enhance readers' overall understanding of our current financial performance and to provide further information for comparative purposes. This supplemental presentation should not be construed as an inference that the Company's future results will be unaffected by similar adjustments to Net Earnings (Loss) determined in accordance with U.S. GAAP. Specifically, we believe the non-GAAP measures provide useful information to management and investors by isolating certain expenses, gains and losses that may not be indicative of our core operating results and business outlook. In addition, we believe non-GAAP measures enhance the comparability of results against prior periods. Reconciliation to the most directly comparable U.S. GAAP measure of all non-GAAP measures included in this Report is as follows:

	For the Three Months Ended March 31,	
	2022	2021
Net loss	$ (2,502)	$ (2,418)
Adjustments:		
Depreciation and amortization	1,321	833
Amortization of right-of-use asset	89	86
Loss on disposal of property and equipment	17	-
Income tax expense	-	4
Interest expense, net	199	22
Non-GAAP EBITDA	(876)	(1,473)
Stock-based compensation	368	662
Non-GAAP adjusted EBITDA	$ (508)	$ (811)

Liquidity and Capital Resources

As of March 31, 2022, we had $4,627 of working capital compared to $7,168 as of December 31, 2021. The change in working capital was primarily the result of decreases in cash and cash equivalents and accounts receivable and an increase in accounts payable, offset by an increase in inventories, as we invested in capital assets, completed the asset acquisition of TheraClear, and bolstered inventories to avoid supply chain disruptions. Cash and cash equivalents were $10,923 as of March 31, 2022, as compared to $12,586 as of December 31, 2021.

In September 2021, we entered into a credit and security agreement with MidCap Financial Trust, also acting as the administrative agent, and the lenders identified therein and borrowed $8,000 in the form of a senior term loan. The term loan bears interest at LIBOR (with a LIBOR floor rate of 0.50%) plus 7.50% per year and matures on September 1, 2026, unless terminated earlier. We are obligated to make monthly interest-only payments through September 30, 2024. From October 1, 2024 to the date of maturity, we will make 24 equal monthly principal payments plus interest, and all borrowings are secured by substantially all of our assets.

In October 2021, we entered into an equity distribution agreement with an investment bank under which we may sell up to $11,000 of our shares of common stock in registered "at-the-market" offerings. The shares will be offered at prevailing market prices, and we will pay commissions of up to 3.00% of the gross proceeds from the sale of shares sold through our agent, which may act as an agent and/or principal. We have no obligation to sell any shares under this agreement and may, at any time, suspend solicitations under this agreement. No shares of our common stock have been sold under this distribution agreement through March 31, 2022.

We cannot predict our revenues and expenses in the short term as a result of the COVID-19 pandemic and related governmental responses. Based on our current business plan, we believe that our cash and cash equivalents, combined with the anticipated revenues from the sale or use of our products, will be sufficient to satisfy our working capital needs, capital asset purchases, outstanding commitments and other liquidity requirements associated with its existing operations for at least the next 12 months following the date of the issuance of these unaudited interim condensed consolidated financial statements. However, if these sources are insufficient to satisfy our liquidity requirements, we may seek to sell additional debt or equity securities or enter into a new credit facility or another form of third-party funding or seek other debt financing. If we raise additional funds by issuing equity or equity-linked securities, our stockholders would experience dilution and any new equity securities could have rights, preferences and privileges superior to those of holders of our common stock. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. We cannot be assured that additional equity, equity-linked or debt financing will be available on terms favorable to us or our stockholders, or at all. It is also possible that we may allocate significant amounts of capital towards products or technologies for which market demand is lower than expected and, as a result, abandon such efforts. If we are unable to maintain our current financing or obtain adequate additional financing when we require it, or if we obtain financing on terms which are not favorable to us, or if we expend capital on products or technologies that are unsuccessful, our ability to continue to support our business growth and to respond to business challenges could be significantly limited, or we may be required to delay the development, commercialization and marketing of our products.

Net cash and cash equivalents and restricted cash used in operating activities was $353 for the three months ended March 31, 2022, compared to net cash provided by operating activities of $153 for the three months ended March 31, 2021. The decrease in cash flows provided by operating activities for the three months ended March 31, 2022 was primarily the result of net movements in asset and liability accounts and a reduction in stock-based compensation related to the CEO transition in the first quarter of 2021, offset by increased depreciation and amortization expense primarily related to intangible assets acquired through the Ra Medical and TheraClear asset acquisitions. The decrease in cash flows from asset and liability accounts was primarily driven by an increase in inventories to avoid supply chain disruptions, lower payments during the three months ended March 31, 2021 due to cash conservation measures implemented after the COVID-19 outbreak, and the recognition of deferred service revenue associated with assumed service contracts from Ra Medical.

Net cash and cash equivalents and restricted cash used in investing activities was $1,310 for the three months ended March 31, 2022, compared to net cash used in investing activities of $740 for the three months ended March 31, 2021. The increase is primarily the result of the asset purchase of TheraClear.

There were no cash flows from financing activities for the three months ended March 31, 2022 and 2021.

Commitments and Contingencies

There were no items, except as described above with respect to the potential future earnout payments related to the TheraClear asset acquisition and Development Agreement, that significantly impacted our commitments and contingencies as discussed in the notes to our 2021 annual financial statements included in our Annual Report on Form 10-K.

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

Not applicable.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")), as of March 31, 2022. Based on that evaluation, management has concluded that, as of such date, our disclosure controls and procedures were effective.

Limitations on the Effectiveness of Controls

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

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting in our most recent fiscal quarter 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 April 1, 2022, a proposed representative class action under California's Private Attorneys General Act ("PAGA") was filed in Superior Court of California, County of San Diego against us and an employment agency which provided us with temporary employees. The complaint alleges various violations of the California Labor Code, including California's wage and hour laws, relating to our current and former non-exempt employees. The complaint seeks class status and payments for allegedly unpaid compensation and attorney's fees. In a related matter, the attorneys in this matter and the proposed class representative, in a letter dated March 12, 2022, to the California Labor & Workforce Development Agency made nearly identical claims seeking the right to pursue a PAGA action against the Company and the employment agency.

In the ordinary course of business, the Company is, from time to time, subject to audits performed by state taxing authorities. These actions and proceedings are generally based on the position that the arrangements entered into by the Company are subject to sales and use tax rather than exempt from tax under applicable law. Several states have assessed the Company an aggregate of $2.4 million including penalties and interest for the period from March 2014 through April 2020. The Company received notification that an administrative state judge issued an opinion finding in favor of the Company that the sale of XTRAC treatment codes was not taxable as sales tax with respect to that state's first assessment. This ruling covers $1.5 million of the total $2.4 million of assessments. The jurisdiction filed an appeal of the administrative law judge's finding and, following the submission of legal briefs by both sides and oral argument held in January 2022. On May 6, 2022, the Company received a written decision from Tax Appeals Tribunal ("Tribunal") overturning the favorable sales tax determination of the administrative law judge. The Company has until September 6, 2022 to file an appeal of the Tribunal's decision.

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

ITEM 1A. Risk Factors

A description of the risks associated with our business, financial conditions and results of operations is set forth in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, and filed with the SEC on March 21, 2022.

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

None

ITEM 3. Defaults Upon Senior Securities.

None.

