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

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2019

OR

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

For the transition period from _____ to _____

Commission file number 001-36763

H-CYTE, INC
(Exact Name of Registrant as Specified in Its Charter)

Nevada	**46-3312262**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)
201 E Kennedy Blvd Suite 700 Tampa, Florida	**33602**
(Address of Principal Executive Offices)	(Zip Code)

(844) 633-6839
(Registrant's Telephone Number, Including Area Code)

3060 Royal Boulevard S, Ste. 150, Alpharetta, Georgia 30009
(Former name, former address and former fiscal year, if changed since last report)

Securities registered under section 12(b) of the Exchange Act: **Common stock, par value $0.001 per share**

Securities registered under section 12(g) of the Exchange Act: **Not applicable**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ]	Smaller Reporting Company [X]
(Do not check if 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 Act). Yes [ ] No [X]

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based upon the closing price of common stock on the last business day of the most recently completed second fiscal quarter, June 30, 2019, was $17,123,340. The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based upon the closing price of common stock on March 25, 2020 was approximately $3,928,028. Shares of voting stock held by each executive officer, director and 10% stockholders have been excluded from this calculation. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of April 21, 2020, 99,878,079 shares of the registrant's common stock were outstanding.

Documents incorporated by reference: None.

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FORWARD-LOOKING INFORMATION

This Annual Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to future events or our future financial performance. We have attempted to identify forward-looking statements by terminology including “anticipates,” “believes,” “expects,” “can,” “continue,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predict,” “should” or “will” or the negative of these terms or other comparable terminology. These statements are only predictions; uncertainties and other factors may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels or activity, performance or achievements expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Our expectations are as of the date this Annual Report is filed, and we do not intend to update any of the forward-looking statements after the date this Annual Report is filed to confirm these statements to actual results, unless required by law.

This Annual Report also contains estimates and other statistical data made by independent parties and by us relating to market size and growth and other industry data. This data involves several assumptions and limitations, and you are cautioned not to give undue weight to such estimates. We have not independently verified the statistical and other industry data generated by independent parties and contained in this Annual Report and, accordingly, we cannot guarantee their accuracy or completeness, though we do generally believe the data to be reliable. In addition, projections, assumptions and estimates of our future performance and the future performance of the industries in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons, including, but not limited to, the possibility that we may fail to preserve our expertise in medical therapy and product research and development; that existing and potential partners may opt to work with, or favor the products of, competitors if our competitors offer more favorable products or pricing terms; that we may be unable to maintain or grow sources of revenue; that we may be unable to attain and maintain profitability; that we may be unable to attract and retain key personnel; that we may not be able to effectively manage, or to increase, our relationships with customers; that we may have unexpected increases in costs and expenses; to what the effect of the current COVID 19 pandemic will have on the Company as further discussed herein. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

PART I

ITEM 1. BUSINESS

Overview

On July 11, 2019, MedoveX Corp. ("MedoveX") changed its named to H-CYTE, Inc. ("H-CYTE" or the "Company") by filing a Certificate of Amendment (the "Amendment") to the Company's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") with the Secretary of the State of Nevada. The name change and the Company's new symbol, HCYT, became effective with FINRA on July 15, 2019. H-CYTE was incorporated in Nevada on July 30, 2013 as SpineZ Corp.

On October 18, 2018, H-CYTE (formerly named MedoveX) entered into an Asset Purchase Agreement ("APA") with Regenerative Medicine Solutions, LLC, RMS Shareholder, LLC ("Shareholder"), Lung Institute LLC ("LI"), RMS Lung Institute Management LLC ("RMS LI Management") and Cognitive Health Institute Tampa, LLC ("CHIT"), (collectively "RMS"). On January 8, 2019, the APA was amended, and the Company acquired certain assets and assumed certain liabilities of RMS as reported in the 8-K/A filed in March of 2019. Based on the terms of the APA and its amendment (collectively the "APA"), the former RMS members had voting control of the combined company as of the closing of the RMS acquisition. For accounting purposes, the acquisition transaction has been treated as a reverse acquisition whereby the Company is deemed to have been acquired by RMS and the historical financial statements prior to the acquisition date of January 8, 2019 now reflect the historical financial statements of RMS.

Prior to the merger of H-CYTE and RMS on January 8, 2019 (the "Merger"), the consolidated results for H-CYTE included the financial activities of Regenerative Medicine Solutions, LLC, LI, RMS Nashville, LLC ("Nashville"), RMS Pittsburgh, LLC ("Pittsburgh"), RMS Scottsdale, LLC ("Scottsdale"), RMS Dallas, LLC ("Dallas"), State, LLC ("State"), Cognitive Health Institute of Tampa ("CHIT"), RMS LI Management, and Shareholder. H-CYTE included Lung Institute Dallas, PLLC ("LI Dallas"), Lung Institute Nashville, PLLC ("LI Nashville"), Lung Institute Pittsburgh, PLLC ("LI Pittsburgh"), and Lung Institute Scottsdale, LLC ("LI Scottsdale"), as Variable Interest Entities ("VIEs").

As of the Merger, the consolidated results for H-CYTE include the following wholly-owned subsidiaries: H-CYTE Management, LLC (formerly Blue Zone Health Management, LLC), MedoveX Corp, Cognitive Health Institute, LLC, and Lung Institute Tampa, LLC (LI Tampa formerly Blue Zone Lung Tampa, LLC) and the results of the aforementioned VIE's. Additionally, H-CYTE Management, LLC is the operator and manager of the various Lung Health Institute (LHI) clinics: LI Dallas, LI Nashville, LI Pittsburgh, and LI Scottsdale.

Evolving Impact of COVID-19

The recent coronavirus outbreak ("COVID-19") has adversely affected the Company's financial condition and results of operations going forward in 2020. The impact of the outbreak of COVID-19 on the businesses and the economy in the United States and the rest of the world is and is expected to continue to be significant. The extent to which COVID-19 outbreak will impact business and the economy is highly uncertain and cannot be predicted. Accordingly, the Company cannot predict the extent to which its financial condition and results of operation will be affected. The Company recently has taken steps to protect its vulnerable patient base (elderly patients suffering from chronic lung disease) by cancelling all treatments effective March 23, 2020 through at least the end of July. This decision has put significant financial strain on the Company. The Company made the decision in late March, to layoff approximately 40% of its employee base, including corporate and clinical employees and to cease operations at the LHI clinics in Tampa, Scottsdale, Pittsburgh, and Dallas. The Company will reevaluate when operations will recommence at these clinics as more information about COVID-19 becomes available.

The Company believes these expense reductions are necessary during the unexpected COVID-19 pandemic. Due to COVID-19, the Company is not expecting to be able to generate revenue until, at the earliest, August 2020. The Company has contacted its patients that are scheduled to come in for treatment, both first time patients and recurring patients, and have rescheduled these patients into August 2020. There is no guarantee that the Company will be able to treat patients as soon as August 2020. As such, the Company cannot estimate when it will be safe to treat patients and generate revenue. The Company's fourth quarter 2019 revenue was approximately $1.8 million. The Company expects that the first quarter 2020 will be substantially less than the fourth quarter 2019 and future quarters' revenue is dependent on the timing for being able to treat patients again. The Company will continue to focus on its goal of taking the L-CYTE-01 protocol to the FDA for treatment of chronic lung diseases. The Company will evaluate reopening the clinics at the appropriate time.

The Company is currently evaluating if its protocol has the potential to help people affected by COVID-19 but more research will need to be completed before a definitive conclusion can be reached. The Company also applied for a grant in March 2020 through the Biomedical Advanced Research and Development Authority ("BARDA") to develop a protocol for the treatment of COVID-19. There can be no assurances that the Company will receive this grant.

With the Company's revenue-generating activities suspended, the Company will need to raise cash from debt and equity offerings to continue with its efforts to take the L-CYTE-01 protocol to the FDA for treatment of chronic lung diseases. There can be no assurance that the Company will be successful in doing so. See Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity.

Company's Two Operating Divisions

The Company has two divisions: the medical biosciences division ("Biosciences division") and the DenerveX medical device division ("DenerveX division"). The Company has decided to focus its available resources on the Biosciences division as it represents a significantly greater opportunity than the DenerveX division as explained below. The Company is no longer manufacturing or selling the DenerveX device.

Healthcare Medical Biosciences Division (Biosciences division)

The Company's Biosciences division is a medical biosciences company that develops and implements innovative treatment options in regenerative medicine to treat chronic lung disease. Committed to an individualized patient-centric approach, this division consistently provides oversight and management of the highest quality care to the LHI clinics located in Tampa, Nashville, Scottsdale, Pittsburgh, and Dallas, while producing positive medical outcomes.

On June 21, 2019, H-CYTE entered into an exclusive product supply agreement with Rion, LLC ("Rion") to develop and distribute a FDA approved therapy (known as L-CYTE-01) for chronic obstructive pulmonary disease ("COPD"), the fourth leading cause of death in the U.S. Rion has established a novel technology to harness the healing power of the body. Rion's innovative exosome technology, based on science developed at Mayo Clinic, provides an off-the-shelf platform to enhance healing in soft tissue, musculoskeletal, cardiovascular and neurological organ systems. This agreement provides for a 10-year exclusive and extendable supply agreement with Rion to enable H-CYTE to develop proprietary biologics.

On October 9, 2019, the Company entered into a services agreement with Rion which provides the Company the benefit of Rion's resources and expertise for the limited purpose of (i) consulting with and assisting H-CYTE in the further research and development for the generation of a new cellular therapy (L-CYTE-01) and (ii) subsequently assisting H-CYTE in seeking and obtaining FDA Phase 1 IND clearance for L-CYTE-01. Rion also agrees to consult with H-CYTE in its arrangement for services from third parties unaffiliated with Rion to support research, development, regulatory approval, and commercialization of L-CYTE-01.

With these agreements, Rion will serve as the product supplier and co-developer of L-CYTE-01 with H-CYTE for the treatment of chronic lung diseases. H-CYTE will control the commercial development and facilitate the clinical trial investigation. After conducting joint research and development of these biologics, H-CYTE intends to pursue submission of an investigational new drug (IND) application for review by the U.S. Food and Drug Administration ("FDA") for treatment of COPD.

The following information pertains to the Biosciences division:

Competition

Developing and commercializing new FDA approved drugs and therapies is highly competitive. The market is characterized by extensive research and clinical efforts and rapid technological change. The Company faces intense competition worldwide from pharmaceutical, biomedical technology, medical therapy, and combination products companies, including major pharmaceutical companies. The Company may be unable to respond to technological advances through the development and introduction of new products. Most of the Company's existing and potential competitors have substantially greater financial, sales and marketing, manufacturing and distribution, and technological resources. These competitors may also be in the process of seeking FDA (or other regulatory approvals) and patent protection for new products. The Company's biologics product lines also face competition from numerous existing products and procedures, which currently are considered part of the standard of care. The Company believes that the principal competitive factors in its markets are:

- the quality of outcomes for medical conditions;
- acceptance by physicians and the medical community;
- ease of use and reliability;
- technical leadership and superiority;
- effective marketing and distribution;
- speed to market; and
- price and qualification for insurance coverage and reimbursement.

The Company will also compete in the marketplace to recruit qualified scientific, management and sales personnel, as well as in acquiring technologies and licenses complementary to its products or advantageous to its business.

The Company is aware that several of its competitors are developing technologies in its current and future products areas. There are numerous regenerative medicine providers who make claims that they are able to treat chronic lung disease. Most of these competitors are small clinics with little brand recognition. The landscape is changing as academia and large well-known providers, such as the Mayo Clinic, are beginning to develop therapies for multiple diseases using regenerative medicine.

Customers

The Company's customer base consists of individuals who are suffering from chronic lung disease that are searching for alternative methods of treatment outside of traditional pharmaceutical care which has not been successful for them in the past.

Intellectual Property

The Company is currently a direct care service provider and does not own any intellectual property around its current procedure. The development of L-CYTE-01 is projected to start the FDA approval process in 2020. H-CYTE has a ten-year exclusive licensing agreement for the L-CYTE-01 intellectual property and it will be protected by the proper intellectual property filings.

Government Regulations

Governmental authorities in the U. S. (at the federal, state and local levels) and abroad, extensively regulate, among other things, the research and development, testing, manufacture, quality control, approval, labeling, packaging, storage, record-keeping, promotion, advertising, distribution, post-approval monitoring and reporting, marketing and export and import of products such as those we are developing.

FDA Regulation

The current LHI cellular therapy for chronic lung disease does not require FDA approval due to its biologic nature. The L-CYTE-01 therapy that will be developed in 2020 will need to be approved or cleared by the FDA before it is marketed in the U.S. During the clearance and approval FDA process, the Company's L-CYTE-01 product will be subject to extensive regulation by the FDA under the Federal Food, Drug, and Cosmetic Act and/or the Public Health Service Act, as well as by other regulatory bodies.

FDA regulations govern, among other things, the development, testing, manufacturing, labeling, safety, storage, record-keeping, market clearance or approval, advertising and promotion, import and export, sales and marketing, and distribution of medical devices and products.

In the U.S., the FDA subjects pharmaceutical and biologic products to rigorous review. If the Company does not comply with applicable requirements, it may be fined, the government may refuse to approve its marketing applications or to allow it to manufacture or market its products, and the Company may be criminally prosecuted. Failure to comply with the law could result in, among other things, warning letters, civil penalties, delays in approving or refusal to approve a product, product recall, product seizure, interruption of production, operating restrictions, suspension or withdrawal of product approval, injunctions, or criminal prosecution.

FDA Approval or Clearance of L-CYTE-01

The FDA Policy framework serves to implement regenerative medicine-related provisions of the 21st Century Cures Act, including the Regenerative Medicine Advanced Therapy (RMAT) designation program. Section 3033 of the 21st Century Cures Act, which added Section 506(g) to the Federal Food, Drug, and Cosmetic Act (FDC Act). The FDA interprets section 506(g) to permit RMAT designation of a combination product when the biological product component provides the greatest contribution to the overall intended therapeutic effects of the product (i.e., the primary mode of action is conveyed by the biological product component). Designation means that FDA must take actions to expedite development and review of the drug including early interactions to discuss the potential for accelerated approval. Designated drugs may be eligible for priority review or accelerated approval under current FDA regulatory standards, and if approved under accelerated approval, would be subject to a confirmatory study.