ITEM 4. Mine Safety Disclosures

None.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

10.1	Asset Purchase Agreement, dated as of January 10, 2022, between STRATA Skin Sciences, Inc., Theravant Corporation and certain other parties thereto (incorporated by reference as Exhibit 10.1 to our Current Report on Form 8-K dated January 10, 2022)
10.2	Development Agreement, by and between Theravant Corporation and STRATA Skin Sciences, Inc. (attached hereto)
10.3	Form of Performance Stock Option Agreement (Non-Qualified Stock Option) (attached hereto)
10.4	Form of VWAP Performance Stock Option Agreement (Non-Qualified Stock Option) (attached hereto)
31.1	Rule 13a-14(a) Certificate of Chief Executive Officer (attached hereto)
31.2	Rule 13a-14(a) Certificate of Chief Financial Officer (attached hereto)
32.1*	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (attached hereto)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Schema
101.CAL	XBRL Taxonomy Calculation Linkbase
101.DEF	XBRL Taxonomy Definition Linkbase
101.LAB	XBRL Taxonomy Label Linkbase
101.PRE	XBRL Taxonomy Presentation Linkbase

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

SIGNATURES

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

STRATA SKIN SCIENCES, INC.

Date May 11, 2022

By: /s/ Robert J. Moccia
Name Robert J. Moccia
Title President & Chief Executive Officer

Date May 11, 2022

By: /s/ Christopher Lesovitz
Name Christopher Lesovitz
Title Chief Financial Officer

Exhibit 10.2

DEVELOPMENT AGREEMENT

by and between

THERAVANT CORPORATION
with offices at 455 North Canyons Parkway, Suite B
Livermore, CA 94551

(hereinafter referred to "Party A")

and

STRATA SKIN SCIENCES, INC.
with offices at 5 Walnut Grove, Suite 140
Horsham, Pennsylvania 19044
(hereinafter referred to "Party B")

For Development Efforts of:

Healthcare products and methods for the medical aesthetic marketplace, including Theraclear 2.0 and which may include but not limited to 1) a systems and methods for the treatment of acne scarring, 2) a skin tightening product and method for the treatment of neck lines, 3) a product and method for non-laser removal of tattoos, and related healthcare products and methods based on the TheraClear® product and method, business services and activities ancillary thereto.

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ARTICLE 1
PREAMBLE

Under this Development Agreement ("Agreement"), the Parties intend to cooperate in development efforts of healthcare products and methods for the medical aesthetic marketplace, including, but not limited to, the 1) a systems and methods for the treatment of acne scarring, 2) a skin tightening product and method for the treatment of neck lines, 3) a product and method for non-laser removal of tattoos, and related healthcare products and methods based on the TheraClear® product and method, business services and activities ancillary thereto.

Party B will solely market to customers with the Product (as defined below). As compensation for the R&D efforts and spending, Party A will be paid in accordance with the terms and conditions set forth in the PAYMENT PLAN attached hereto as ANNEX 1.

Party A will have the non-exclusive right to manufacture, distribute and sell the Product in NON-COMPETITIVE industries as defined below.

The Parties intend to continue development efforts of products beyond the Product.

ARTICLE 2
DEFINITIONS

2.1 **[INTENTIONALLY REDACTED]**.

2.2 **Background IP** means all IPR of Party A that has been or will be transferred to Party B under the Asset Purchase Agreement between Party A and Party B, such Background IP being used as necessary for the Product and/or the development thereof, including, without limitation, all data, written and/or oral technical information but not resulting from the activities contemplated by the Statement of Work or other provision of this Agreement.

2.3 **[REDACTED INTENTIONALLY]**.

2.4 **Customers** mean both distributors and end users of the Product.

2.5 **Development Work** means all work performed by the Parties in development of the Product in accordance with Statement of Work.

2.6 **Development Results** means all results, whether patentable or not, in written or oral form, achieved during performance of the Development Work, including without limitation any of the Foreground IP.

2.7 **Effective Date** means the date this Agreement is signed by both Parties.

2.8 **Field** means the area of technical expertise of a Party.

2.9 **Foreground IP** means all the IPR solely and independently developed by one of the Parties while providing services under this Agreement; such Foreground IP shall, is, or will become the sole property of Party B.

2.10 **Intellectual Property Rights** or **IPR** mean rights under patents, copyrights, mask works, or to any know-how, inventions, or trade secrets, or any other form of intellectual property rights anywhere in the world, provided such rights are owned by Party B, and/or Licensable by Party B to Party A.

2.11 **Joint IP** means all the IPR developed jointly by both Parties in the course of work performed under this Agreement; the rights of such Joint IP shall become the sole property of Party B , without regard to whether the Joint IP is patentable or not, in written or oral form.

2.12 **Licensable** means having the right to grant a license or sublicense of, or within, the scope provided for herein without violating any term, condition or other provision of an agreement or other arrangement with a third party.

2.13 **Non-Competing Products** means one or more product as licensed by Party B to Party A.

2.14 **Product** means any one or more of the: 1) a product for the treatment of acne scarring, 2) a skin tightening product for treating neck lines, and 3) a product for non-laser removal of tattoos, which the Parties plan to develop under this Agreement, and which is defined in more detail in the SPECIFICATIONS.

2.15 **Statement of Work** means the statement of work attached hereto as ANNEX 1.

2.16 **Specifications** mean the specifications that are determined by the development committee consisting of one or more representatives of Party A and Party B in compliance with Strata Skin Sciences SOP -0017, currently on Revision G. The specifications and SOP-0017 may each be updated from time to time.

2.17 **Term** means the duration of this Agreement as set forth in ARTICLE 13, Section 13.1.

ARTICLE 3
DEVELOPMENTAL WORK

3.1 The Parties agree Party A will perform the Development Work as set forth in the Statement of Work.

3.2 The Development Work shall comprise the efforts, activities, resource budget, material budget and Acceptance Plan.

3.3 The Development Work shall be carried out in accordance with the schedule set forth in the Statement of Work.

3.4 Disclosure of Background IP and Development Results will be affected without charges to Party B. Depending on the demands of the Development Work, the Background IP and Development Results can be submitted in writing and/or orally.

3.5 The Development Work shall be performed in close cooperation between the Parties and in a joint effort to minimize costs and expenditures.

3.6 Each of the Parties shall appoint a person who will act as the primary point of contact with respect to the communication made during the performance of the Development Work, and who shall be in the position to take or provide for related decisions to comply with the respective Party's obligations under this Agreement.

For Party A:

Francesco Lucarelli
455 North Canyons Parkway, Suite B
Livermore, CA 94551
Phone: 973-769-2506
email: Francesco.lucarelli@hcbhealth.com

For Party B:

Robert Moccia
Strata Skin Sciences, Inc.
5 Walnut Grove Drive, Suite 140
Horsham, PA 19044
Phone: 215-619-3200
E-mail: bmoccia@strataskin.com

3.7 Each of the Parties may change its respective contact person by giving adequate prior written notice to the other Party.

3.8 All Background IP and Development Results to be forwarded to Party B hereunder will be addressed to the Strata CEO or their duly appointed representative. The Strata CEO or their duly appointed representative shall have the final vote on decisions.

3.9 During the Development Work, Party A and Party B shall schedule regular meetings in accordance with Article 7 below. At these meetings, the Parties will review the status of the Development Work and exchange relevant DEVELOPMENT RESULTS.

3.10 In addition, Party A shall keep Party B informed on any major progress achieved during the Development Work.

3.11 If Party A realizes the Development Work cannot efficiently be performed according to the time schedules, development plans, milestones or budgets set forth for the project, Party A shall immediately inform Party B. Party B will solely determine further conduct and performance of the Development Work.

3.12 Party A undertakes to carry out the Development Work as stipulated in this Agreement.

3.13 Party A shall make best efforts to arrive at a successful completion of the relevant Development Work.

3.14 Party A may subcontract with or otherwise have third parties perform Development Work, *provided however*, Party A utilizing the third parties shall:

(a) obtain pre-approval from Party B before discussing details, or contracting, with any subcontractor;

(b) forward to the third parties the Background IP and the Development Results only on an "as needed" basis;

(c) require from each of the third parties a written undertaking to treat the relevant BACKGROUND IP/Development Results as confidential, wherein such undertaking shall be at least as restrictive as the obligations of Party A accepted under this Agreement; and

(d) ensure by written agreement with each of the third parties Party B will have identical rights and benefits as if such Development Work was not performed by the third parties, but rather, was performed by Party A. Specifically, each of the third parties shall agree by written agreement to assign to Party B all right, title and interest in and to any Development Work on behalf of Party A.

(e) the third parties will adhere to all relevant laws, regulations, and interpretations thereof as they relate to the services they provide.

ARTICLE 4
COMPLETION OF THE DEVELOPMENT WORK

4.1 The Development Work shall be regarded as being completed successfully once the efforts and activities as per the Statement of Work have been performed and the requirements set forth in the Acceptance Plan demonstrate the Product fulfills the requirements set forth in the SPECIFICATIONS.

4.2 The Parties undertake to record the results of the Development Work in a final protocol and workshop including the date of the successful completion of the Development Work.

ARTICLE 5
COSTS OF THE DEVELOPMENT WORK

5.1 Party B will bear all costs incurred by either Party to the extent it involves a Product or Products in connection with the Development Work. Such costs will not exceed a budget agreed to, in writing, by Party B prior to such costs being incurred.

ARTICLE 6
DEVELOPMENT RESULTS, IPR AND RIGHTS THEREUNDER

6.1 Notwithstanding the following provisions of this ARTICLE 6, Party A acknowledges that any violation of the IPR is likely to cause Party B irreparable harm, and Party A agrees that Party B shall be entitled to a preliminary injunction with respect thereto, without the need to post a bond.

6.2 Any Foreground IP developed during the Term and under the cooperation of this Agreement by either Party shall become the property of Party B. In avoidance of doubt, Party B shall be free from any restrictions and encumbrances to enjoy such Foreground IP, including filing applications for statutory protection and to use, maintain and permit to lapse such applications for statutory protection and any statutory rights issued thereon.

6.3 Any Joint IP created jointly by both Parties shall, at the time it is created, become the property of Party B.

6.4 Party B shall own and may enjoy the Joint IP, including any and all statutory protection issuing thereon, if any, free from any restrictions and encumbrances. Party B, therefore, for example and without limitation, has the right to grant non-exclusive, licenses and sublicenses to the Joint IP and the right to transfer to third parties all of portions of its rights in the Joint IP.

6.5 For Joint IP eligible for statutory protection, Party A will fully cooperate with Party B regarding the details for filing for such protection. The Parties shall consult, and Party B shall solely decide the appropriateness of whether to file applications for patents, and if so, which countries or regions protection shall be applied for. Party B shall bear all costs associated with such applications in all countries and regions including costs incurred by Party A.

6.6 All decisions about the handling of Joint IP shall be memorialized in writing, and such writing shall be signed by both Parties.

6.7 If Party B is interested in applying for statutory protection for the Joint IP, then Party A shall execute and forward to Party B all documents requested by Party B, or its representatives, and reasonably believed to be necessary and/or desirable for obtaining the statutory protection. Any statutory rights resulting from application by Party B for statutory protection for the Joint IP shall, from the date of filing, become the sole property of Party B. In avoidance of doubt, Party B shall be free from any restrictions and encumbrances to enjoy such Joint IP, and therefore, for example and without limitation, Party B can use, maintain and permit to lapse any of the Joint IP falling within the scope of this Subsection 6.7.

6.8 Party A ensures it will be in a position to immediately acquire for and on behalf of Party B all right, title and interest in and to the share of inventions of its employees and/or contractors/consultants as well as third party subcontractors for all Foreground IP and Joint IP, and to the extent any Background IP which would have been intended to be assigned at the closing, but was not previously identified for whatever reason whatsoever and is later is identified in the course of the Development Work, Party A said acquire all right, title and interest in and to such Background IP and then assign such Background IP to Party B, as if, *nunc pro tunc*, assigned at the closing.

6.9 Party B is not obligated (i) to take action against third parties infringing upon statutory rights filed or issued for Joint IP or (ii) to defend such rights against third parties.

6.10 Under its Background IP and to the DEVELOPMENT RESULTS, Party B hereby grants to Party A, subject to the terms and conditions of this Agreement, a non-exclusive, non-transferable, royalty-free right to use same during the Term of this Agreement solely for the purpose of performing the Development Work. This right includes the right to have such Background IP and Development Results used by a subcontractor.

6.11 Subject to the terms and conditions of this Agreement, each of the Parties hereby grants to the other the right to reproduce, install, copy, distribute, sublicense, and execute any software for purposes of providing or carrying out the Development Work. The Parties agree that, except as may be expressly permitted by applicable law, it will not cause or permit (and will take all reasonable measures to prohibit customers from) reverse engineering, translation, disassembly or de-compilation of the software.

ARTICLE 7
STRUCTURE OF COOPERATION AND ACTIVITIES

7.1 Within thirty (30) days of the Effective Date, Party A will identify a representative to meet a representative of Party B on a regular basis once per month for the first quarter and then quarterly thereafter. The representatives of the two Parties will be:

For Party A:

Francesco Lucarelli
455 North Canyons Parkway, Suite B
Livermore, CA 94551
Phone: 973-769-2506
email: Francesco.lucarelli@hcbhealth.com

For Party B:

Robert Moccia
Strata Skin Sciences, Inc.
5 Walnut Grove Drive, Suite 140
Horsham, PA 19044
Phone: 215-619-3200
E-mail: bmoccia@strataskin.com

(a) The Parties will discuss in good faith the actual development status, future roadmaps and products, revenue and prospective. In addition, Party A will help Party B develop and release development timetables, products specifications, and marketing & sales strategy (customer approach, design wins).

(b) [delete] .

(c) Party A will be responsible for tasks that may include but not be limited to:

(1) generation of product specifications, data sheets, and the like;
(2) support for verification documents;
(3) joint technical presentations to customers;
(4) joint on-site support at customers;
(5) bilateral mutual training for increasing the technical knowledge base;
(6) generation of application notes;
(7) Bill of Material estimations;
(8) joint participation on field trials at customers/operators;
(9) definition of test criteria;
(10) fixing of environmental conditions for test cases;
(11) joint verification of first silicon / engineering samples; and
(12) performance issues / performance optimization.

7.2 Party A agrees to make available experts of Party A, at no cost to Party B, training courses regarding its BACKGROUND IP, Foreground IP and Joint IP, all of which shall be owned by Party B. The content of such training will be mutually agreed to by both Parties after execution of this Agreement. The training courses will take place upon request of Party B with a notice period of at least fifteen (15) days.

7.3 Both Parties intend to have Party A develop future generation products for Party B to own and commercialize. To this end, both Parties may discuss deploying a project team to help party A develop such future generation products. The relevant terms and conditions of the future generation products shall be in accordance with the terms and conditions of this Agreement, using additional statements of work, which may be annexed hereto pursuant to Section 14.7

ARTICLE 8
CONFIDENTIALITY

8.1 Party A agrees such BACKGROUND IP, Foreground IP, Joint IP, and Development Results will be deemed confidential and will be maintained by Party A in confidence, provided, however, Party A may disclose such Background IP to its officers, and those of its employees and others under its control for the purposes of this Agreement, all of whom will be advised of this Agreement and Party A's obligations hereunder.

8.2 Party A further agrees to use such confidential information only for purposes of performing its rights and obligations under this Agreement and for no other purposes.