The Company meets the requirement of the FDA to find any opportunities to expedite trials due to its existing LHI treatment plus combination biologic in development with Rion, known as L-CYTE-01. This combination meets the definition of a regenerative advanced therapy: "cell therapy, therapeutic tissue engineering products, human cell and tissue products, and combination products using any such therapies or products, except for those regulated solely under section 361 of the [PHS Act] and part 1271 of title 21, Code of Federal Regulations". The L-CYTE-01 protocol will be used to treat, modify, reverse, or cure a serious or life-threatening disease or condition such as COPD. The Company also has real-world data (3000+ patients with statistically significant data points) which indicates the drug has the potential to address an unmet medical need.

Proprietary Medical Device Business (DenerveX division)

The Company's business of designing and marketing proprietary medical devices for commercial use in the U.S. and Europe began operations in late 2013. The Company received CE marking in June 2017 for the DenerveX System and it became commercially available throughout the European Union and several other countries that accept CE marking. The Company's first sale of the DenerveX System occurred in July 2017. The Company markets the DenerveX Device as a disposable, single-use kit which includes all components of the DenerveX device product. In addition to the DenerveX device itself, the Company has developed a dedicated Electro Surgical Generator, the DenerveX Pro-40, to power the DenerveX device. There is currently no finished product of the DenerveX device in inventory as commercial production has been suspended since the first quarter of 2019. There was less than $100,000 in revenue from the DenerveX product in 2019.

In the second quarter of 2019, the Company determined that its contract manufacturer was not able to meet the requirements for producing the finished DenerveX product. Additionally, in its evaluation of its current distribution channels, the Company determined that many of these channels were not cost effective. As a result of the above evaluations, certain European distributor agreements were terminated, all other representatives were notified that the Company had temporarily suspended the manufacture and sale of the DenerveX product, the Company continued to source alternative manufacturing and distributor options, and the Company is considering other product-monetizing strategies, including, but not limited to, strategic partnerships. To date, these efforts have not been successful.

In the first quarter of 2020, the Company made the decision to stop any further efforts to source alternative manufacturing and distributor options for the DenerveX product. Although the Company believes the DenerveX technology has value, the Company does not believe it will realize the value in the foreseeable future. The Company has decided to focus its available resources on the Biosciences division as this division presents a significantly greater opportunity.

Good Manufacturing Practices ("GMP")

United States Anti-Kickback and False Claims Laws

In the U. S., there are Federal and state anti-kickback laws that prohibit the payment or receipt of kickbacks, bribes or other remuneration intended to induce the purchase or recommendation of healthcare products and services. Violations of these laws can lead to civil and criminal penalties, including exclusion from participation in Federal healthcare programs. These laws are potentially applicable to manufacturers of products regulated by the FDA as pharmaceuticals, biologics, medical devices, and hospitals, physicians and other potential purchasers of such products. Other provisions of Federal and state laws provide civil and criminal penalties for presenting, or causing to be presented, to third-party payers for reimbursement, claims that are false or fraudulent, or which are for items or services that were not provided as claimed. In addition, certain states have implemented regulations requiring medical device and pharmaceutical companies to report all gifts and payments of over $50 to medical practitioners. This does not apply to instances involving clinical trials.

Although the Company intends to structure its future business relationships with clinical investigators and purchasers of its products to comply with these and other applicable laws, it is possible that some of the Company's business practices in the future could be subject to scrutiny and challenged by Federal or State enforcement officials under these laws.

Research and Development Expense

Research and development costs and expenses consist primarily of fees paid to external service providers, laboratory testing, supplies, costs for facilities and equipment, and other costs for research and development activities. Research and development expenses are recorded in operating expenses in the period in which they are incurred.

Employees

As of March 31, 2019, the Company had 27 total full-time employees. None of its employees are represented by a union.

Available Information

The Company's website, *www.hcyte.com,* provides access, without charge, to its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission ("SEC"). The information provided on the Company's website is not part of this report and is therefore not incorporated by reference unless such information is otherwise specifically referenced elsewhere in this report.

Materials filed by the Company with the SEC may be read and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at *www.sec.gov* that contains reports, proxy and information statements, and other information regarding our company that we file electronically with the SEC.

ITEM 1A. RISK FACTORS

Not applicable to smaller reporting companies.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable to smaller reporting companies.

ITEM 2. PROPERTIES

The Company leases corporate office space in Tampa, FL and Atlanta, GA (the offices in Atlanta have been subleased). The Company also leases medical clinic space in Tampa, FL, Nashville, TN, Scottsdale, AZ, Pittsburgh, PA, and Dallas, TX. The leasing arrangements contain various renewal options that are adjusted for increases in the consumer price index or agreed upon rates. Each location has its own expiration date ranging from April 30, 2020 to August 31, 2023. At the time of filing, all of these clinics are closed as a result of COVID-19. The Company will evaluate reopening these clinics at the appropriate time.

The Company believes its existing facilities are suitable to meet current operational needs.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

On April 21, 2020, the price per share of the Company's common stock had a high of $0.06 per share, and a low of $0.041 per share. The Company had approximately 239 holders of record of common stock as of April 21, 2020.

Dividends

The Company has not declared or paid any cash dividends on its common stock and presently intends on retaining future earnings, if any, to fund the development and growth of the business. Therefore, the Company does not anticipate paying any cash dividends in the foreseeable future.

Securities Authorized for Issuance under Equity Compensation Plans

As of December 31, 2019, we have an outstanding aggregate of 425,000 options to purchase common stock under the Plan at a weighted average price of $1.38 per share to certain employees, consultants and our outside directors.

Recent Sales of Unregistered Securities; Uses of Proceeds from Registered Securities

As previously disclosed on Form 8-K filed on November 21,2019, the Company entered into a securities purchase agreement (the "SPA") with FWHC HOLDINGS, LLC ("FWHC") an accredited investor for the purchase of 146,998 shares of Series D Preferred Stock, par value $0.001 per share (the "Shares") and a ten-year warrant to purchase up to 14,669,757 shares of Common Stock at an exercise price of $0.75 per share (the "Warrant") resulting in $6.0 million in gross proceeds to the Company (the "FWHC Investment"). The Shares were sold at a price of $40.817 per Share and each Share is convertible into 100 shares of Common Stock. Accordingly, the conversion price into common stock is $0.40817 per share. In connection with the FWHC Investment, the Company, FWHC and certain key holders entered into a Right of First Refusal and Co-Sale Agreement (the "RFRC Agreement") which provides for certain rights with respect to the shares held by FWHC and the key holders. The key holders are identified in the RFRC Agreement and include the Company's principal stockholders: RMS Shareholder, LLC and the Company's CEO, William E. Horne. The Company, FWHC and certain other holders of the Company's voting stock entered into a Voting Agreement ("Voting Agreement") with respect to the size and composition of the Company's Board and certain other items if requested by FWHC. In connection the FWHC Investment, the Company and FWHC entered into an Investors' Rights Agreement (the "IRA") which provided FWHC with other additional rights including but not limited to, registration rights, board observer rights, and a right of first refusal for future offerings.

ITEM 6. SELECTED FINANCIAL DATA

Not required for smaller reporting company.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview

On July 11, 2019, MedoveX Corp. ("MedoveX") changed its name to H-CYTE, Inc. ("H-CYTE" or the "Company") by filing a Certificate of Amendment (the "Amendment") to the Company's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") with the Secretary of the State of Nevada. The name change and the Company's new symbol, HCYT, became effective with FINRA on July 15, 2019. H-CYTE was incorporated in Nevada on July 30, 2013 as SpineZ Corp.

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Due to COVID-19 (as previously noted), all of the LHI clinics are closed. The Company will evaluate reopening these clinics at the appropriate time. The Company is not expecting to be able to generate revenue until, at the earliest, August 2020. The Company has contacted its patients that are scheduled for treatment, both first time patients and recurring patients, and have rescheduled these patients for August 2020. However, there is no guarantee that the Company will be able to treat patients as soon as August 2020; as such, the Company cannot estimate when it will be safe to treat patients and generate revenue. The Company's fourth quarter 2019 revenue was approximately $1.8 million. The Company expects that the first quarter will be substantially less than the fourth quarter 2019 and future quarters' revenue is dependent on the timing of being able to treat patients again. The Company will continue to focus on its goal of taking the L-CYTE-01 protocol to the FDA for treatment of chronic lung diseases. The Company is currently evaluating whether or not its protocol has the potential to help people affected by COVID-19, but more research will need to be completed before a definitive conclusion can be reached. With the Company's revenue-generating activities suspended, the Company will need to raise cash from debt and equity offerings to continue with its efforts to take the L-CYTE-01 protocol to the FDA for treatment of chronic lung diseases. There can be no assurance that the Company will be successful in doing so.

RESULTS OF OPERATIONS

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

The following table sets forth certain operational data including their respective percentages of revenues for the years ended December 31, 2019 and 2018:

	Year Ended December 31,					
	2019		2018		Change	Change%
Revenues	$ 8,346,858	100%	$ 7,883,115	100%	463,743	6%
Gross Profit	6,294,051	75%	5,516,546	70%	777,705	14%
Operating Expenses	36,852,436	442%	9,708,592	123%	27,143,844	280%
Operating Loss	(30,558,385)	-366%	(4,192,046)	-53%	(26,366,339)	629%
Other Income (Expense)	750,507	9%	(202,103)	-3%	952,610	471%
Net Loss	(29,807,878)	-357%	(4,394,149)	-56%	(25,413,729)	578%
Net loss attributable to common stockholders	$ (33,196,029)	-398%	$ (4,394,149)	-56%	(28,801,880)	655%
Loss per share – Basic and Diluted	$ (0.34)		$ (0.13)			
Weighted average outstanding shares used to compute basic and diluted net loss per share	96,370,562		33,661,388			

Revenue and Gross Profit

Revenue is derived predominantly from the Company's Biosciences division, which resulted in revenue, net of allowance for refunds, for the year ended December 31, 2019 and December 31, 2018, of approximately $8,347,000 and $7,883,00, respectively. The increase in revenue is mainly attributable to an increase in the number of treatments provided to the Company's patients. The additional patient volume is directly related to an increase in advertising expenditures in year ended December 31, 2019 compared to year ended December 31, 2018 as discussed below in the advertising section.

For the year ended December 31, 2019 and December 31, 2018, the Company generated a gross profit totaling approximately $6,294,000 (75% of revenue) and $5,517,000 (70% of revenue), respectively. The improvement in gross margin is primarily attributable to the Company's reduction in cost of sales coupled with an increase in revenues. In 2019 the Company performed more treatments with fewer clinical staff resulting in higher revenue and lower personnel expenses. The Company possesses the opportunity to increase the number of treatments performed without increasing personnel costs as it can leverage the current level of personnel until the Company's treatment volume reaches critical mass. However, upon an increase in treatment volume beyond that capacity, the Company will need to hire additional personnel.

Operating Expenses

We classify our operating expenses into the following categories: salaries and related costs, other general and administrative, advertising, loss on impairment and depreciation and amortization.

Salaries and Related Costs

For the year ended December 31, 2019 and December 31, 2018, the Company incurred approximately $8,646,000 and $3,779,000, respectively, in salaries and related costs. Included in salaries and related costs for the year ended December 31, 2019 was approximately $1,690,000 in compensation expense related to the common stock issued to Mr. William E. Horne on April 25, 2019. These shares were fully vested upon the issuance of a restricted stock award. The remaining increase in salaries and related costs is primarily attributable to the year ended December 31, 2018 reflecting only the expenses of RMS and 2019 reflecting the consolidated costs for H-CYTE. Excluding the non-recurring stock compensation expense of approximately $1,690,000, the Company anticipates that salaries and related costs will decrease in 2020 as the company shifts its business model in its pursuit of becoming a leading biomedical services company and due to its recent cost reduction measures effective in March 2020 primarily in response to the COVID-19 pandemic.

Other General and Administrative

For the year ended December 31, 2019 and December 31, 2018, the Company incurred approximately $6,954,000 and $3,352,000, respectively, in other general and administrative costs. The increase is attributable to the year ended December 31, 2018 reflecting only the expenses of RMS and 2019 reflecting the consolidated costs for H-CYTE. Other general and administrative cost increases are attributable to increases in professional fees, contractors, and insurance expenses. Professional fees consist primarily of accounting, legal, patent and public company compliance costs as well as regulatory costs incurred to maintain CE Mark in Europe. The Company has incurred additional accounting, consulting and legal fees due to the cost of being a public company and costs related to the reverse acquisition accounting in 2019. Contractor expenses consist primarily of advertising contractors and other professionals utilized for public company administrative expenses. Insurance expenses increased mainly to the additional Directors and Officers insurance which RMS, as a private company, did not have. The Company anticipates that the other general and administrative expenses will decrease in 2020 as the company shifts its business model in its pursuit of becoming a leading biomedical services company and due to its recent cost reduction measures effective in March 2020 due to a change in the business model and in response to the COVID-19 pandemic

Advertising

For the year ended December 31, 2019 and December 31, 2018, the Company had approximately $4,910,000 and $1,876,000, respectively, in advertising costs. The increases were attributable to increased marketing efforts to promote the Company's Biosciences division. The Company expects these expenses to decrease significantly as the Company was not receiving the expected return on investment related to marketing expense and changed its strategy in 2020.

Loss on Impairment

The Company recorded a loss on impairment for its DenerveX technology and its goodwill totaling approximately $2,944,000 and $12,564,000, respectively, for the year ended December 31, 2019. As the Company has determined that the DenerveX System no longer represents part of its strategic plans for the future, the loss on impairment of the technology was recorded. The Company also determined the fair value of the reporting unit was less than the carrying amount of goodwill. As a result, during the fourth quarter of 2019 the Company recorded a goodwill impairment charge.

For the year ended December 31, 2018, the Company recognized approximately $607,000 in impairment loss related to the write-off of capitalized costs for the design and development of an application to be sold on the iOS and Android store platforms.

Depreciation & Amortization

During year ended December 31, 2019, the Company recognized approximately $834,000 in depreciation and amortization expense, compared to approximately $95,000 in 2018. The increase is primarily attributable to amortization of the technology intangible asset acquired in the Merger. The expense for 2020 will be significantly lower due to the loss on impairment recorded for year ended December 31, 2019.

Other Income (Expense)

Interest expense for the year ended December 31, 2019 and 2018 was approximately $299,000 and $184,000, respectively. The increase is attributable to the debt assumed in the Merger as well as the additional debt financing in 2019. This expense may grow in 2020 as a result of potential incremental debt financing.

The change in fair value of redemption put liability and change in fair value of the derivative liability - warrants for the year ended December 31, 2019 were approximately $347,000 and $827,000, respectively, and was a result of the assumption of the Series B Convertible Preferred Stock in the Merger and the Series D Convertible Preferred Stock financing in 2019, respectively.