8.3 Party A additionally agrees to take all reasonable precautions to safeguard the confidential nature of the BACKGROUND IP, Foreground IP, Joint IPIP, and DEVELOPMENT RESULTS.

8.4 Party A shall not be liable for disclosure and/or any use of such confidential information insofar as such confidential information

(a) is required by any judicial order or decree or by any governmental law or regulation, and

(b) is in, or becomes part of, the public domain other than through a breach of this Agreement by Party A;

8.5 The obligations of this ARTICLE 8 shall survive the termination of this Agreement.

ARTICLE 9
LIMITED WARRANTIES

9.1 Party B reserves the right, in its sole discretion, to develop any and all Product(s) for any or no reason including, but not limited to, if Party A cannot meet specifications in line with Party B expectations.

ARTICLE 10
LIMITATION OF LIABILITY

10.1 EXCEPT AS PROVIDED FOR BY MANDATORY PROVISIONS OF APPLICABLE LAW AND FOR BREACH OF LICENSE GRANT CAUSED BY WILLFUL INTENT AND CONFIDENTIALITY, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR SPECIAL, INCIDENTAL, CONSEQUENTIAL, INDIRECT OR EXEMPLARY DAMAGES, INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF DATA OR LOSS OF USE DAMAGES ARISING OUT OF THIS AGREEMENT, OR THE USE OF THE PRODUCT OR SAMPLES THEREOF, EVEN IF THE PARTIES HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE LIABILITY OF A PARTY UNDER THIS AGREEMENT SHALL NOT EXCEED THE AMOUNTS PAID BY PARTY B TO PARTY A IN THE TWELVE (12) MONTHS PRECEDING THE EVENT GIVING RISE TO THE CLAIM.

10.2 Nothing in this Agreement shall obligate either of the Parties to apply for, take out, maintain, or acquire any statutory protection, in any country.

10.3 To the extent any Joint IP or Foreground IP is created, all rights granted in BACKGROUND IP, Foreground IP, Joint IP, and Development Results are granted insofar only as the Party so granting has the right to grant without payment to third Parties.

ARTICLE 11
INDEMNITY

11.1 Each Party (the "Indemnifying Party") shall hold harmless, defend and indemnify the other Party and their respective officers, managers, directors, employees, agents, representatives, Property managers, partners, lenders, successors, assigns and affiliate entities (collectively, the "Indemnified Parties") from and against any and all claims, demands, actions, proceedings, lawsuits, costs, expenses, fees (including, without limitation, reasonable attorneys' fees), losses, liabilities, judgments, damages or injuries (collectively "Claims") asserted against or incurred by any of the Indemnified Parties in connection with the following: (i) the acts, omissions or negligence of the Indemnifying Party or its representatives; or (ii) breach of the intellectual property rights of another party by the Indemnifying Party or its representatives; provided, however, the Indemnifying Party shall not be liable to the extent Claims arise due to the acts, omissions or negligence of an indemnified Party.

Party A shall have no liability for any claim of infringement based on or arising from:

(a) modification of any deliverables and BACKGROUND IP, Foreground IP, Joint IP, and Development Results of Party A not in scope of this Agreement by Party B or any third party; or

(b) the combination or use of Party A's deliverables and BACKGROUND IP, Foreground IP, Joint IP, and DEVELOPMENT RESULTS, furnished hereunder with materials not furnished or expressly specified by Party A to the extent such infringement would have been avoided by use of Party B's furnished or specified materials alone.

11.2 This ARTICLE 11 states the Parties entire liability, and respectively, the exclusive remedy for any claim of infringement.

ARTICLE 12
INTENTIONALLY LEFT BLANK

ARTICLE 13
TERM AND TERMINATION

13.1 This Agreement shall become effective on the date it is signed by both Parties (the "Effective Date"), and unless terminated earlier under a relevant provision of this Agreement, the Term of this Agreement shall begin on the Effective Date and terminate three (3) years thereafter.

13.2 This Agreement may be terminated at any time by a Party:

(a) by giving not less than 30 calendar days prior written notice to the other Party;

(b) if the other Party is declared bankrupt or otherwise cannot fulfill its financial obligations; or

(c) if a Party materially breaches this Agreement and does not remedy such default within 30 calendar days after receipt of notice to cure from the non-breaching Party not in breach.

13.3 Upon termination of this Agreement that results from any of the foregoing provisions, then, except as otherwise provided in this Agreement:

(a) the Parties shall cease all of the Development Work; and

(b) any successor company shall cease all support under ARTICLE 7.

ARTICLE 14
MISCELLANEOUS

14.1 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the state of Delaware applicable to contracts made in that state, without giving effect to the conflict of laws principles thereof.

14.2 Severability. If any provision or provisions of this Agreement shall, for any reason, be deemed unenforceable or in violation of law, such unenforceability or violation shall not affect the remaining provisions of this Agreement, which shall continue in full force and effect and be binding upon the Parties hereto.

14.3 Force Majeure. Each of the Parties will be excused from the obligations of this Agreement (other than payment obligations) to the extent performance is delayed or prevented by any circumstances, direct or indirect, reasonably beyond its control including, without limitation, fire, flood, accident, explosion, mechanical breakdown, strike or other labor trouble, plant shutdown, unavailability of or interference with the usual means of transporting the Product or compliance with any law, regulation, order, recommendation or request of any governmental authority.

14.4 Survival. ARTICLE 6; ARTICLE 8; ARTICLE 9; ARTICLE 10; ARTICLE 11;; ARTICLE 14; and each other term and provision of this Agreement that would by its very nature or terms survive any termination or expiration of this Agreement, shall survive any termination or expiration of this Agreement, regardless of the cause thereof, even if resulting from material breach of either party hereto. The Parties acknowledge and agree money damages alone will not be a sufficient remedy for a breach of any of ARTICLE 6 and ARTICLE 8; and the Parties shall be entitled to specific performance, injunctive relief and/or other equitable remedy for any such breach.

14.5 Section Headings. The headings of the articles, sections, paragraphs, tables, annexes, and schedules herein are for the Parties' convenient reference only and shall not define or limit any of the terms or provisions hereof. Annexes, schedules, and other documents referred to in this Agreement are an integral part hereof, unless the context of such reference indicates otherwise.

14.6 Waiver. This Agreement and the observance of any term of this Agreement may be waived only with the written consent of both Parties. The failure of any of the Parties to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of any such provision, nor in any way to affect the validity of this Agreement or any part thereof or the right of any of the Parties thereafter to enforce each such provision. Nor shall the failure of any of the Parties to enforce at any time any of the provisions of this Agreement be construed as a waiver of such provision with respect to any other event or circumstance, whether past, present or future.

14.7 Modification. This Agreement may be amended, changed, or otherwise modified in any manner only upon the written consent of both of the Parties by their duly authorized representative. For avoidance of doubt, the SPECIFICATION may be amended from time to time, but only to the extent each of Parties have mutually agreed upon such amendment and memorialized such amendment in a written document signed on behalf of each of the Parties hereto by their duly authorized representatives.