Cash Flows

Net cash used in operating activities was approximately $12,291,00 during the year ended December 31, 2019, compared to approximately $3,545,000 in 2018. Net cash used by investing activities was approximately $393,000 during the year ended December 31, 2019, compared to approximately $23,000 during the year ended December 31, 2018. Net cash provided by financing activities was approximately $14,039,000 during the year ended December 31, 2019, compared to approximately $3,386,000 in 2018.

The Company had approximately $1,424,000 and $70,000 of cash on hand at December 31, 2019 and 2018, respectively.

Liquidity and Sources of Liquidity

With the Company historically having experienced losses, the primary source of liquidity has been raising capital through debt and equity offerings, as described below.

Equity

During the first quarter of 2019, the Company entered into a securities purchase agreement (the "SPA") with purchasers pursuant to which the purchasers invested in the Company an aggregate amount of $7,200,000, with $7,000,000 in cash and $200,000 by cancellation of debt. All the Convertible Notes from the SPA were automatically converted into shares of common stock.

In July 2019, the Company raised $100,000 by selling 200,000 shares of common stock at $0.50 per share.

On November 21, 2019, H-CYTE entered into a securities purchase agreement (the "Series D SPA") with FWHC Holdings, LLC ("FWHC") an accredited investor for the purchase of 146,998 shares of Series D Preferred Stock, par value $0.001 per share (the "Shares") and a ten-year warrant to purchase up to 14,669,757 shares of common stock at an exercise price of $0.75 per share (the "Warrant") resulting in $6.0 million in gross proceeds to the Company (the "FWHC Investment"). In January 2020, the Company closed on an additional $100,000 in the Series D SPA.

Short-term Notes, Related Party

The short-term note, related party, as of December 31, 2019, totaling $1,635,000 is comprised of four loans made to the Company during 2019, by Horne Management, LLC, controlled by Chief Executive Officer, William E. Horne. These were advanced for working capital purposes and had the terms as indicated below.

A loan for $900,000 was made on July 25, 2019. This loan accrues interest at 5.5% and is due and payable upon demand of the creditor.

Three loans were made between September and December 2019 totaling $735,000, with interest rates of 12% increasing to 15% if not repaid by maturity (six months after advance) and if not repaid within two months of advance, warrant coverage of approximately 1.14 warrants per $1 advanced. As part of the April Offering (as defined herein), Mr. Horne subordinated his notes to the April Secured Notes. YPH Holding, LLC., which is controlled by Michael Yurkowsky, purchased a $25,000 April Secured Note in the April Offering.

Other Debt Acquired in the Merger

The $750,000 convertible notes payable assumed in the Merger, had a fair value of approximately $598,000 on the acquisition date. Subsequently, on February 6, 2019, $100,000 of the outstanding convertible notes was converted into an aggregate of 250,000 shares of common stock. The $650,000 remaining principal balance of these convertible notes matured in August and September 2019.

In November 2019 the Company redeemed $350,000 of convertible notes payable in principal, and $52,033 and $80,225 in accrued interest and penalties, respectively, for three of the noteholders.

The Company also reached an extension with the remaining noteholder which extended the maturity date of the loan for one year, until September 30, 2020. This note had a principal balance of $300,000 plus penalties of approximately $85,000 and accrued interest of approximately $40,000 for a total adjusted principal balance upon renewal of approximately $425,000 for the year ending December 31, 2019. Additionally, approximately 424,000 warrants were issued in connection with the extension of the note. The convertible notes are secured by all the assets of the Company.

On March 27, 2020, these notes were acquired from the remaining noteholder by FWHC Bridge, LLC (the “Investor”). The Investor is an affiliate of a pre-existing shareholder of the Company having been the lead investor in the Company’s recent Series D Convertible Preferred Stock Offering.

The Company also has certain notes payable with outstanding balances of approximately $78,000 and $0 at December 31, 2019 and 2018, respectively. The notes had a maturity date of August 1, 2019, but the Company successfully reached an agreement on August 12, 2019 for an eighteen-month extension on the notes.

Funding Requirements, Liquidity and Going Concern

The Company incurred net losses of approximately $29,808,000 and $4,394,000 for the years ending December 31, 2019 and 2018, respectively. The Company has historically incurred losses from operations and expects to continue to generate negative cash flows as the Company’s generating activities are temporarily suspended and as the Company implements its business plan to focus on taking the L-CYTE-01 protocol to the FDA for treatment of chronic lung diseases. The consolidated financial statements are prepared using United States generally accepted accounting principles (“U.S. GAAP”) as applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

The Biosciences division will incur losses until sufficient revenue is attained utilizing the infusion of financial resources to expand marketing and sales initiatives along with the development of a L-CYTE-01 protocol as well as taking the protocol through the FDA process.

The recent coronavirus outbreak ("COVID-19") has adversely affected the Company's financial condition and results of operations. The impact of the outbreak of COVID-19 on the businesses and the economy in the U.S. and the rest of the world is and is expected to continue to be significant. The extent to which the COVID-19 outbreak will impact business and the economy is highly uncertain and cannot be predicted. Accordingly, the Company cannot predict the extent to which its financial condition and results of operation will be affected. The Company recently has taken steps to protect its vulnerable patient base (elderly patients suffering from chronic lung disease) by cancelling all treatments effective March 23, 2020 through at least the end of July. This decision has put significant financial strain on the Company. The Company made the decision in late March, to layoff approximately 40% of its employee base, including corporate and clinical employees and to cease operations at the LHI clinics in Tampa, Scottsdale, Pittsburgh, and Dallas. The Company will reevaluate when operations will recommence at these clinics as more information about COVID-19 becomes available.

The Company believes these expense reductions are necessary during the unexpected COVID-19 pandemic. Due to COVID-19, the Company is not expecting to be able to generate revenue until, at the earliest, August 2020. The Company has contacted its patients that are scheduled to come in for treatment, both first time patients and recurring patients, and have rescheduled these patients to August 2020. There is no guarantee that the Company will be able to treat patients as soon as August 2020; as such, the Company cannot estimate when it will be safe to treat patients and generate revenue. The Company's fourth quarter 2019 revenue was approximately $1.8 million. The Company expects that the first quarter will be substantially less than the fourth quarter 2019 and future quarters' revenue is dependent on the timing for being able to treat patients again. The Company will continue to focus on its goal of taking the L-CYTE-01 protocol to the FDA for treatment of chronic lung diseases. The Company is currently evaluating if its protocol has the potential to help people affected by COVID-19 but more research will need to be completed before a definitive conclusion can be reached.

With the Company's revenue-generating activities suspended, the Company will need to raise cash from debt and equity offerings to continue with its efforts to take the L-CYTE-01 protocol to the FDA. There can be no assurance that the Company will be successful in doing so.

Although these cost reduction measures were taken in the first quarter of 2020,with the Company's revenue-generating activities suspended, the present level of cash is insufficient to satisfy the Company's current operating requirements. The Company is seeking additional sources of funds from the sale of equity or debt securities or through a credit facility.

On March 27, 2020 and April 9, 2020, the Company issued a demand note (the "Note") each one in the principal amount of $500,000 to FWHC Bridge, LLC. (the "Investor") for a total of $1,000,000 in exchange for loans in such amount to cover working capital needs. Each Note bears simple interest at a rate of 8% per annum. The Investor is an affiliate of a pre-existing shareholder of the Company having been the lead investor in the Company's recent Series D Convertible Preferred Stock Offering.

On April 17, 2020, the Company entered into a Secured Convertible Note and Warrant Purchase Agreement (the "April SPA") with an aggregate of 32 investors (the "Purchaser(s)") pursuant to which the Company received an aggregate of $2,812,445 in gross proceeds (the "April Offering". The proceeds of the April Offering will be used for working capital and general corporate purposes. The April Offering resulted in the issuance of an aggregate of $2,812,445 in Secured Convertible Promissory Notes (the "April Secured Notes'). The April Secured Notes bear interest at 12% per annum and have a maturity date of October 31, 2020. The April Secured Notes are secured by all of the Company's assets pursuant to a security agreement and an intellectual Property Security Agreement which are included as Exhibits to this Annual report on Form 10-K. The conversion price of the April Secured Notes shall be equal to the lesser of (i) the price per share paid by an investor, in the Qualified Financing (as defined below) for such new securities and (ii) the price per share obtained by dividing (x) $3,000,000 by the number of fully diluted shares outstanding immediately prior to the Qualified Financing. Qualified Financing is defined as an offering of preferred stock of at least $3.6 million, exclusive of the conversion of any April Secured Note or the Backstop Commitment(as defined below), at a price of at least $0.01279 per share. The obligations on the April Secured Notes are guaranteed by each of the Company's subsidiaries. FWHC Bridge,LLC, which is an affiliate of FWHC, who has acted as our lead investor in the last several financing transactions and was the lender of the $1,000,000 loaned to the Company in March and April, was the lead investor in the April Offering purchasing $1,535,570 of April Secured Notes. YPH Holdings, LLC, which is an affiliate of Michael Yurkowsky, who is a Director of the Company, purchased $25,000 of April Secured Notes on the same terms as all other investors.

Each Purchaser received a warrant to purchase 100% of the aggregate number of shares of common stock into which such Purchaser's April Secured Note may ultimately be converted, except that the holders of the Notes issued in March and April in the total amount of $1,000,000 received warrants to purchase up to 200% of the aggregate number of shares of Common stock into which such Note may ultimately be converted The April Warrants have an exercise price equal to the purchase price in the Qualified Offering.

The April SPA provides a commitment on the part of each Purchaser to agree to invest an identical amount (as purchased in the April Offering) in the Qualified Offering as a backstop commitment (the "Backstop Commitment"). The Qualified Offering is contemplated to be made in the form of a rights offering to holders of all of the Company's common stock. Accordingly, in the event that any stockholders do not participate in the Qualified Offering, their purchase would be filled by the Purchasers on a pro rata basis. In the event that any Purchaser fails to fulfil its Backstop Commitment then the April Warrants issued to such Purchaser in the April Offering will be cancelled.

In connection with the April Offering, the Company's CEO Bill Horne entered into an amendment letter to his employment agreement which provides that his salary will be reduced to $0 per month; provided that on the date that the Company receives FDA approval to commence clinical trials for its products, Mr. Horne's salary will be increased to a total of $18,750 per month (i.e. $225,000 per annum. Mr. Horne also agreed to subordinate the promissory notes owed to him by the Company to the April Secured Notes.

As part of the April Offering, the holders of certain existing warrants which contained anti- dilution price protection and other objectionable features that would have been triggered by the April Offering agreed to a one- time adjustment of their exercise price to $.015 per share and to gross up the number of warrants issuable. In consideration, the holders of such pre-existing warrants waived all future anti- dilution price protection.

In addition, in connection with the April Offering, the Company entered into an amendment with the Investor for the remaining convertible notes which were originally issued in 2018 and assumed in the Merger. These notes have a principal amount of $424,615 as of December 31, 2019. The amendment provides that the conversion price of the notes will be equal to the purchase price in the Qualified Offering. The holder waived all future anti-dilution price protection.

There can be no assurance that the Company will be able to raise additional funds or that the terms and conditions of any future financings will be workable or acceptable to the Company or its shareholders. In the event the Company is unable to fund its operations from existing cash on hand, operating cash flows, additional borrowings or raising equity capital, the Company may be forced to reduce our expenses, or discontinue operations. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which we have prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods.

On an ongoing basis, we evaluate our estimates and judgments, including those described in greater detail below.

We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in the notes to our consolidated financial statements included elsewhere in this report, we believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating our financial condition and results of operations.

Fair Value Measurements

We measure certain non-financial assets at fair value on a non-recurring basis. These non-recurring valuations include evaluating assets such as long-lived assets and non-amortizing intangible assets for impairment; allocating value to assets in an acquired asset group; and applying accounting for business combinations.

We use the fair value measurement framework to value these assets and report the fair values in the periods in which they are recorded or written down.

The fair value measurement framework includes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair values in their broad levels. These levels from highest to lowest priority are as follows:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities;

- Level 2: Quoted prices in active markets for similar assets or liabilities or observable prices that are based on inputs not quoted on active markets, but corroborated by market data; and

- Level 3: Unobservable inputs or valuation techniques that are used when little or no market data is available.

The determination of fair value and the assessment of a measurement's placement within the hierarchy requires judgment. Level 3 valuations often involve a higher degree of judgment and complexity. Level 3 valuations may require the use of various cost, market, or income valuation methodologies applied to unobservable management estimates and assumptions. Management's assumptions could vary depending on the asset or liability valued and the valuation method used. Such assumptions could include estimates of prices, earnings, costs, actions of market participants, market factors, or the weighting of various valuation methods. We may also engage external advisors to assist us in determining fair value, as appropriate.

Although we believe that the recorded fair value of our financial instruments is appropriate at December 31, 2019, these fair values may not be indicative of net realizable value or reflective of future fair values.

Income Taxes

The Company uses the liability method of accounting for income taxes, which requires recognition of temporary differences between financial statement and income tax bases of assets and liabilities, measured by enacted tax rates. A valuation allowance is recorded to reduce deferred tax assets when necessary.

The Company files income tax returns in the U.S. federal jurisdiction and certain state jurisdictions. The tax years that could be subject to federal audit are 2017, 2018, and 2019.

Revenue Recognition

We recognize revenue in accordance with generally accepted accounting principles as outlined in the Financial Accounting Standard Board's ("FASB") Accounting Standards Codification ("ASC") 606, Revenue From Contracts with Customers, which requires that five basic criteria be met before revenue can be recognized: (i) identify the contract with the customer; (ii) identity the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price; and (v) recognize revenue when or as the entity satisfied a performance obligation.

The Company recognizes revenue in accordance with U.S. GAAP as outlined in the FASB ASC 606,*Revenue From Contracts with Customers*, which requires that five steps be completed to determine when revenue can be recognized: (i) identify the contract with the customer; (ii) identity the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price; and (v) recognize revenue when or as the entity satisfies a performance obligation. The Company records revenue under ASC 606 when control is transferred to the customer, which is consistent with past practice. The adoption of this standard did not have a material impact on the consolidated financial statements.

The Company uses a standard pricing model for the types of cellular therapy treatments that is offered to its patients. The transaction price accounts for medical, surgical, facility, and office services rendered by LHI for consented procedures and is recorded as revenue. The Company recognizes revenue when the terms of a contract with a patient are satisfied.

The Company offers two types of cellular therapy treatments to their patients.

1) The first type of treatment includes medical services rendered typically over a two-day period in which the patient receives cellular therapy. For this treatment type, revenue is recognized in full at time of service.