14.8 Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered; on the date of transmission if sent by facsimile or email; or on the fifth business day after mailing if mailed to the Party to whom notice is to be given, by first class mail, postage prepaid, and properly addressed as follows, or at such addresses as the parties hereto may designate by written notice in the manner aforesaid:

If to Party A:

Theravant Corporation
455 North Canyons Parkway, Suite B
Livermore, CA 94551
Attention: Bob Anderson
Email: banderson@theravantcorp.com

with a copy of any notice of breach to:

Law Office of Deven S. Kane
820B Crescent Street No. 5
Wheaton, IL 60187
Attention: Deven S. Kane
Email: devenkane@dskanelaw.com

If to Party B:

STRATA Skin Sciences, Inc.
5 Walnut Grove, Suite 140
Horsham, Pennsylvania 19044
E-mail: bmoccia@strataskin.com
Attention: Chief Executive Officer

with a copy of any notice of breach to:

Party A
Stevens & Lee, P.C.
1500 Market Street
East Tower, Suite 1800
Philadelphia, PA 19102
Email: jon.hughes@stevenslee.com
Attention: Jon C. Hughes

14.9 Currency. All monetary references in this Agreement shall be in U.S. Dollars.

14.10 Assignment. Party A may not transfer or assign its rights or obligations hereunder, directly, or indirectly, by operation of law or otherwise, without the prior written consent of Party B, such consent not to be unreasonably withheld or delayed. Any such attempt by Party A to assign its rights or obligations hereunder without consent of Party B shall be void. Notwithstanding the foregoing, either of the Parties may assign all or part of this Agreement to (i) a parent of such assigning Party at any time or (ii) a third party in the event of merger or the acquisition by such third party of all or substantially all the assets of the so-acquired Party or business unit thereof. This Agreement shall be binding upon and inure to the benefit of the Parties, and their respective successors and permitted assigns.

14.11 Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the transactions contemplated hereby, and supersedes all written and verbal negotiations, representations, warranties, commitments, and other understandings prior to the date hereof between Party A and Party B. Each of the Parties agrees there are no agreements between the parties, oral or written, with respect to the Product (including any made or implied from past dealings) except as expressed herein. No terms and conditions stated in or attached to communications between the Parties, including but not limited to any purchase orders, the terms of which (except quantity of the Product) are hereby rejected, are applicable to this Agreement in any way and are expressly not to be considered exceptions to the provisions of this Agreement. Trade custom, trade usage and past performance are superseded by this Agreement and shall not be used to interpret this Agreement.

14.12 Third-Party Beneficiaries. Nothing herein, express, or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

14.13 Publication; Press Release. Neither Party will issue a press release or otherwise publicize the terms of this Agreement or that the Parties are in negotiations and/or executed the Agreement without the prior written consent of the other Party, except to the extent any terms of this Agreement are required to be disclosed by law or regulation, or the rules of any stock exchange (including the Securities and Exchange Commission of the United States or any similar authority in any other country).

14.14 Execution in Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their respective, duly authorized representatives.

Theravant Corporation 455 North Canyons Parkway, Suite B Livermore, CA 94551 Attention: Bob Anderson Email: banderson@theravantcorp.com	STRATA Skin Sciences, Inc. 5 Walnut Grove, Suite 140 Horsham, Pennsylvania 19044 E-mail: bmoccia@strataskin.com Attention: Chief Executive Officer
Accepted and Approved for Theravant Corporation	Accepted and Approved for STRATA Skin Sciences, Inc.
By: Robert Anderson Authorized Signature	By: Robert Moccia Authorized Signature
Name: Robert Anderson, President	Name: Robert J. Moccia, President and Chief Executive Officer
Date: 1/10/22	Date: 1/10/22

ANNEX 1
PAYMENT PLAN

1. Party B shall commit to at least a P2 position in the sales force for four years post-Launch of Theraclear.

2. **Milestone Payments**. In addition to the payments as described in the Asset Purchase Agreement, Party B shall also pay to Party A contingent payments based upon the timely development, regulatory clearance, Launch and sales of the following pipeline devices provided that (1) they are primarily based on the Background IP, as defined in the Asset Purchase Agreement, and (2) provided by Party A to Party B, and (3) currently in development:

(i) A Five Hundred Thousand Dollar ("$500,000") payment upon clearance by the FDA of an acne scarring device or another device as mutually agreed upon based upon market need with a FDA label as agreed upon by the parties;

(ii) A $500,000 payment in addition to the payment identified in Section 2(i) in this Annex 1 above upon achievement of two million dollars ($2,000,000) in Net Revenue in a twelve month period for that device but by no later than December 31, 2026.

(iii) A $500,000 payment upon clearance by the FDA of a "neck line device" or other device as mutually agreed upon based upon market need and with a FDA label as mutually agreed upon by Party A and Party B;

(iv) A $500,000 payment in addition to the payment identified in Section 2(iii) in this Annex 1 above upon achievement of two million dollars ($2,000,000) in Net Revenue in a twelve month period for that device but by no later than December 31, 2026.

(v) A $500,000 payment upon clearance by the FDA of a tattoo removal device or other device as mutually agreed upon based upon market need with a FDA label agreed upon by the parties;

(vi) A $500,000 payment in addition to the payment identified in Section 2(v) in this Annex 1 above upon achievement of two million dollars ($2,000,000) in Net Revenue in a twelve month period for that device but by no later than December 31, 2026.

3. For the avoidance of doubt, Party B shall be under no obligation to proceed with any of the aforementioned devices, or any other devices identified in this Annex 1 or as otherwise identified in the Asset Purchase Agreement, should Party B in the exercise of commercially reasonable judgment determine that the aforesaid devices do not adequately address a market need or would not generate the revenue necessary to justify the required investment.

4. **Sellers' Representative**. Party B shall designate a single individual representative who shall be their sole representative with whom Party B shall address any or all matters related to the royalty, earn-out, and milestone payments.

Exhibit 10.3

PERFORMANCE STOCK OPTION AGREEMENT

(Non-Qualified Stock Option)

THIS PERFORMANCE STOCK OPTION AGREEMENT (this "Agreement"), dated as of March 30, 2022 (the "Grant Date"), is between STRATA SKIN SCIENCES, INC., a Delaware corporation (the "Company"), and Robert J. Moccia, an adult individual ("Optionee").

R E C I T A L S

A. The Company has adopted the Amended and Restated STRATA Skin Sciences, Inc. 2016 Omnibus Incentive Plan, as amended from time to time (the "Plan"), to provide a flexible vehicle through which it may offer equity-based compensation incentives in the form of options to purchase shares of the Company's common stock (the "Common Stock") to employees, directors or consultants of the Company in order to attract, motivate, reward and retain such personnel and to further align the interests of such personnel with those of the stockholders of the Company.

B. Optionee is eligible to receive a stock option under the Plan and, upon executing a Notice of Exercise in the form attached hereto, to become a stockholder of the Company.

C. Subject to the satisfaction of the conditions set forth herein, the Company desires to grant to Optionee a stock option to purchase shares of Common Stock, and Optionee is willing to accept such option, upon the terms and conditions hereinafter set forth.

D. Capitalized terms used herein and not defined in this Agreement shall have the meanings specified in the Plan.

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants contained herein, agree as follows:

1. Option. The Company, on the Grant Date, hereby grants to Optionee an unvested option to purchase the number of shares of Common Stock set forth in Section 2 below (the "Option Shares") at an exercise price of $1.45 per share (the "Option"). The Option shall be subject to the terms and provisions of this Agreement and of the Plan, which is incorporated herein by reference.

2. Vesting. Subject to Sections 3 and 4 below, the Option shall vest and may be exercised following completion of the audit performed by the Company's independent registered public accounting firm for the year ending on the last date of the Performance Period and a determination by the Committee that the Performance Measure meet the respective Performance Goal, subject to the Optionee not having a Termination of Service through such time, and subject further to the determination by the Committee (or its designee), approval and certification that the respective Performance Goal for the Option has been satisfied (the "Certification"). The Optionee is subject to the following performance metrics:

(a) Number of shares of Common Stock upon achievement of Target: 100,000

(b) Consolidated revenue, net for the calendar year ending December 31, 2022

			Performance Goal- Target Forecast as set by the Board		
Performance Measure	Weighting	Pro Rata Target Shares	Threshold	Target	Stretch
Revenue, net	100%	100,000			
Payout as % of Target			95%	100%	105%

To confirm, with respect to any Performance Measure, the payout ranges will be as follows: (i) if the Threshold of the Performance Goal is not met, 0% of the Target number of shares of the Common Stock, (ii) if the Threshold of the Performance Goal is met but the Target of the Performance Goal is not met, the Threshold percentage of the Target number of shares of the Common Stock, (iii) if the Target of the Performance Goal is met but the Stretch of the Performance Goal is not met, the Target percentage of the Target number of shares of the Common Stock, and (iv) if the Stretch goal is met or exceeded, the Stretch percentage of the Target number of shares of the Common Stock.

3. Change in Control. Notwithstanding anything to the contrary in this Agreement, if a Change in Control occurs during the Performance Period, then, subject to the Optionee not having a Termination of Service through the date of the Change in Control, except as provided in Section 4, the Performance Goal for the Option will be deemed satisfied at the Target of such Performance Goal upon the effective time of the Change in Control pursuant to this Section 3, and the Option shall, in such Change in Control, become vested immediately prior to the effective time of such Change in Control.

4. Termination.

(a) In the event of a Termination of Service by the Company other than for Cause, death or Disability (each as defined in the Employment Agreement) and pursuant to Section 5(d) of the Employment Agreement within two (2) months preceding the date of a Change in Control, to the extent that the Performance Goal shall be deemed satisfied at the Target of such Performance Goal upon the effective time of the Change in Control pursuant to Section 3, the Option shall vest immediately as of the effective time of the Change in Control (and for the avoidance of doubt, in the event of such a Termination of Service within two (2) months prior to a Change in Control, the Option that has not satisfied the Performance Goal as of such Termination of Service will remain eligible to vest at the Target of such Performance Goal upon the occurrence of a Change in Control within two (2) months after such Termination of Service and will thereafter be forfeited to the extent not vested). Unless otherwise determined by the Committee, the vesting set forth in this Section 4(a) shall be subject to the Optionee's execution (and non-revocation) of a general release of claims in substantially the form attached to the Employment Agreement within the time limits prescribed therein. The "Employment Agreement" means the Employment Agreement, dated as of March 1, 2021, between the Company and the Optionee, as amended from time to time.

(b) In the event of the Optionee's Termination of Service other than as set forth in Section 4(a), all then-unvested Option will immediately and automatically be cancelled and forfeited without consideration therefor, except as otherwise determined by the Committee.

(c) The Committee (or its designee) shall make a final assessment reasonably promptly following the last day of the Performance Period as to whether the Option satisfied the applicable vesting conditions as of the last day of the Performance Period. Any Option Shares that have not become vested on or prior to the last day of the Performance Period will immediately and automatically be cancelled and forfeited without consideration therefor.

5. Term. The Option shall continue in effect until the tenth (10^{th}) anniversary of the Grant Date (the "Term"). During the Term, Optionee may exercise the Option in whole or in part at any time and from time to time. Thereafter, the Option (to the extent vested and exercisable) shall expire and become unexercisable. The foregoing notwithstanding, subject to the other provisions of the Plan, if Optionee's employment with, or other service to, the Company terminates for any reason (other than death, Disability or Cause, as described in the Plan and as outlined below) or for no reason, then (i) any portion of the Option that is not then exercisable shall thereupon terminate, and (ii) any portion of the Option that is then exercisable shall remain exercisable during the 90-day period following such termination or, if sooner, until the expiration of the Term and, to the extent not exercised within such period, shall thereupon terminate. The foregoing notwithstanding, if Optionee's employment with, or other service to, the Company terminates by reason of death or Disability, then the phrase "90-day period following such termination" in subsection (ii) above shall be replaced with the phrase "one-year period following such termination." In addition, notwithstanding anything to the contrary set forth herein, if Optionee's employment or other service is terminated for Cause, then the Option, whether or not then exercisable, shall immediately terminate and cease to be exercisable.

6. Manner of Exercising Option.

(a) Subject to the satisfaction of the conditions contained in this Agreement, the Option may be exercised by delivering to the Secretary of the Company a Notice of Exercise in the form attached hereto as Exhibit A, duly completed and executed by Optionee or his or her legal representative, together with payment in full for the shares of Common Stock purchased thereby.

(b) Notwithstanding anything in this Agreement to the contrary, at the discretion of the Company, the aggregate exercise price of the portion of this Option being exercised may be paid, in whole or in part, (i) by cash or check payable to the Company; (ii) by surrender to the Company of that number of fully paid and non-assessable shares of Common Stock owned by Optionee based on the Fair Market Value (as that term is defined in the Plan) equal to applicable exercise price; or (iii) by means of a "net value" exercise which reduces the number of Option Shares to be received upon such exercise to a "Net Number" of Option Shares determined according to the following formula:

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

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

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

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

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

7. Release. By signing below, Optionee, on behalf of himself or herself, his or her successors and assigns, hereby releases and forever discharges the Company and the present and former officers, directors, shareholders, employees, agents and attorneys of each of them from any and all actions, causes of action, damages, judgments, liabilities, obligations and claims whatsoever, in law or in equity, whether known or unknown, relating to, and covenants not to sue based on, any and all of the Company's commitments made by the Company prior to the date hereof to issue Optionee stock options or other equity incentives.

8. No Transfer or Assignment. The Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by (i) will and by the laws of descent and distribution and (ii) during the lifetime of Optionee, to the extent and in the manner authorized by the Compensation Committee, but only to the extent such transfers are made to family members, to family trusts, to family controlled entities, to charitable organizations, and pursuant to domestic relations orders, in all cases without payment for such transfers. Any purported sale, pledge, assignment, hypothecation, transfer, or disposition in contravention of this Section 8 shall be null and void *ab initio*.

9. Compliance with Laws and Regulations.

(a) The Company will not be obligated to issue or deliver shares of Common Stock pursuant to the Plan unless the issuance and delivery of such shares complies with applicable law, including, without limitation, the Securities Act of 1933, as amended, the Securities Act of 1934, as amended, and the requirements of any stock exchange or market upon which the Common Stock may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) In connection with the exercise of this Option, Optionee will execute and deliver to the Company such representations in writing as may be requested by the Company that it may comply with the applicable requirements of federal and state securities laws.

10. Notices. All notices, requests, demands, waivers, consents, approvals or other communications pursuant to this Agreement shall be in writing and delivered to the Company at its principal executive offices, Attention: Secretary, or to Optionee at the residence address reflected in the records maintained by the Company.

11. No Rights of Stockholder. Neither Optionee nor any legal representative of Optionee shall be, or have any of the rights and privileges of, a stockholder of the Company with respect to any shares subject to the Option except to the extent that certificates for such shares shall have been issued upon the exercise of the Option as provided for herein.

12. Construction. The Compensation Committee shall have exclusive authority to interpret and construe the Plan and the Option, and its determinations with respect thereto shall be final and binding on the Company and Optionee. In the event of any conflict between the Plan and this Agreement, the terms of this Agreement shall control.

13. No Rights Conferred. Nothing contained in this Agreement shall confer upon Optionee any right with respect to the continuation of his or her employment or other service with the Company or its subsidiaries or interfere in any way with the right of the Company and its subsidiaries at any time to terminate such employment or other service or to increase or decrease, or otherwise adjust, the other terms and conditions of Optionee's employment or other service.

14. Withholding. All amounts that, under federal, state or local law, are required to be withheld from the amount payable with respect to the Option shall be withheld by the Company.

15. Representations. The Optionee has reviewed with his or her own tax advisors the applicable tax (federal, state, and local) consequences of the transactions contemplated by this Agreement. The Optionee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Optionee understands that the Optionee (and not the Company) shall be responsible for any tax liability that may arise as a result of the transactions contemplated by this Agreement.