2) The Company also offers a four-day treatment in which medical services are rendered typically over a two-day period and then again, approximately three months later, medical services are rendered for an additional two days of treatment. Payment is collected in full for both service periods at the time the first treatment is rendered. Revenue is recognized when services are performed based on the estimated stand-alone selling price for each session of treatment. The Company has deferred recognition of revenue amounting to approximately $1,046,000 and $326,000 at December 31, 2019 and December 31, 2018, respectively.

Management performed an analysis of its customer refund history for refunds issued related to prior year's revenue. Management used the results of this historical refund analysis to record a reserve for anticipated future refunds related to recognized revenue. At December 31, 2019 and 2018, the estimated allowance for refunds was approximately $63,000 and $0, respectively and is recorded as a contra revenue account.

There was approximately $68,000, and $0 of revenue recognized by the Company for the year ended December 31, 2019 and 2018 for the DenerveX division. The Company is no longer selling the DenerveX product.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as defined in Regulation S-K Item 303(a)(4) during the periods presented, investments in special-purpose entities or undisclosed borrowings or debt. Additionally, we are not a party to any derivative contracts or synthetic leases.

Departure of Directors and Certain Officers, Election of Directors, Appointment of New Board Members and Officers

On January 8, 2019, in connection with the APA, the Board of Directors of the Company ("the Board") appointed Michael Yurkowsky and Raymond Monteleone as additional members of the Board.

Mr. Michael Yurkowsky, effective March 2020, is to receive no compensation for Board meetings until the Company becomes profitable. Besides this arrangement, there are no arrangements or understandings between the Company and Mr. Yurkowsky and any other person or persons pursuant to which Mr. Yurkowsky was appointed as a member of the Board.

Mr. Raymond Monteleone effective March 2020, is to receive no compensation for Board meetings until the Company becomes profitable but Mr. Monteleone will receive $2,500 per quarter as the Audit Committee Chairman. Besides this arrangement and the consulting agreement (see Note 8), there are no arrangements or understandings between the Company and Mr. Monteleone and any other person or persons pursuant to which Mr. Monteleone was appointed as a member of the Board.

On February 4, 2019, the Board accepted the resignation of Mr. Charles Farrahar as the Chief Financial Officer, effective immediately. Mr. Farrahar resigned as the Chief Financial Officer for personal reasons and not as a result of any disputes or disagreements between Mr. Farrahar and the Company on any matter relating to the Company's operations, policies, accounting policies, or practices.

On February 4, 2019, the Board of the Company appointed Mr. Jeremy Daniel as the Chief Financial Officer of the Company. There are no arrangements or understandings between the Company and Mr. Daniel.

On February 15, 2019, Dennis Moon resigned from his position as the Executive Vice President of the Company, effective immediately. Mr. Moon resigned from his position at the Company for personal reasons, not as a result of or caused by any disagreements between Mr. Moon and the Company on any matter relating to the Company's operations, policies, or practices.

On June 7, 2019, the Board appointed Briley Cienkosz as Chief Marketing Officer, Gary Mancini as Chief Relationship Officer, and Ann Miller as Chief Operating Officer of the Company. Briley Cienkosz and Gary Mancini resigned from their positions as Chief Marketing Officer and Chief Relationship Officer, respectively, on March 25, 2020.

On July 29, 2019, the Board appointed Dr. Andre Terzic to the Board. Dr. Andre Terzic served as a director at the Center for Regenerative Medicine of Mayo Clinic in Rochester, Minnesota for the last five years. Dr. Andre Terzic is the Chair of the Pharmaceutical Science and Clinical Pharmacology Advisory Committee of Food and Drug Administration, the President of the American Society for Clinical Pharmacology & Therapeutics, and one of the co-founders of Rion. Rion is a Minnesota Bio-tech Company focused on cutting-edge regenerative technologies. Dr. Terzic received his M.D. at University of Belgrade in Paris, France in 1985 and his Ph.D. from the Department of Pharmacology of University of Illinois in 1991.

On July 30, 2019, the Board appointed Dr. Atta Behfar as a member of the Board. Dr. Atta Behfar has worked as a cardiologist at the Department of Cardiovascular Medicine of Mayo Clinic for the last five years. Dr. Atta Behfar is a Director of the Van Cleve Cardiac Regenerative Medicine program at Mayo Clinic and one of the founders of Rion. Dr. Behfar received a Bachelor of Science degree in Biochemistry from Marquette University in 1998 and a M.D. and Ph.D. from Mayo Clinic College of Medicine, Mayo Graduate School in 2006.

On November 18, 2019, Dr. Andre Terzic and Dr. Atta Behfar resigned from the Company's Board of Directors to avoid any potential conflicts that could arise from the Company's Service Agreement with Rion, pursuant to which Rion will supply exosomes to and support FDA-regulated clinical research for the Company. Drs. Terzic and Behfar are co-founders of Rion.

There are no family relationships between any director or executive officer of the Company and any other director or executive officer of the Company, or any person nominated or chosen by the Company to become a director or executive officer.

Indemnification

We have agreements whereby we indemnify our officers and directors for certain events or occurrences while the officer or director is or was serving, at our request, in such capacity, to the maximum extent permitted under the laws of the State of Nevada.

The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited. However, we maintain directors and officers insurance coverage that may contribute, up to certain limits, a portion of any future amounts paid for indemnification of directors and officers. We believe the estimated fair value of these indemnification agreements in excess of applicable insurance coverage is minimal. Historically, we have not incurred any losses or recorded any liabilities related to performance under these types of indemnities.

Additionally, in the normal course of business, we have made certain guarantees, indemnities and commitments under which we may be required to make payments in relation to certain transactions. These indemnities include intellectual property and other indemnities to our customers and distribution network partners in connection with the sales of our products and therapies, and indemnities to various lessors in connection with facility leases for certain claims arising from such facility or lease.

It is not possible to determine the maximum potential loss under these guarantees, indemnities and commitments due to our limited history of prior indemnification claims and the unique facts and circumstances involved in each particular provision.

Recently Adopted Accounting Standards

In February 2016, the Financial Accounting Standard Board ("FASB") established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02 (as amended), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than twelve months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of operations.

The Company has not entered into significant lease agreements in which it is the lessor. For the lease agreements in which the Company is lessee, under Topic 842, lessees are required to recognize a lease liability and right-of-use asset for all leases (except for short-term leases) at the lease commencement date. Effective January 1, 2019, the Company adopted this guidance, applied the modified retrospective transition method and elected the transition option to use the effective date as the date of initial application. The Company recognized the cumulative effect of the transition adjustment on the consolidated balance sheet as of the effective date and did not provide any new lease disclosures for periods before the effective date. With respect to the practical expedients, the Company elected the package of transitional-related practical expedients and the practical expedient not to separate lease and non-lease components.

In June 2018, FASB issued ASU No. 2018-07, Compensation—Stock Compensation (Topic 718)—Improvements to Nonemployee Share-Based Payment Accounting ("ASU 2018-07"). ASU 2018-07 expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The Company adopted ASU 2018-07 in the first quarter of 2019. The adoption of this standard did not have a material impact on our consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes, which amends the approaches and methodologies in accounting for income taxes during interim periods and makes changes to certain income tax classifications. The new standard allows exceptions to the use of the incremental approach for intra-period tax allocation, when there is a loss from continuing operations and income or a gain from other items, and to the general methodology for calculating income taxes in an interim period, when a year-to date loss exceeds the anticipated loss for the year. The standard also requires franchise or similar taxes partially based on income to be reported as income tax and the effects of enacted changes in tax laws or rates to be included in the annual effective tax rate computation from the date of enactment. Lastly, in any future acquisition, the Company would be required to evaluate when the step-up in the tax basis of goodwill is part of the business combination and when it should be considered a separate transaction. The standard will be effective for the Company beginning January 1, 2021, with early adoption of the amendments permitted. The Company is currently evaluating the impact from the adoption of ASU 2019-12 on its consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

TABLE OF CONTENTS FOR THE FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors
H-CYTE, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of H-CYTE, Inc. (the "Company") (formerly known as MedoveX Corp.), as of December 31, 2019 and 2018, and the related consolidated statements of operations, stockholders' deficit and cash flows for the years then ended, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has negative working capital, has an accumulated deficit, has a history of significant operating losses and has a history of negative operating cash flow. Additionally, the Company has closed clinic operations and experienced significant losses related to COVID-19 in 2020. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to this matter are also discussed in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Adoption of New Accounting Standard

As discussed in Notes 3 and 5 to the consolidated financial statements, the Company changed its method of accounting for leases in fiscal year 2019 due to the adoption of ASU No. 2016-02, Leases (Topic 842), and the related amendments.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Frazier & Deeter, LLC

Tampa, Florida
April 22, 2020

We have served as the Company's auditor since 2018.

H-CYTE, INC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2019	December 31, 2018
Assets		
Current Assets		
Cash	$ 1,424,096	$ 69,628
Accounts receivable	22,667	15,242
Other receivables	18,673	5,144
Prepaid expenses	810,143	59,678
Total Current Assets	2,275,579	149,692
Right-of-use asset	738,453	—
Property and equipment, net	219,703	266,916
Other assets	36,877	38,288
Total Assets	$ 3,270,612	$ 454,896
Liabilities, Mezzanine Equity and Stockholders' Deficit		
Current Liabilities		
Interest payable	$ 53,198	$ 158,371
Accounts payable	1,485,542	882,456
Accrued liabilities	324,984	183,183
Other current liabilities	175,181	462,856
Short-term notes, related party	1,635,000	180,000
Short-term convertible notes payable	424,615	—
Notes payable, current portion	66,836	—
Dividend payable	108,641	—
Deferred revenue	1,046,156	326,064
Lease liability, current portion	453,734	—
Total Current Liabilities	5,773,887	2,192,930
Long-Term Liabilities		
Lease liability, net of current portion	302,175	—
Notes payable, net of current portion	11,545	—
Convertible debt to related parties	—	4,306,300
Derivative liability - warrants	315,855	—
Redemption put liability	267,399	—
Deferred rent	—	22,206
Total Long-Term Liabilities	896,974	4,328,506
Total Liabilities	6,670,861	6,521,436
Commitments and Contingencies (Note 10)		
Mezzanine Equity		
Series D Convertible Preferred Stock - $.001 par value: 238,871 shares authorized, 146,998 and 0 shares issued and outstanding at December 31, 2019 and 2018, respectively	6,060,493	—
Total Mezzanine Equity	6,060,493	—
Stockholders' Deficit		
Series A Convertible Preferred Stock - $.001 par value: 500,000 shares authorized, no shares issued and outstanding at December 31, 2019 and 2018	—	—
Series B Convertible Preferred Stock - $.001 par value: 10,000 shares authorized, 6,100 and 0 shares issued and outstanding at December 31, 2019 and 2018, respectively	6	—
Series C Convertible Preferred Stock - $.001 par value: 45,000 shares authorized, no shares issued and outstanding at December 31, 2019 and 2018	—	—
Common stock - $.001 par value: 199,000,000 and 49,500,000 shares authorized. 99,768,704 and 33,661,388 shares issued and outstanding at December 31, 2019 and 2018, respectively	99,769	33,661
Additional paid-in capital	28,172,146	3,566,339
Accumulated deficit	(37,362,531)	(9,296,408)
Non-controlling interest	(370,132)	(370,132)
Total Stockholders' Deficit	(9,460,742)	(6,066,540)
Total Liabilities, Mezzanine Equity and Stockholders' Deficit	$ 3,270,612	$ 454,896

See accompanying notes to consolidated financial statements

H-CYTE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended December 31,	
	2019	**2018**
Revenues	$ 8,346,858	$ 7,883,115
Cost of Sales	(2,052,807)	(2,366,569)
Gross Profit	6,294,051	5,516,546
Operating Expenses		
Salaries and related costs	8,646,471	3,778,917
Other general and administrative	6,953,549	3,352,104
Advertising	4,909,724	1,875,731
Loss on impairment	15,508,401	606,595
Depreciation & amortization	834,291	95,245
Total Operating Expenses	36,852,436	9,708,592
Operating Loss	(30,558,385)	(4,192,046)
Other Income (Expense)		
Other expense	(124,118)	(17,920)
Interest expense	(299,331)	(184,183)
Change in fair value of redemption put liability	346,696	—
Change in fair value of derivative liability – warrants	827,260	—
Total Other Income (Expenses)	750,507	(202,103)
Net Loss	$ (29,807,878)	$ (4,394,149)
Accrued dividends on Series B Convertible Preferred Stock	84,939	—
Finance costs on issuance of Series D Convertible Preferred Stock	66,265	—
Deemed dividend on adjustment to exercise price on convertible debt and certain warrants	287,542	—
Deemed dividend on Series D Convertible Preferred Stock	2,916,813	—
Deemed dividend on beneficial conversion features	32,592	—
Net loss attributable to common stockholders	$ (33,196,029)	$ (4,394,149)
Loss per share – Basic and Diluted	$ (0.34)	$ (0.13)
Weighted average outstanding shares used to compute basic and diluted net loss per share	96,370,562	33,661,388

See accompanying notes to consolidated financial statements

H-CYTE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
For the year ended December 31, 2019 and 2018

	Series B Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Non-controlling	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Interest	Deficit
Balances - January 1, 2018	—	$ —	33,661,388	$ 33,661	$ 3,566,339	$ (4,868,454)	$ (403,937)	$ (1,672,391)
Acquisition of State, LLC	—	—	—			(33,805)	33,805	—
Net loss	—	—	—	—	—	(4,394,149)	—	(4,394,149)
Balances - December 31, 2018	—	$ —	33,661,388	$ 33,661	$ 3,566,339	$ (9,296,408)	$ (370,132)	$ (6,066,540)
Purchase accounting adjustments	9,250	9	24,717,270	24,717	12,657,182	—	—	12,681,908
Adjustment for assets and liabilities not included in Merger	—	—	—	—	—	5,258,300	—	5,258,300
Issuance of common stock in connection with private placement offering	—	—	17,700,000	17,700	4,402,087	—	—	4,419,787
Issuance of warrants in connection with private placement offering	—	—	—	—	2,663,797	—	—	2,663,797
Finance costs on issuance of Series B Convertible Preferred Stock and related warrants	—	—	—	—	(132,513)	—	—	(132,513)
Issuance of common stock pursuant to conversion of short-term debt	—	—	500,000	500	125,437	—	—	125,937
Issuance of warrants pursuant to conversion of short-term debt	—	—	—	—	74,063	—	—	74,063
Issuance of additional exchange shares	—	—	17,263,889	17,264	(17,264)	—	—	—
Issuance of common stock pursuant to conversion of convertible short-term debt	—	—	250,000	250	99,750	—	—	100,000
Issuance of common stock pursuant to warrant exchange	—	—	403,125	403	72,160	—	—	72,563
Conversion of Preferred Series B Stock	(2,650)	(2)	715,279	716	(714)	—	—	—
Repurchase of Series B Convertible Preferred Stock	(500)	(1)	—	—	(49,999)	—	—	(50,000)
Issuance of common stock to pay accrued dividends on Series B Convertible Preferred Stock	—	—	50,367	50	19,376	—	—	19,426
Issuance of common stock to pay accrued interest on convertible short-term debt	—	—	1,667	2	665	—	—	667
Issuance of common stock in exchange for consulting fees incurred	—	—	280,085	280	95,253	—	—	95,533
Deemed dividend on adjustment to exercise price on convertible debt and certain warrants	—	—	—	—	287,542	(287,542)	—	—
Deemed dividend on beneficial conversion features	—	—	—	—	32,592	(32,592)	—	—
Issuance of common stock per restricted stock award to executive (Note 9)	—	—	4,225,634	4,226	1,686,028	—	—	1,690,254
Issuance of warrants pursuant to short-term notes, related party	—	—	—	—	56,378	—	—	56,378
Issuance of warrants pursuant to extension of maturity date on convertible debt	—	—	—	—	106,158	—	—	106,158
Deemed dividend on Series D Convertible Preferred Stock	—	—	—	—	(60,493)	(3,130,146)	—	(3,190,639)
Beneficial conversion of Series D Convertible Preferred Stock	—	—	—	—	623,045	—	—	623,045
Finance costs on issuance of Series D Convertible Preferred Stock and related warrants	—	—	—	—	(37,618)	(66,265)	—	(103,883)
Issuance of warrants pursuant to private placement of Series D Convertible Preferred Stock	—	—	—	—	1,893,006	—	—	1,893,006
Stock based compensation	—	—	—	—	94,828	—	—	94,828
Accrued dividends on Series B Convertible Preferred Stock	—	—	—	—	(84,939)	—	—	(84,939)
Net loss	—	—	—	—	—	(29,807,878)	—	(29,807,878)
Balances – December 31, 2019	6,100	$ 6	99,768,704	$ 99,769	$ 28,172,146	$ (37,362,531)	$ (370,132)	$ (9,460,742)

See accompanying notes to consolidated financial statements

H-CYTE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2019	**2018**
Cash Flows from Operating Activities		
Net loss	$ (29,807,878)	$ (4,394,149)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	834,291	95,245
Loss on impairment	15,508,401	606,595
Amortization of debt discount	152,342	—
Interest and penalties on extension of short-term convertible notes	85,365	—
Stock based compensation	1,785,082	—
Loss on write-off of inventory	131,455	—
Common stock issued for consulting services	95,533	—
Issuance of warrants to extend short-term debt	106,158	—
Change in fair value of derivative liability – warrants and redemption put liability	(1,173,956)	—
Bad debt expense	90,137	—
Changes in operating assets and liabilities, net of purchase transaction:		
Accounts receivable	48,195	2,189
Other receivables	(13,529)	—
Accounts receivable from related party	—	56,342
Prepaid expenses and other assets	(697,529)	83,855
Interest payable	(10,592)	158,371
Accounts payable	121,907	(97,638)
Accrued liabilities	(263,874)	(121,761)
Other current liabilities	(2,875)	353,414
Deferred revenue	720,092	(309,376)
Deferred rent	—	22,206
Net Cash Used in Operating Activities	(12,291,275)	(3,544,707)
Cash Flows from Investing Activities		
Purchases of property and equipment	(20,686)	(11,295)
Purchases of intangible assets	—	(12,000)
Purchase of business, net of cash acquired	(302,710)	—
Cash excluded in Merger	(69,629)	—
Net Cash Used in Investing Activities	(393,025)	(23,295)
Cash Flows from Financing Activities		
Proceeds from short-term notes, related party	1,635,000	180,000
Proceeds from line of credit, related parties	—	756,350
Repayment of line of credit, related parties	—	(1,856,350)
Proceeds from issuance of note payable, related parties	—	4,306,300
Payment of dividends	(14,684)	—
Payment on debt obligations	(370,636)	—
Proceeds from common stock, net of issuance costs	4,337,106	—
Proceeds from warrants, net of issuance costs	2,613,965	—
Proceeds from issuance of Series D Convertible Preferred stock, net of issuance costs	5,888,017	
Payment on Preferred stock Series B redemption	(50,000)	—
Net Cash Provided by Financing Activities	14,038,768	3,386,300
Net Increase (Decrease) in Cash	1,354,468	(181,702)
Cash - Beginning of period	69,628	251,330
Cash - End of period	$ 1,424,096	$ 69,628
Supplementary Cash Flow Information		
Cash paid for interest	$ 197,500	$ 25,812
Acquisition of State, LLC non-controlling interest	—	33,805
Property and equipment purchases included in accounts payable	—	184,800
Non-cash investing and financing activities		
Common stock issued to pay accrued dividends	19,426	—
Deemed dividend on adjustment to exercise price on convertible debt and certain warrants	287,542	—
Deemed dividend on beneficial conversion features	32,592	—
Conversion of debt obligations to common stock	225,937	—
Issuance of common stock pursuant to warrant exchange	72,563	—
Issuance of warrants pursuant to conversion of short-term debt	74,063	—
Issuance of warrants pursuant to note payable, related party	56,378	—
Issuance of warrants to extend short-term debt	106,158	—
Deemed dividend on Series D Convertible Preferred Stock	3,190,639	—
Issuance of Warrants in connection with Series D Convertible Preferred Stock	1,893,006	—
Beneficial conversion of Series D Convertible Preferred Stock	623,045	—
Dividends accrued on Series B Convertible Preferred Stock	65,512	—
Right-of-use asset additions	1,165,785	—
Right-of-use liability additions	1,187,991	—

Notes to consolidated financial statements

Note 1 – description of the company

On July 11, 2019, MedoveX Corp. (“MedoveX”) changed its name to H-CYTE, Inc. (“H-CYTE” or the “Company”) by filing a Certificate of Amendment (the “Amendment”) to the Company’s Amended and Restated Certificate of Incorporation (the “Certificate of Incorporation”) with the Secretary of the State of Nevada. The name change and the Company’s new symbol, HCYT, became effective with FINRA on July 15, 2019. H-CYTE was incorporated in Nevada on July 30, 2013 as SpineZ Corp.

On October 18, 2018, H-CYTE (formerly named MedoveX) entered into an Asset Purchase Agreement (“APA”) with Regenerative Medicine Solutions, LLC, RMS Shareholder, LLC (“Shareholder”), Lung Institute LLC (“LI”), RMS Lung Institute Management LLC (“RMS LI Management”) and Cognitive Health Institute Tampa, LLC (“CHIT”), (collectively “RMS”). On January 8, 2019, the APA was amended, and the Company acquired certain assets and assumed certain liabilities of RMS as reported in the 8-K/A filed in March of 2019. Based on the terms of the APA and its amendment (collectively the “APA”), the former RMS members had voting control of the combined company as of the closing of the RMS acquisition. For accounting purposes, the acquisition transaction has been treated as a reverse acquisition whereby the Company is deemed to have been acquired by RMS and the historical financial statements prior to the acquisition date of January 8, 2019 now reflect the historical financial statements of RMS.

Prior to the merger of H-CYTE and RMS on January 8, 2019 (the “Merger”), the consolidated results for H-CYTE include Regenerative Medicine Solutions, LLC, LI, RMS Nashville, LLC (“Nashville”), RMS Pittsburgh, LLC (“Pittsburgh”), RMS Scottsdale, LLC (“Scottsdale”), RMS Dallas, LLC (“Dallas”), State, LLC (“State”), Cognitive Health Institute of Tampa (“CHIT”), RMS LI Management, and Shareholder and H-CYTE included Lung Institute Dallas, PLLC (“LI Dallas”), Lung Institute Nashville, PLLC (“LI Nashville”), Lung Institute Pittsburgh, PLLC (“LI Pittsburgh”), and Lung Institute Scottsdale, LLC (“LI Scottsdale”), as Variable Interest Entities (“VIEs”).

As of the merger, the consolidated results for H-CYTE include the following wholly-owned subsidiaries: H-CYTE Management, LLC (formerly Blue Zone Health Management, LLC), MedoveX Corp, Cognitive Health Institute, LLC, and Lung Institute Tampa, LLC (formerly Blue Zone Lung Tampa, LLC) and the results of the aforementioned VIEs. Additionally, H-CYTE Management, LLC is the operator and manager of the various Lung Health Institute (LHI) clinics: LI Dallas, LI Nashville, LI Pittsburgh, and LI Scottsdale.

The Company has two divisions: the medical biosciences division (“Biosciences division”) and the DenerveX medical device division (“DenerveX division”). The Company has decided to focus its available resources on the Biosciences division as it represents a significantly greater opportunity than the DenerveX division as explained below. The Company is no longer manufacturing or selling the DenerveX device.

Healthcare Medical Biosciences Division (Biosciences division)

The Company’s Biosciences division is a medical biosciences company that develops and implements innovative treatment options in regenerative medicine to treat an array of debilitating medical conditions. Committed to an individualized patient-centric approach, this division consistently provides oversight and management of the highest quality care while producing positive medical outcomes.

On June 21, 2019, H-CYTE entered into an exclusive product supply agreement with Rion, LLC (“Rion”) to develop and distribute a FDA approved therapy (known as L-CYTE-01) for chronic obstructive pulmonary disease (“COPD”), the fourth leading cause of death in the U.S. Rion has established a novel technology to harness the healing power of the body. Rion’s innovative exosome technology, based on science developed at Mayo Clinic, provides an off-the-shelf platform to enhance healing in soft tissue, musculoskeletal, cardiovascular and neurological organ systems. This agreement provides for a 10-year exclusive and extendable supply agreement with Rion to enable H-CYTE to develop proprietary biologics.

On October 9, 2019, the Company entered into a services agreement with Rion which provides the Company the benefit of Rion’s resources and expertise for the limited purpose of (i) consulting with and assisting H-CYTE in the further research and development for the generation of a new cellular therapy (L-CYTE-01) and (ii) subsequently assisting H-CYTE in seeking and obtaining FDA Phase 1 IND clearance for L-CYTE-01. Rion also agrees to consult with H-CYTE in its arrangement for services from third parties unaffiliated with Rion to support research, development, regulatory approval, and commercialization of L-CYTE-01.

With these agreements, Rion will serve as the product supplier and co-developer of L-CYTE-01 with H-CYTE for the treatment of chronic lung diseases. H-CYTE will control the commercial development and facilitate the clinical trial investigation. After conducting joint research and development of these biologics, H-CYTE intends to pursue submission of an investigational new drug (IND) application for review by the FDA for treatment of COPD. The Company also applied for a grant in March 2020 through Biomedical Advanced Research and Development Authority ("BARDA") to develop a protocol for the treatment of COVID-19. There can be no assurances that the Company will receive this grant.

Proprietary Medical Device Business (DenerveX division)

The Company's business of designing and marketing proprietary medical devices for commercial use in the U.S. and Europe began operations in late 2013. The Company received CE marking in June 2017 for the DenerveX System, and it became commercially available throughout the European Union and several other countries that accept CE marking. In addition to the DenerveX device itself, the Company has developed a dedicated Electro Surgical Generator, the DenerveX Pro-40, to power the DenerveX device. Commercial production has been suspended since the first quarter of 2019. There was less than $100,000 in revenue from the product in 2019.

In the second quarter of 2019, the Company determined that their contract manufacturer was not able to meet the requirements for producing the finished DenerveX product. Additionally, in its evaluation of its current distribution channels, the Company determined that many of these channels were not cost effective. As a result of the above evaluations, certain European distributor agreements were terminated; all other representatives were notified that the Company had temporarily suspended the manufacture and sale of the DenerveX product; the Company continued to source alternative manufacturing and distributor options; and the Company is considering other product monetizing strategies, including, but not limited to, strategic partnerships. To date, these efforts have not been successful.

In the first quarter of 2020, the Company made the decision to stop any further efforts to source alternative manufacturing and distributor options or other product monetizing relationships for the DenerveX product. Although the Company believes the DenerveX technology has value, the Company does not believe it will realize the value in the foreseeable future.

Considering the events and circumstances described above, the Company performed a long-lived asset impairment analysis. Based on the assumption there would be no future cash flows associated with the DenerveX product, management recorded an impairment loss of $2,944,000 for the unamortized intangible-technology for the year ended December 31, 2019.

The DenerveX Pro-40 generator is provided to customers agreeing to purchase the DenerveX device and cannot be used for any other purpose. Due to the generator not being able to be used for any other purpose, the Company has written off inventory totaling $131,000 as obsolete for the year ended December 31, 2019.

Note 2 - Liquidity, Going Concern and Management's Plans

The Company incurred net losses of approximately $29,808,000 and $4,394,000 for the years ending December 31, 2019 and 2018, respectively. The Company has historically incurred losses from operations and expects to continue to generate negative cash flows as the Company's revenue activities are suspended and as the Company implements its business plan. The consolidated financial statements are prepared using accounting principles generally accepted in the United States ("U.S. GAAP") as applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

The Biosciences division will incur losses until sufficient revenue is attained utilizing the infusion of capital resources to expand marketing and sales initiatives along with the development of a L-CYTE-01 protocol and taking that protocol through the FDA process.

The recent coronavirus outbreak ("COVID-19") has adversely affected the Company's financial condition and results of operations. The impact of the outbreak of COVID-19 on the businesses and the economy in the U.S. and the rest of the world is, and is expected to continue to be, significant. The extent to which the COVID-19 outbreak will impact business and the economy is highly uncertain and cannot be predicted. Accordingly, the Company cannot predict the extent to which its financial condition and results of operation will be affected. The Company recently has taken steps to protect its vulnerable patient base (elderly patients suffering from chronic lung disease) by cancelling all treatments effective March 23, 2020 through at least the end of July. This decision has put significant financial strain on the Company. The Company made the decision in late March, to layoff approximately 40% of its employee base, including corporate and clinical employees and to cease operations at the LHI clinics in Tampa, Scottsdale, Pittsburgh, and Dallas. The Company will reevaluate when operations will recommence at these clinics as more information about COVID-19 becomes available.