16. Acceptance. The Optionee hereby acknowledges receipt of a copy of the Plan and this Agreement. The Optionee has read and understand the terms and provision thereof, and accepts the Option subject to all the terms and conditions of the Plan and this Agreement.

17. Entire Agreement; Amendment. This Agreement, the Employment Agreement and the Plan sets forth the entire understanding of the parties hereto with respect to the subject matter hereof. This Agreement may not be amended or supplemented except by a written instrument duly executed by each of the parties hereto; provided, however that the Company's Board of Directors or Compensation Committee may amend the terms of this Agreement at any time without the written consent of Optionee provided that such amendment does not adversely affect the rights of Optionee.

18. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to its principles of conflict of laws.

[*Signature page follows*]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer, and Optionee has executed this Agreement, as of the day and year above written.

STRATA SKIN SCIENCES, INC.	OPTIONEE:
By: _____	_____
Name:	Robert J. Moccia
Title:	

Exhibit A

NOTICE OF EXERCISE

TO: STRATA Skin Sciences, Inc.

The undersigned hereby exercises his/her option to purchase _____ shares of Common Stock of STRATA Skin Sciences, Inc. (the "Company"), as provided in the Performance Stock Option Agreement dated as of March 30, 2022, $1.45 per share, for an aggregate purchase price of $ _____ (the "Purchase Price").

The undersigned is hereby paying the Purchase Price as follows (check one of the following):

____ (i) The undersigned has enclosed herewith payment by cash or check made payable to the order of the Company in the amount of the Purchase Price; or

____ (ii) The undersigned has received the prior approval of the Company that it will accept payment of the Purchase Price by the surrender to the Company of that number of fully paid and non-assessable shares of Common Stock owned by the undersigned Optionee which have an aggregate value equal to the Purchase Price and the undersigned has therefore enclosed herewith stock certificate number __ representing a total of _____ shares of Common Stock in order to surrender to the Company ____ shares of Common Stock in payment of the Purchase Price; or

____ (iii) The undersigned has received the prior approval of the Company that it will accept payment of the Purchase Price by means of a "net value" exercise and the undersigned hereby requests the Company to deliver to him/her _____ shares of Common Stock (the number of shares derived by a net value exercise) in full satisfaction of the exercise hereunder.

The undersigned hereby represents and warrants that it is his/her present intention to acquire and hold the aforesaid shares of Common Stock of the Company for his/her own account for investment, and not with a view to the distribution of any thereof, and agrees that he/she will make no sale, thereof, except in compliance with the applicable provisions of the Securities Act of 1933, as amended.

Signature: _____

Name (print) _____

Address: _____

_____

Dated: _____

Exhibit 10.4

VWAP PERFORMANCE STOCK OPTION AGREEMENT
(Non-Qualified Stock Option)

THIS VWAP PERFORMANCE STOCK OPTION AGREEMENT (this "Agreement"), dated as of March 30, 2022 (the "Grant Date"), is between STRATA SKIN SCIENCES, INC., a Delaware corporation (the "Company"), and Robert Moccia, an adult individual ("Optionee").

R E C I T A L S

A. The Company has adopted the Amended and Restated STRATA Skin Sciences, Inc. 2016 Omnibus Incentive Plan, as amended from time to time (the "Plan"), to provide a flexible vehicle through which it may offer equity-based compensation incentives in the form of options to purchase shares of the Company's common stock (the "Common Stock") to employees, directors or consultants of the Company in order to attract, motivate, reward and retain such personnel and to further align the interests of such personnel with those of the stockholders of the Company.

B. Optionee is eligible to receive a stock option under the Plan and, upon executing a Notice of Exercise in the form attached hereto, to become a stockholder of the Company.

C. Subject to the satisfaction of the conditions set forth herein, the Company desires to grant to Optionee a stock option to purchase shares of Common Stock, and Optionee is willing to accept such option, upon the terms and conditions hereinafter set forth.

D. Capitalized terms used herein and not defined in this Agreement shall have the meanings specified in the Plan.

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants contained herein, agree as follows:

1. Option. The Company, on the Grant Date, hereby grants to Optionee an unvested option to purchase up to 60,000 shares of Common Stock (the "Option Shares") at an exercise price of $1.45 per share (the "Option"). The Option shall be subject to the terms and provisions of this Agreement and of the Plan, which is incorporated herein by reference.

2. Vesting. Subject to Sections 3 and 4 below, the Option shall vest and may be exercised if and when the volume weighted average trading price per share of Common Stock measured over five trading day period ending on December 31, 2022 (the period beginning on the Grant Date and ending on December 31, 2022, the "Performance Period") equals or exceeds the target price set by the Board of Directors on March 30, 2022 (the "VWAP Performance Goal"), subject to the Optionee not having a Termination of Service through such time, and subject further to the determination by the Committee (or its designee), approval and certification that the VWAP Performance Goal for the Option has been satisfied (the "Certification").

3. Change in Control. Notwithstanding anything to the contrary in this Agreement, if a Change in Control occurs during the Performance Period, then, subject to the Optionee not having a Termination of Service through the date of the Change in Control, except as provided in Section 4, the VWAP Performance Goal for the Option will be deemed satisfied upon the effective time of the Change in Control pursuant to this Section 3, and the Option shall, in such Change in Control, become vested as of the immediately prior to such Change in Control.

4. Termination.

(a) In the event of a Termination of Service by the Company other than for Cause, death or Disability (each as defined in the Employment Agreement) and pursuant to Section 5(d) of the Employment Agreement within [two (2)] months preceding the date of a Change in Control, to the extent that the VWAP Performance Goal shall be deemed satisfied upon the effective time of the Change in Control pursuant to Section 3, the Option shall vest immediately as of the effective time of the Change in Control (and for the avoidance of doubt, in the event of such a Termination of Service within [two (2)] months prior to a Change in Control, the Option that have not satisfied the VWAP Performance Goal as of such Termination of Service will remain eligible to vest upon the occurrence of a Change in Control within [two (2)] months after such Termination of Service and will thereafter be forfeited to the extent not vested). Unless otherwise determined by the Committee, the vesting set forth in this Section 4(a) shall be subject to the Optionee's execution (and non-revocation) of a general release of claims in substantially the form attached to the Employment Agreement within the time limits prescribed therein. The "Employment Agreement" means the Employment Agreement, dated as of March 1, 2021, between the Company and the Optionee, as amended from time to time.

(b) In the event of the Optionee's Termination of Service other than as set forth in Section 4(a), all then-unvested Option will immediately and automatically be cancelled and forfeited without consideration therefor, except as otherwise determined by the Committee.

(c) The Committee (or its designee) shall make a final assessment reasonably promptly following the last day of the Performance Period as to whether the Option satisfied the applicable vesting conditions as of the last day of the Performance Period. Any Option Shares that have not become vested on or prior to the last day of the Performance Period will immediately and automatically be cancelled and forfeited without consideration therefor.

5. Term. The Option shall continue in effect until the tenth (10^{th}) anniversary of the Grant Date (the "Term"). During the Term, Optionee may exercise the Option in whole or in part at any time and from time to time. Thereafter, the Option (to the extent vested and exercisable) shall expire and become unexercisable. The foregoing notwithstanding, subject to the other provisions of the Plan, if Optionee's employment with, or other service to, the Company terminates for any reason (other than death, Disability or Cause, as described in the Plan and as outlined below) or for no reason, then (i) any portion of the Option that is not then exercisable shall thereupon terminate, and (ii) any portion of the Option that is then exercisable shall remain exercisable during the 90-day period following such termination or, if sooner, until the expiration of the Term and, to the extent not exercised within such period, shall thereupon terminate. The foregoing notwithstanding, if Optionee's employment with, or other service to, the Company terminates by reason of death or Disability, then the phrase "90-day period following such termination" in subsection (ii) above shall be replaced with the phrase "one-year period following such termination." In addition, notwithstanding anything to the contrary set forth herein, if Optionee's employment or other service is terminated for Cause, then the Option, whether or not then exercisable, shall immediately terminate and cease to be exercisable.