The Company believes these expense reductions are necessary during the unexpected COVID-19 pandemic. Due to COVID-19, the Company is not expecting to be able to generate revenue until, at the earliest, August 2020. The Company has contacted its patients that are scheduled to come in for treatment, both first time patients and recurring patients, and have rescheduled these patients to August 2020. There is no guarantee that the Company will be able to treat patients as soon as August 2020; as such, the Company cannot estimate when it will be safe to treat patients and generate revenue. The Company's fourth quarter 2019 revenue was approximately $1.8 million. The Company expects that the first quarter of 2020 will be substantially less than the fourth quarter of 2019, and future quarters' revenue is dependent on the timing of being able to treat patients again. The Company will continue to focus on its goal of taking the L-CYTE-01 protocol to the FDA for treatment of chronic lung diseases. The Company is currently evaluating if its protocol has the potential to help people affected by COVID-19, but more research will need to be completed before a definitive conclusion can be reached.

With the Company's revenue-generating activities suspended, the Company will need to raise cash from debt and equity offerings to continue with its efforts to take the L-CYTE-01 protocol to the FDA for treatment of chronic lung diseases. There can be no assurance that the Company will be successful in doing so.

On March 27, 2020 and April 9, 2020, the Company issued a demand note (the "Note"), each one in the principal amount of $500,000 to FWHC Bridge, LLC (the "Investor") for a total of $1,000,000 in exchange for loans in such amount to cover working capital needs. Each Note bears simple interest at a rate of 8% per annum. The Investor is an affiliate of a pre-existing shareholder of the Company having been the lead investor in the Company's recent Series D Convertible Preferred Stock Offering.

On April 17, 2020, the Company entered into a Secured Convertible Note and Warrant Purchase Agreement (the "April SPA") with an aggregate of 32 investors (the "Purchaser(s)") pursuant to which the Company received an aggregate of $2,812,445 in gross proceeds (the "April Offering"). The proceeds of the April Offering will be used for working capital and general corporate purposes. The April Offering resulted in the issuance of an aggregate of $2,812,445 in Secured Convertible Promissory Notes (the "April Secured Notes'). The April Secured Notes bear interest at 12% per annum and have a maturity date of October 31, 2020. The April Secured Notes are secured by all of the Company's assets pursuant to a security agreement and an intellectual Property Security Agreement which are included as Exhibits to this Annual report on Form 10-K. The conversion price of the April Secured Notes shall be equal to the lesser of (i) the price per share paid by an investor, in the Qualified Financing (as defined below) for such new securities and (ii) the price per share obtained by dividing (x) $3,000,000 by the number of fully diluted shares outstanding immediately prior to the Qualified Financing. Qualified Financing is defined as an offering of preferred stock of at least $3.6 million, exclusive of the conversion of any April Secured Note or the Backstop Commitment (as defined below), at a price of at least $0.01279 per share. The obligations on the April Secured Notes are guaranteed by each of the Company's subsidiaries. FWHC Bridge, LLC, which is an affiliate of FWHC, who has acted as our lead investor in the last several financing transactions and was the lender of the $1,000,000 loaned to the Company in March and April, was the lead investor in the April Offering purchasing $1,535,570 of April Secured Notes. YPH Holdings, LLC, which is an affiliate of Michael Yurkowsky, who is a Director of the Company, purchased $25,000 of April Secured Notes on the same terms as all other investors.

Each Purchaser received a warrant to purchase 100% of the aggregate number of shares of common stock into which such Purchaser's April Secured Note may ultimately be converted, except that the holders of the Notes issued in March and April in the total amount of $1,000,000 received warrants to purchase up to 200% of the aggregate number of shares of Common stock into which such Note may ultimately be converted The April Warrants have an exercise price equal to the purchase price in the Qualified Offering.

The April SPA provides a commitment on the part of each Purchaser to agree to invest an identical amount (as purchased in the April Offering) in the Qualified Offering as a backstop commitment (the "Backstop Commitment"). The Qualified Offering is contemplated to be made in the form of a rights offering to holders of all of the Company's common stock. Accordingly, in the event that any stockholders do not participate in the Qualified Offering, their purchase would be filled by the Purchasers on a pro rata basis. In the event that any Purchaser fails to fulfil its Backstop Commitment then the April Warrants issued to such Purchaser in the April Offering will be cancelled.

In connection with the April Offering, the Company's CEO Bill Horne entered into an amendment letter to his employment agreement which provides that his salary will be reduced to $0 per month; provided that on the date that the Company receives FDA approval to commence clinical trials for its products, Mr. Horne's salary will be increased to a total of $18,750 per month (i.e. $225,000 per annum. Mr. Horne also agreed to subordinate the promissory notes owed to him by the Company to the April Secured Notes.

As part of the April Offering, the holders of certain existing warrants which contained anti- dilution price protection and other objectionable features that would have been triggered by the April Offering agreed to a one- time adjustment of their exercise price to $.015 per share and to gross up the number of warrants issuable. In consideration, the holders of such pre-existing warrants waived all future anti- dilution price protection.

In addition, in connection with the April Offering, the Company entered into an amendment with the Investor for the remaining convertible notes which were originally issued in 2018 and assumed in the Merger. These notes have a principal amount of $424,615 as of December 31, 2019. The amendment provides that the conversion price of the notes will be equal to the purchase price in the Qualified Offering. The holder waived all future anti-dilution price protection.

As of December 31, 2019, the Company had cash on hand of $1,424,096. Cash on hand at April 13, 2020 was approximately $585,000. The Company's cash is insufficient to fund its operations in the near-term and the Company will need to raise additional capital through debt or equity offerings to continue operations.

There can be no assurance that the Company will be able to raise additional funds or that the terms and conditions of any future financings will be workable or acceptable to the Company or its shareholders. In the event the Company is unable to fund its operations from existing cash on hand, operating cash flows, additional borrowings or raising equity capital, the Company may be forced to reduce our expenses, or discontinue operations. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 3 – Basis Of Presentation And Summary of Significant Accounting Policies

Based on the terms of the APA, the former RMS members had voting control of the combined company as of the closing of the Merger. RMS is deemed to be the acquiring company for accounting purposes and the transaction is accounted for as a reverse acquisition under the acquisition method of accounting for business combinations in accordance with U.S. GAAP. The assets acquired and the liabilities assumed of RMS included as part of the purchase transaction are recorded at historical cost. Accordingly, the assets and liabilities of H-CYTE are recorded as of the Merger closing date at their estimated fair values.

The audited consolidated balance sheets, consolidated statements of operations, consolidated statements of stockholders' deficit, and the consolidated statements of cash flows do not reflect the historical financial information related to H-CYTE prior to the Merger as they only reflect the historical financial information related to RMS. For the audited consolidated statements of stockholders' deficit, the common stock, preferred stock, and additional paid in capital reflect the accounting for the stock received by the RMS members as of the Merger as if it was received at the beginning of the periods presented.

Principles of Consolidation

U.S. GAAP requires that a related entity be consolidated with a company when certain conditions exist. An entity is considered to be a VIE when it has equity investors who lack the characteristics of having a controlling financial interest, or its capital is insufficient to permit it to finance its activities without additional subordinated financial support. Consolidation of a VIE by the Parent would be required if it is determined that the Parent will absorb a majority of the VIE's expected losses or residual returns if they occur, retain the power to direct or control the VIE's activities, or both.

The accompanying audited consolidated financial statements include the accounts of the Parent, its wholly owned subsidiaries, and its VIEs. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

In preparing the financial statements, U.S. GAAP requires disclosure regarding estimates and assumptions used by management that affect the amounts reported in financial statements and accompanying notes. Actual results could differ from those estimates.

Cash

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company's cash balances at December 31, 2019 and 2018 consists of funds deposited in checking accounts with commercial banks.

Accounts Receivable

Accounts receivable represent amounts due from customers for which revenue has been recognized. Generally, the Company does not require collateral or any other security to support its receivables. Trade accounts receivable are stated net of an estimate made for doubtful accounts, if any. Management evaluates the adequacy of the allowance for doubtful accounts regularly to determine if any account balances will potentially be uncollectible. Customer account balances are considered past due or delinquent based on the contractual agreement with each customer. Accounts are written off when, in management's judgment, they are considered uncollectible. At December 31, 2019 and December 31, 2018, management believes no allowance is necessary. For the year ended December 31, 2019 and 2018, the Company recorded bad debt expense of approximately $90,000 and $3,000, respectively.

Impairment of Long-Lived Assets

The Company reviews the values assigned to long-lived assets, including property and equipment and certain intangible assets, to determine whether events and circumstances have occurred which indicate that the remaining estimated useful lives may warrant revision or that the remaining balances may not be recoverable. The evaluation of asset impairment requires management to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment, and actual results may differ from estimated amounts. In such reviews, undiscounted cash flows associated with these assets are compared with their carrying value to determine if a write-down to fair value is required.

For the year ended December 31, 2019 and 2018, the Company recognized an impairment charge of approximately $2,944,000 and $607,000, respectively, related to certain intangible assets (See Note 7).

Goodwill

Goodwill represents the excess of purchase price over fair value of net identified tangible and intangible assets and liabilities acquired. The Company does not amortize goodwill; it tests goodwill for impairment on at least an annual basis. An impairment loss, if any, is measured as the excess of the carrying value of the reporting unit over the fair value of the reporting unit.

As of December 31, 2019, the Company performed a quantitative test and determined that the carrying value of the reporting unit exceeded the fair value. The Company's goodwill balance was determined to be impaired as of the balance sheet date due to the adverse financial results for 2019, the negative projected cash results for 2020 and a significant decline in its market capitalization. As a result, we recorded a goodwill impairment charge of approximately $12,564,000 during the year ended December 31, 2019 (See Note 7).

Leases

In February 2016, the Financial Accounting Standard Board ("FASB") established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02 (as amended), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than twelve months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of operations.

The Company has not entered into significant lease agreements in which it is the lessor. For the lease agreements in which the Company is lessee, under Topic 842, lessees are required to recognize a lease liability and right-of-use asset for all leases (except for short-term leases) at the lease commencement date. Effective January 1, 2019, the Company adopted this guidance, applied the modified retrospective transition method and elected the transition option to use the effective date as the date of initial application. The Company recognized the cumulative effect of the transition adjustment on the consolidated balance sheet as of the effective date and did not provide any new lease disclosures for periods before the effective date. With respect to the practical expedients, the Company elected the package of transitional-related practical expedients and the practical expedient not to separate lease and non-lease components.

Other Receivables

Other receivables totaling approximately $19,000 and $5,000 at December 31, 2019 and 2018, respectively include receivables from the non-acquired Lung Institute, LLC due to Lung Institute Tampa, LLC for approximately $10,000 and $0, and approximately $9,000 and $5,000 reimbursement receivable for expenses from RMS at December 31, 2019 and 2018, respectively. The $10,000 receivable was a result of the Lung Institute, LLC being a transitory entity for Lung Institute Tampa, LLC while the merchant services accounts are being transferred.

Revenue Recognition

The Company recognizes revenue in accordance with U.S. GAAP as outlined in the FASB ASC 606,*Revenue From Contracts with Customers*, which requires that five steps be completed to determine when revenue can be recognized: (i) identify the contract with the customer; (ii) identity the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price; and (v) recognize revenue when or as the entity satisfies a performance obligation. The Company records revenue under ASC 606 when control is transferred to the customer.

The Company uses a standard pricing model for the types of cellular therapy treatments that is offered to its patients. The transaction price accounts for medical, surgical, facility, and office services rendered by the Company for consented procedures and is recorded as revenue. The Company recognizes revenue when the terms of a contract with a patient are satisfied.

The Company offers two types of cellular therapy treatments to their patients.

1) The first type of treatment includes medical services rendered typically over a two-day period in which the patient receives cellular therapy. For this treatment type, revenue is recognized in full at time of service.

2) The Company also offers a four-day treatment in which medical services are rendered typically over a two-day period and then again, approximately three months later, medical services are rendered for an additional two days of treatment. Payment is collected in full for both service periods at the time the first treatment is rendered. Revenue is recognized when services are performed based on the estimated standalone selling price of each service. The Company has deferred recognition of revenue amounting to approximately $1,046,000 and $326,000 at December 31, 2019 and 2018, respectively.

The Company's policy is to not offer refunds to patients. However, in limited instances the Company may make exceptions to this policy for extenuating circumstances. These instances are evaluated on a case by case basis and may result in a patient refund. Management performed an analysis of its customer refund history for refunds issued related to prior year's revenue. Management used the results of this historical refund analysis to record a reserve for anticipated future refunds related to recognized revenue. At December 31, 2019 and 2018, the estimated allowance for refunds was approximately $63,000 and $0, respectively and is recorded in a contra revenue account.

Research and development costs

Research and development expenses are recorded in operating expenses in the period in which they are incurred.

Advertising

Advertising costs are recorded in operating expenses in the period in which they are incurred.

Stock-Based Compensation

The Company maintains a stock option incentive plan and accounts for stock-based compensation in accordance with ASC 718,*Compensation - Stock Compensation.* The Company recognizes share-based compensation expense, net of an estimated forfeiture rate, over the requisite service period of the award to employees and directors. As required by fair value provisions of share-based compensation, employee and non-employee share-based compensation expense recognized is calculated over the requisite service period of the awards and reduced for estimated forfeitures.

Income Taxes

The Company utilizes the liability method of accounting for income taxes as set forth in FASB ASC Topic 740, "Income Taxes". Under the liability method, deferred taxes are determined based on temporary differences between the financial statement and tax bases of assets and liabilities using tax rates expected to be in effect during the years in which the difference turns around. The Company accounts for interest and penalties on income taxes as income tax expense. A valuation allowances is recorded when it is more likely than not that a tax benefit will not be realized. In determining the need for valuation allowances the Company considers projected future taxable income and the availability of tax planning strategies.

From inception to December 31, 2019, the Company has incurred net losses and, therefore, has no current income tax liability. The net deferred tax asset generated by these losses is fully reserved as of December 31, 2019 and 2018, respectively, since it is currently likely that the benefit will not be realized in future periods.

As a result of the acquisition, the Company is required to file federal income tax returns and state income tax returns in the states of Arizona, Florida, Georgia, Minnesota, Pennsylvania, Tennessee, and Texas. There are no uncertain tax positions at December 31, 2019 or December 31, 2018. The Company has not undergone any tax examinations since inception.

Net Loss Per Share

Basic loss per share is computed on the basis of the weighted average number of shares outstanding for the reporting period. Diluted loss per share is computed on the basis of the weighted average number of common shares plus dilutive potential common shares outstanding using the treasury stock method. Any potentially dilutive securities are antidilutive due to the Company's net losses.

For the periods presented, there is no difference between the basic and diluted net loss per share: 44,806,076 warrants and 425,000 common stock options outstanding were considered anti-dilutive and excluded for the year ending December 31, 2019. At December 31, 2019, the only potentially dilutive shares would be from the conversion of the convertible debt and the conversion of preferred stock, Series B and Series D totaling 38,887,847 of common stock to be issued upon conversion of all these securities. There were no option or warrant exercises that would have been potentially dilutive. For the year ended December 31, 2018, there were no dilutive securities as the accounting acquirer did not historically have stock-based securities.

Fair Value Measurements

The Company measures certain non-financial assets, liabilities, and equity issuances at fair value on a non-recurring basis. These non-recurring valuations include evaluating assets such as long-lived assets and non-amortizing intangible assets for impairment; allocating value to assets in an acquired asset group; and applying accounting for business combinations.

The Company classified its stock warrants as either liability or equity instruments in accordance with ASC 480, "Distinguishing Liabilities from Equity" (ASC 480) and ASC 815, "Derivatives and Hedging" (ASC 815), depending on the specific terms of the warrant agreement. The Series B Warrants included a down-round protection feature that would also result in the issuance of additional shares of stock, are classified as liabilities pursuant to ASC 815 and are initially and subsequently measured at their estimated fair values. The Company will continue to record liability-classified warrants at fair value until the warrants are exercised, expire or are amended in a way that would no longer require these warrants to be classified as a liability. For additional discussion on the Series B Warrants, see Note 12.

The Company classified a redemption provision in its Series D Preferred Stock as a derivative liability in accordance with ASC 815. The Company will continue to record the redemption provision as a "Redemption Put Liability" until the Series D is converted or redeemed. For additional discussion on the Redemption Put Liability, see Note 12.

The Company uses the fair value measurement framework to value these assets and report the fair values in the periods in which they are recorded, adjusted above, or written down.

The fair value measurement framework includes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair values in their broad levels. These levels from highest to lowest priority are as follows:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2: Quoted prices in active markets for similar assets or liabilities or observable prices that are based on inputs not quoted on active markets, but corroborated by market data; and
- Level 3: Unobservable inputs or valuation techniques that are used when little or no market data is available.

The determination of fair value and the assessment of a measurement's placement within the hierarchy requires judgment. Level 3 valuations often involve a higher degree of judgment and complexity. Level 3 valuations may require the use of various cost, market, or income valuation methodologies applied to unobservable management estimates and assumptions. Management's assumptions could vary depending on the asset or liability valued and the valuation method used. Such assumptions could include estimates of prices, earnings, costs, actions of market participants, market factors, or the weighting of various valuation methods. The Company may also engage external advisors to assist us in determining fair value, as appropriate.

The Company evaluates its financial liabilities subject to fair value measurements on a recurring basis to determine the appropriate level in which to classify them for each reporting period. This determination requires significant judgments to be made. Although the Company believes that the recorded fair value of our financial instruments is appropriate at December 31, 2019, these fair values may not be indicative of net realizable value or reflective of future fair values. There were no financial assets or liabilities carried at fair value as of December 31, 2018.

Note 4– Business Acquisition

On January 8, 2019, MedoveX completed its business combination with RMS under which MedoveX purchased certain assets and assumed certain liabilities of RMS, otherwise referred to as the Merger. Pursuant to the terms of the APA, MedoveX issued to the shareholders of RMS 33,661 shares plus 6,111 additional Exchange Shares (based on closing the sale of $2 million of new securities) for a total of 39,772 shares of Series C Preferred Stock where each share of Series C Preferred stock automatically converted into 1,000 shares of common stock and represent approximately 55% of the outstanding voting shares of the Company.

Under the terms of the APA, the Company issued additional "Exchange Shares" to the shareholders of RMS to maintain the 55% ownership and not be diluted by the sale of convertible securities ("New Shares Sold") until MedoveX raised an additional $5.65 million via the issuance of new securities. On the date of closing the Company issued 6,111 additional Exchange Shares to RMS Shareholders as a result of the issuance of additional securities, which are included in the 39,772 shares above. Subsequent to the closing of the purchase transaction, an incremental 11,153 additional Exchange Shares were issued, for a total of 17,264 additional Exchange Shares. All additional Exchange Shares have been issued to the shareholders of RMS and these Series C Preferred shares converted to 17,263,889 shares of common stock; no additional equity will be issued to RMS.

Because RMS shareholders owned approximately 55% of the voting stock of MedoveX after the transaction, RMS was deemed to be the acquiring company for accounting purposes (the "Acquirer") and the transaction is accounted for as a reverse acquisition under the acquisition method of accounting for business combinations in accordance with U.S. GAAP. The assets acquired and the liabilities assumed of RMS included as part of the purchase transaction are recorded at historical cost. Accordingly, the assets and liabilities of MedoveX (the "Acquiree") are recorded as of the Merger closing date at their estimated fair values.

Under the terms of the APA, MedoveX purchased certain assets and assumed certain liabilities of RMS. The assets of RMS reported on the MedoveX consolidated balance sheet as of December 31, 2018 that were excluded in the Merger on January 8, 2019 included the following: cash of approximately $70,000 convertible debt to a related party of approximately $4,300,000, interest payable of approximately $158,000, short-term notes, related party of approximately $180,000, accounts payable of approximately $398,000 and other current liabilities of approximately $285,000. Additionally, there were certain on-going litigation matters that were not assumed as part of the January 8, 2019 Merger.

Purchase Price Allocation

The purchase price for the acquisition of the Acquiree has been allocated to the assets acquired and liabilities assumed based on their estimated fair values.

The acquisition-date fair value of the consideration transferred is as follows:

Common shares issued and outstanding		24,717,270
Common shares reserved for issuance upon conversion of the outstanding Series B Preferred Stock		2,312,500
Total Common shares		27,029,770
Closing price per share of MedoveX Common stock on January 8, 2019	$	0.40
		10,811,908
Fair value of outstanding warrants and options		2,220,000
Cash consideration to RMS		(350,000)
Total consideration	$	12,681,908

Prior to the transaction, MedoveX had 24.5 million shares of common stock outstanding at a market capitalization of $9.8 million. The estimated fair value of the net assets of MedoveX was $8.4 million as of January 8, 2019. Measuring the fair value of the net assets to be received by RMS was readily determinable based upon the underlying nature of the net assets. The fair value of the MedoveX common stock is above the fair value of its net assets. The MedoveX net asset value is primarily comprised of definite-lived intangibles as of the closing and the RMS interest in the merger is significantly related to obtaining access to the public market. Therefore, the fair value of the MedoveX stock price and market capitalization as of the closing date is considered to be the best indicator of the fair value and, therefore, the estimated purchase price consideration.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition on January 8, 2019:

Cash	$	(302,710)
Accounts receivable		145,757
Inventory		131,455
Prepaid expenses		46,153
Property and equipment		30,393
Other		2,751
Intangibles		3,680,000
Goodwill		12,564,401
Total assets acquired	$	16,298,200
Accounts payable and other accrued liabilities		1,645,399
Derivative liability		1,215,677
Interest-bearing liabilities and other		755,216
Net assets acquired	$	12,681,908

Intangible assets are recorded as definite-lived assets and amortized over the estimated period of economic benefit. Intangible assets represent the fair value of patents and related proprietary technology for the DenerveX System. During the fourth quarter of 2019 the Company recorded an impairment charge of $2,944,000 related to the carrying value of its intangible assets (see Note 3).

Goodwill is calculated as the difference between the acquisition-date fair value of the consideration transferred and the fair values of the assets acquired and liabilities assumed. Goodwill is not expected to be deductible for income tax purposes. Goodwill is recorded as an indefinite-lived asset and is not amortized but tested for impairment on an annual basis or when indications of impairment exist. During the fourth quarter of 2019 the Company recorded an impairment charge of approximately $12,564,000 related to the carrying value of goodwill (see Note 3).

The derivative liability relates to the liability associated with warrants issued with the securities purchase agreements executed in May 2018, which liability was assumed in the Merger (see Note 12).

Total interest-bearing liabilities and other liabilities assumed are as follows:

Notes payable	$	99,017
Short-term convertible notes payable		598,119
Dividend payable		57,813
Deferred rent		267
Total interest-bearing and other liabilities	$	755,216

Notes payable relate to promissory notes assumed by Acquiree in a 2015 acquisition, which was later divested in 2016, with the assumed promissory notes being retained by Acquiree. The Company finalized an eighteen-month extension on the notes extending the maturity date to March 1, 2021. Payments on both notes are due in aggregate monthly installments of approximately $5,800 and carry an interest rate of 5%. The promissory notes had outstanding balances of approximately $99,000 plus accrued interest of approximately $3,000 at January 8, 2019 (see Note 11) and promissory notes had outstanding balances of $78,000 as of December 31, 2019.

In the third quarter of 2018, convertible notes were issued pursuant to a securities purchase agreement with select accredited investors, whereby the Acquiree offered up to 1,000,000 units (the “Units”) at a purchase price of $50,000 per Unit. Each Unit consisted of (i) a 12% senior secured convertible note, initially convertible into shares of the Company’s common stock, par value $0.001 per share, at a conversion price equal to the lesser of $0.40 or ninety percent (90%) of the per share purchase price of any shares of common stock or common stock equivalents issued in future private placements of equity and/or debt securities completed by the Company following this offering of Units, and (ii) a three-year warrant to purchase such number of shares of the Company’s common stock equal to one hundred percent (100%) of the number of shares of common stock issuable upon conversion of the notes at $0.40. The warrants are exercisable at a price equal to the lesser of $0.75 or ninety percent (90%) of the per share purchase price of any shares of common stock or common stock equivalents issued in future private placements of the debt and/or equity securities completed by the Company following the issuance of warrants. As a result of the price adjustment feature, the conversion price of the convertible notes was adjusted to $0.36 per share.

In the offering, the Acquiree sold an aggregate of 15 Units and issued to investors an aggregate of $750,000 in principal amount of convertible notes and 1,875,000 warrants to purchase common stock, resulting in total gross proceeds of $750,000 to the Company. If converted at $0.40 the convertible notes sold in the offering are convertible into an aggregate of 1,875,000 shares of common stock. The Acquiree recorded the proceeds from the notes and the accompanying warrants, which accrete over the period the notes are outstanding, on a relative fair value basis of approximately $505,000 and $245,000, respectively. At acquisition date, the value of the notes was approximately $598,000. Due to the notes maturing in 2019, the warrants have fully accreted as of December 31, 2019.

The convertible notes had maturity dates between August and September 2019 and were renegotiated or repaid during the third and fourth quarters of 2019 (see Note 11).

The following schedule represents the amount of revenue and net loss attributable to the MedoveX acquisition which have been included in the consolidated statements of operations for the periods subsequent to the acquisition date:

	For the Year Ended December 31, 2019
Revenues	$ 67,631
Net loss attributable to MedoveX	$ (4,754,680)

The following unaudited pro forma financial information represents the consolidated financial information as if the acquisition had been included in the consolidated results beginning on the first day of the fiscal year prior to its acquisition date. The pro forma results have been calculated after adjusting the results of the acquired entity to remove any intercompany transactions and transaction costs incurred and to reflect any additional depreciation and amortization that would have been charged assuming the fair value adjustments to property and equipment and intangible assets had been applied on the first day of the fiscal year prior to its acquisition date, together with the consequential tax effects. The pro forma results do not reflect any cost savings, operating synergies, or revenue enhancements that the combined entities may achieve as a result of the acquisition; the costs to combine the companies' operations; or the costs necessary to achieve these cost savings, operating synergies or revenue enhancements. The pro forma results do not necessarily reflect the actual results of operations of the combined companies under the current ownership and operation.

	For the Year Ended December 31, 2018		
	RMS	MedoveX	Pro Forma
Revenues	$ 7,883,115	$ 818,211	$ 8,701,326
Net loss	(4,394,149)	(4,908,644)	(9,302,793)
Net loss attributable to common shareholders	(4,394,149)	(5,477,873)	(9,872,022)
Loss per share- basic and diluted	$ (0.13)	$ (0.23)	$ (0.17)

Note 5 – Right-of-use Asset And Lease Liability

Upon adoption of ASU No. 2016-02 (as amended) (See Note 3), additional current liabilities of approximately $475,000 and long-term liabilities of approximately $713,000 with corresponding ROU assets of approximately $1,167,000 were recognized, based on the present value of the remaining minimum rental payments under the new leasing standards for existing operating leases.

The audited consolidated balance sheet at December 31, 2019 reflects current lease liabilities of approximately $454,000 and long-term liabilities of $302,000, with corresponding ROU assets of $738,000.

The components of lease expense for the years ended December 31, 2019 and 2018, respectively, are as follows:

	Year ended December 31,	
	2019	2018
Operating lease expense	$ 579,770	$ 533,035

Cash paid for amounts included in the measurement of lease liabilities for the years ended December 31, 2019 and 2018, respectively, are as follows:

	Year ended December 31,	
	2019	2018
Operating cash flows from operating leases (1)	$ 579,770	$ -

Supplemental balance sheet and other information related to operating leases are as follows (1):

	December 31, 2019
Operating leases:	
Operating leases right-of-use assets	$ 738,453
Lease liability, current	453,734
Lease liability, net of current portion	302,175
Total operating lease liabilities	$ 755,909
Weighted average remaining lease term	2.2 years
Weighted average discount rate	7.75%

(1) There is no comparable information for operating leases at or for the year ended December 31, 2018 since the Company adopted ASU No. 2016-02 on January 1, 2019 and elected to recognize operating lease right-of-use assets and operating lease liabilities at the adoption date.

Maturities of operating lease liabilities as of December 31, 2019 are as follows:

	Operating leases
Operating leases:	
Due in one year or less	$ 492,141
Due after one year through two years	154,559
Due after two years through three years	102,891
Due after three years through four years	69,333
Total lease payments	818,924
Less interest	(63,015)
Total	$ 755,909

Operating lease expense and cash flows from operating leases for year ended December 31, 2019 totaled approximately $580,000 and are included in the “Other general and administrative” section of the audited consolidated statement of operations.

The Company leases corporate office space in Tampa, FL and Atlanta, GA. The Company also leases medical clinic space in Tampa, FL, Nashville, TN, Scottsdale, AZ, Pittsburgh, PA, and Dallas, TX. The leasing arrangements contain various renewal options that are adjusted for increases in the consumer price index or agreed upon rates. Each location has its own expiration date ranging from April 30, 2020 to August 31, 2023.