6. Manner of Exercising Option.

(a) Subject to the satisfaction of the conditions contained in this Agreement, the Option may be exercised by delivering to the Secretary of the Company a Notice of Exercise in the form attached hereto as Exhibit A, duly completed and executed by Optionee or his or her legal representative, together with payment in full for the shares of Common Stock purchased thereby.

(b) Notwithstanding anything in this Agreement to the contrary, at the discretion of the Company, the aggregate exercise price of the portion of this Option being exercised may be paid, in whole or in part, (i) by cash or check payable to the Company; (ii) by surrender to the Company of that number of fully paid and non-assessable shares of Common Stock owned by Optionee based on the Fair Market Value (as that term is defined in the Plan) equal to applicable exercise price; or (iii) by means of a "net value" exercise which reduces the number of Option Shares to be received upon such exercise to a "Net Number" of Option Shares determined according to the following formula:

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

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

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

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

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

7. Release. By signing below, Optionee, on behalf of himself or herself, his or her successors and assigns, hereby releases and forever discharges the Company and the present and former officers, directors, shareholders, employees, agents and attorneys of each of them from any and all actions, causes of action, damages, judgments, liabilities, obligations and claims whatsoever, in law or in equity, whether known or unknown, relating to, and covenants not to sue based on, any and all of the Company's commitments made by the Company prior to the date hereof to issue Optionee stock options or other equity incentives.

8. No Transfer or Assignment. The Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by (i) will and by the laws of descent and distribution and (ii) during the lifetime of Optionee, to the extent and in the manner authorized by the Compensation Committee, but only to the extent such transfers are made to family members, to family trusts, to family controlled entities, to charitable organizations, and pursuant to domestic relations orders, in all cases without payment for such transfers. Any purported sale, pledge, assignment, hypothecation, transfer, or disposition in contravention of this Section 8 shall be null and void *ab initio*.

9. Compliance with Laws and Regulations.

(a) The Company will not be obligated to issue or deliver shares of Common Stock pursuant to the Plan unless the issuance and delivery of such shares complies with applicable law, including, without limitation, the Securities Act of 1933, as amended, the Securities Act of 1934, as amended, and the requirements of any stock exchange or market upon which the Common Stock may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) In connection with the exercise of this Option, Optionee will execute and deliver to the Company such representations in writing as may be requested by the Company that it may comply with the applicable requirements of federal and state securities laws.

10. Notices. All notices, requests, demands, waivers, consents, approvals or other communications pursuant to this Agreement shall be in writing and delivered to the Company at its principal executive offices, Attention: Secretary, or to Optionee at the residence address reflected in the records maintained by the Company.

11. No Rights of Stockholder. Neither Optionee nor any legal representative of Optionee shall be, or have any of the rights and privileges of, a stockholder of the Company with respect to any shares subject to the Option except to the extent that certificates for such shares shall have been issued upon the exercise of the Option as provided for herein.

12. Construction. The Compensation Committee shall have exclusive authority to interpret and construe the Plan and the Option, and its determinations with respect thereto shall be final and binding on the Company and Optionee. In the event of any conflict between the Plan and this Agreement, the terms of this Agreement shall control.

13. No Rights Conferred. Nothing contained in this Agreement shall confer upon Optionee any right with respect to the continuation of his or her employment or other service with the Company or its subsidiaries or interfere in any way with the right of the Company and its subsidiaries at any time to terminate such employment or other service or to increase or decrease, or otherwise adjust, the other terms and conditions of Optionee's employment or other service.

14. Withholding. All amounts that, under federal, state or local law, are required to be withheld from the amount payable with respect to the Option shall be withheld by the Company.

15. Representations. The Optionee has reviewed with his or her own tax advisors the applicable tax (federal, state, and local) consequences of the transactions contemplated by this Agreement. The Optionee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Optionee understands that the Optionee (and not the Company) shall be responsible for any tax liability that may arise as a result of the transactions contemplated by this Agreement.

16. Acceptance. The Optionee hereby acknowledges receipt of a copy of the Plan and this Agreement. The Optionee has read and understand the terms and provision thereof, and accepts the Option subject to all the terms and conditions of the Plan and this Agreement.

17. Entire Agreement; Amendment. This Agreement, the Employment Agreement and the Plan sets forth the entire understanding of the parties hereto with respect to the subject matter hereof. This Agreement may not be amended or supplemented except by a written instrument duly executed by each of the parties hereto; provided, however that the Company's Board of Directors or Compensation Committee may amend the terms of this Agreement at any time without the written consent of Optionee provided that such amendment does not adversely affect the rights of Optionee.

18. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to its principles of conflict of laws.

[*Signature page follows*]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer, and Optionee has executed this Agreement, as of the day and year above written.

STRATA SKIN SCIENCES, INC.	OPTIONEE:
By: _____	_____
Name:	Robert Moccia
Title:	

Exhibit A

NOTICE OF EXERCISE

TO: STRATA Skin Sciences, Inc.

The undersigned hereby exercises his/her option to purchase _____ shares of Common Stock of STRATA Skin Sciences, Inc. (the "Company"), as provided in the VWAP Performance Stock Option Agreement dated as of March __, 2022, $____ per share, for an aggregate purchase price of $ _____ (the "Purchase Price").

The undersigned is hereby paying the Purchase Price as follows (check one of the following):

____ (i) The undersigned has enclosed herewith payment by cash or check made payable to the order of the Company in the amount of the Purchase Price; or

____ (ii) The undersigned has received the prior approval of the Company that it will accept payment of the Purchase Price by the surrender to the Company of that number of fully paid and non-assessable shares of Common Stock owned by the undersigned Optionee which have an aggregate value equal to the Purchase Price and the undersigned has therefore enclosed herewith stock certificate number __ representing a total of _____ shares of Common Stock in order to surrender to the Company ____ shares of Common Stock in payment of the Purchase Price; or

____ (iii) The undersigned has received the prior approval of the Company that it will accept payment of the Purchase Price by means of a "net value" exercise and the undersigned hereby requests the Company to deliver to him/her _____ shares of Common Stock (the number of shares derived by a net value exercise) in full satisfaction of the exercise hereunder.

The undersigned hereby represents and warrants that it is his/her present intention to acquire and hold the aforesaid shares of Common Stock of the Company for his/her own account for investment, and not with a view to the distribution of any thereof, and agrees that he/she will make no sale, thereof, except in compliance with the applicable provisions of the Securities Act of 1933, as amended.

Signature: _____

Name (print) _____

Address: _____

_____

Dated: _____

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Robert J. Moccia, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 11, 2022

By: /s/ Robert J. Moccia
Name: Robert J. Moccia
Title: Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Christopher Lesovitz, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: May 11, 2022

By: /s/ Christopher Lesovitz
Christopher Lesovitz
Chief Financial Officer

EXHIBIT 32.1

SECTION 906 CERTIFICATION

CERTIFICATION (1)

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

1. The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and

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

Dated: May 11, 2022

/s/ Robert J. Moccia
Name: Robert J. Moccia
Title: Chief Executive Officer

/s/ Christopher Lesovitz
Name: Christopher Lesovitz
Title: Chief Financial Officer

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