Note 6 - Property and Equipment

Property and equipment, net, consists of the following:

	Useful Life	December 31, 2019	December 31, 2018
Furniture and fixtures	5-7 years	$ 231,222	$ 149,285
Computers and software	3-7 years	244,039	278,234
Leasehold improvements	15 years	157,107	156,133
		632,368	583,652
Less accumulated depreciation		(412,665)	(316,736)
Total		$ 219,703	$ 266,916

Depreciation expense was approximately $98,000 and $95,000, respectively, for the years ended December 31, 2019 and 2018. The Company uses the straight-line depreciation method to calculate depreciation expense.

Note 7 - Intangible Assets and Goodwill

The Company's intangible assets are patents and related proprietary technology for the DenerveX System. For 2019, total amortization expense related to acquisition-related intangible assets was $736,000 included in operating expense in the accompanying consolidated statement of operations.

The Company decided to permanently suspend manufacture and sale of the DenerveX product for the foreseeable future, as it has been unsuccessful in its attempts to source cost effective alternative manufacturing and distributor options for the product. The Company has no future plans to commit any additional resources related to the future development or sales efforts for the product, as it has determined that the cost to relaunch the product back to market to be significant and indeterminable due to issues with the manufacturing and sterilization of the product. The DenerveX System no longer represents part of the Company's core strategic plans for the future. The Company believes that it is more likely than not that the carrying value will not be recoverable. As a result, during the fourth quarter of 2019 the Company recorded a charge of $2,944,000 to impair the carrying value of the technology related intangible. This charge was recorded within the caption, "Loss on impairment" in the accompanying consolidated statements of operations.

The Company's goodwill balance was determined to be impaired as of the balance sheet date due to the adverse financial results for 2019, the negative projected cash results for 2020 and a significant decline in its market capitalization. The Company concluded that the fair value of the reporting unit was less than the carrying amount in excess of goodwill. As a result, during the fourth quarter of 2019 the Company recorded a $12,546,000 impairment charge, which is presented within the caption, "Loss on impairment" in the accompanying consolidated statements of operations.

For the year ended December 31, 2018, the Company recognized approximately $607,000 in impairment loss related to the write-off of the capitalized costs for the design and development of an application to be sold on the iOS and Android store platforms.

Note 8 – Related Party Transactions

Consulting Expense

Effective February 1, 2019, the Company entered into an oral consulting agreement with Mr. Raymond Monteleone, Board Member and Chairman of the Audit Committee, in which Mr. Monteleone receives $10,000 per month for advisory services and $5,000 per quarter as Audit Committee Chair in addition to regular quarterly board meeting fees. This arrangement has no specified termination date. For year ended December 31, 2019 and 2018, the Company has expensed approximately $125,000, and $0 in compensation to Mr. Monteleone, respectively. Effective March 25, 2020, the Company reduced the advisory services to $5,000 per month and the fees per quarter as the Audit Committee Chair to $2,500.

The Company entered into an oral consulting arrangement with St. Louis Family Office, LLC, controlled by Jimmy St. Louis, former CEO of RMS, in January 2019 in the amount of $10,000 per month plus benefits reimbursement for advisory services. The Company terminated this agreement effective June 30, 2019. For year ended December 31, 2019, the Company expensed approximately $68,000 in consulting fees to St. Louis Family Office.

The Company entered into a consulting agreement with Strategos Public Affairs, LLC (Strategos) on February 15, 2019 for a period of twelve months, unless otherwise terminated by giving thirty days prior written notice. A close family member of the Company's CEO is a partner in Strategos. The monthly fee started at $4,500 and increased to approximately $7,500 per month. Strategos will provide information to key policymakers in the legislature and executive branches of government on the benefits of the cellular therapies offered by LHI, advocate for legislation that supports policies beneficial to patient access and oppose any legislation that negatively impacts the Company's ability to expand treatment opportunities, and position the Company and its related entities as the expert for information and testimony. For the year ended December 31, 2019, the Company expensed approximately $71,000. The Company terminated this agreement in March 2020.

Board Members and Board Member Expenses

In July 2019, the Board appointed Dr. Andre Terzic and Dr. Atta Behfar to the Board. On November 18, 2019, Dr. Andre Terzic and Dr. Atta Behfar resigned from the Company's Board of Directors to avoid any potential conflicts that could arise from the Company's Service Agreement with Rion. Drs. Terzic and Behfar are co-founders of Rion.

For the year ended December 31, 2019, and December 31, 2018 the Company paid $5,000 and $0, respectively, each for Board of Director fees to Michael Yurkowsky and to Raymond Monteleone for a total of $10,000, and $0 respectively.

Debt and Other Obligations

The Company had various related party transactions in 2018. For the period of January 1, 2018 to March 13, 2018, the Company received approximately $528,000 from one of its shareholders (RMS members) and approximately $228,000 from its CEO (RMS CEO) as part of a line of credit that was established in 2017. On March 13, 2018, the entire $1,856,000 line of credit received from the RMS members and the CEO, including contributions from 2017, was transferred to the BioCell Capital, LLC debt instrument, ("BioCell Capital Line of Credit").

The BioCell Capital Line of Credit also consisted of capital contributions from related parties totaling approximately $4,306,000, inclusive of the aforementioned $1,856,000, to RMS in 2018. The BioCell Capital Line of Credit was converted to RMS members' equity and was excluded from the APA on January 8, 2019.

The Company also received a short-term advance from one of its shareholders (RMS members), who was also the CEO of H-CYTE, in the amount of $180,000 in December 2018 for working capital needs. This liability was not assumed in the Merger.

The short-term notes, related party as of December 31, 2019 of $1,635,000 is comprised of four loans made to the Company during 2019, by Horne Management, LLC, controlled by Chief Executive Officer, William E. Horne. These were advanced for working capital purposes and had the terms as indicated below.

A loan for $900,000 was made on July 25, 2019. This loan accrues interest at 5.5% and is due and payable upon demand of the creditor.

A loan for $350,000 was made on September 26, 2019 with the following terms:

- 12% interest rate with a maturity date of March 26, 2020.
- The Company was unable to pay back the principal and interest by November 26, 2019; therefore, it issued to Lender a three-year warrant to purchase 400,000 shares of the Company's common stock with a purchase price of $0.75 per share in accordance with the terms of the note.
- The Company was unable to pay back the loan on March 26, 2020, therefore, the interest rate increased to 15%.

A loan for $150,000 was made on October 28, 2019 with the following terms:

- 12% interest rate with a maturity date of April 28, 2020.
- The Company was unable to pay back the principal and interest by December 28, 2019; therefore, it issued to Lender a three-year warrant to purchase 171,429 shares of the Company's common stock with a purchase price of $0.75 per share in accordance with the terms of the note.
- If the Company is unable to pay the loan as of April 28, 2020, the interest rate increases to 15%.

A loan for $235,000 was made on November 13, 2019 with the following terms:

- 12% interest rate with a maturity date of May 13, 2020.
- The Company was unable to pay back the principal and interest by January 13, 2020, therefore in January 2020 it issued to Lender a three-year warrant to purchase 268,571 shares of the Company's common stock with a purchase price of $0.75 per share in accordance with the terms of the note.
- If the Company is unable to pay the loan as of May 13, 2020, the interest rate increases to 15%.

In connection with the April Offering, Mr. Horne subordinated his notes to the April Secured Notes.

Note 9 - Equity Transactions

For the consolidated statement of stockholders' deficit as of December 31, 2018, the common stock, preferred stock and additional paid in capital reflect the accounting for the stock received by the RMS members as of the Merger as if it was received as of the beginning of the periods presented and the historical accumulated deficit of RMS. As of the closing of the Merger, before the contingent additional exchange shares impact from the sale of new securities, the stock received by RMS was 33,661 shares of Series C Preferred Stock, which was later converted into approximately 33,661,000 shares of common stock, with common stock par value of approximately $33,700 and additional paid-in capital of approximately $3,566,000. The historical accumulated deficit and non-controlling interest of RMS as of the closing was approximately $9,296,000 and $370,000, respectively.

Common Stock Issuance

On January 8, 2019, the Company entered into a securities purchase agreement (the "SPA") with four purchasers (the "Purchasers") pursuant to which the four Purchasers invested in the Company an aggregate amount of $2,000,000, with $1,800,000 in cash and $200,000 by cancellation of debt as explained below, in exchange for forty (40) units (the "Units"), each consisting of a convertible note (the "Convertible Note") with the principal amount of $50,000 and a warrant (the "Warrant") to purchase common stock (the "common stock") of the Company at a purchase price of $0.75 per share. Pursuant to this SPA, the Company initially offered a minimum of $1,000,000 and a maximum of $6,000,000 of Units, and subsequently increased the maximum amount to $8,000,000 (the "Maximum Amount") of Units at a price of $50,000 per Unit until the earlier of (i) the closing of the subscription of the Maximum Amount and (ii) March 31, 2019 (the "Termination Date"), subject to the Company's earlier termination at its discretion. The SPA includes the customary representations and warranties from the Company and purchasers. Mr. Gorlin, the Company's former Chairman of the Board, converted a $200,000 promissory note owed to him by the Company in exchange for four (4) Units on the same terms as all other Purchasers. Mr. Gorlin subsequently converted the promissory note underlying the Units into an aggregate of 500,000 shares of common stock, eliminating the Company's debt obligation.

Each Convertible Note had an interest rate of 12% per annum, a principal amount of $50,000 maturity date of January 8, 2020, and are convertible into shares of common stock at a price of $0.40 subject to adjustment as provided for in the Convertible Note. Pursuant to the terms of the Convertible Note, each holder of the Convertible Note shall not own more than 4.99% of the number of shares of common stock outstanding immediately after giving effect to the issuance of common stock issuable upon exercise of such Convertible Note. If defaulted, the penalty interest rate of the Convertible Note shall rise to 18% per annum. In addition, each Warrant is exercisable at a price of $0.75 per share (the "Exercise Price"), subject to adjustments stated therein. The holder of each Warrant may purchase the number of shares of common stock equal to the number of shares of common stock issuable upon conversion of each Convertible Note while the Warrant is exercisable. The Warrants have a term of three years and shall be exercised in cash or on a cashless basis as described in the Warrant agreement. All Convertible Notes were converted into an aggregate of 18,000,000 shares of common stock upon closing. 17,500,000 of these shares were issued for cash and 500,000 shares were issued for conversion of short-term debt. The issuance costs for this private placement were approximately $133,000. Additionally, in July 2019, the Company raised $100,000 by selling 200,000 shares of common stock at $0.50 per share in a separate private placement. The Company also issued the investors 100,000 warrants with an exercise price of $1.00 per share. For the year ended December 31, 2019, the Company sold a total of 17,700,000 shares of common stock through private placements for cash and another 500,000 shares for conversion of short-term debt.

As reported on Form 8-K filings on January 25, 2019, February 8, 2019, March 15, 2019 and April 5, 2019, the Company entered into other SPA's with additional purchasers, which brought the aggregate amount of capital raised in all these offerings to $7,000,000, as of that latest date, excluding the shares issued for conversion of short-term debt, discussed below. In July 2019, the Company raised $100,000 by selling 200,000 shares of common stock at $0.50 per share in a separate private placement which brought the total of raised from all these offerings to $7,100,000.

As a result of the sales of new securities of at least $5,650,000, the Company issued an additional 17,264 Series C Preferred Stock to RMS members in accordance with the provisions of the APA. These shares automatically converted to 17,263,889 shares of common stock.

All the Convertible Notes from the SPA, as well as the shares of Series C Preferred Stock issued to RMS members, were automatically converted into shares of common stock at closing.

In February 2019, 250,000 shares of common stock were issued pursuant to conversion of short-term debt and accrued interest.

In March 2019, the Company issued an aggregate of 130,085 shares of common stock at $0.40 per share for consulting fees in an amount equivalent to $52,033. In August 2019, the Company issued 150,000 shares of common stock to consultants in consideration of consulting services rendered to the Company. At the time of issuance, the fair market value of the shares was $0.29, and, as a result, $43,500 was expensed for the year ending December 31, 2019.

On April 25, 2019, the Company issued 4,225,634 shares of common stock valued at $0.40 per share to Mr. William E. Horne, the Company's CEO, in a restricted stock award which was 100% vested when issued. The Company recognized approximately $1,690,000 of compensation expense during the year ended December 31, 2019 related to the restricted stock award. This restricted stock award was issued pursuant to his employment agreement with the Company, which stated that this restricted stock award (as well as the incentive stock options issued in the quarter ended March 31, 2019) would be fully vested if not issued within fifteen days of the Merger. Neither award was issued within that time frame and both awards became fully vested when issued. The aggregate number of shares of common stock from these two awards is 4,475,634 and was calculated based on 7% of the Company's issued and outstanding common stock as of the closing of the Merger.

During the year ended December 31, 2019, 715,279 shares were issued pursuant to conversions of 2,650 shares of Series B Convertible Preferred Stock and 50,367 shares for accrued dividends thereunder.

In conjunction with the Series D Preferred financing (See Note 14), the Company offered the Series B warrant holders the option to exchange their warrants on the basis of 1 warrant for 0.40 common shares. Warrant holders chose to exchange 1,007,813 warrants with a fair value of approximately $75,000 for 403,125 shares of common stock. The Series B Warrants were adjusted to fair value on the date of the exchange with the change in fair value being recorded in earnings. The fair value of the common stock issued was $73,000 which approximated the fair value of the Series B Warrants exchanged.

Series B Preferred Stock Preferences

Voting Rights

Holders of Series B Preferred Stock ("Series B Holders") have the right to receive notice of any meeting of holders of common stock or Series B Preferred Stock and to vote upon any matter submitted to a vote of the holders of common stock or Series B Preferred Stock. Each Series B Holder shall vote on each matter submitted to them with the holders of common stock.

Liquidation

Upon the liquidation or dissolution of the business of the Company, whether voluntary or involuntary, each Series B Holder shall be entitled to receive, for each share thereof, out of assets of the Company legally available therefore, a preferential amount in cash equal to the stated value plus all accrued and unpaid dividends. All preferential amounts to be paid to the Series B Holders in connection with such liquidation, dissolution or winding up shall be paid before the payment or setting apart for payment of any amount for, or the distribution of any assets of the Company's to the holders of the Company's common stock but after the Series D Holders receive their respective liquidation value. The Company accrues these dividends as they are earned each period.

On January 8, 2019, the Company completed the issuance of Convertible Notes with a conversion price of $0.40. As a result, the exercise price on all of the warrants issued with the Series B Preferred Stock was adjusted downward to 90% of that conversion price, or $0.36.

The Company recognized a beneficial conversion feature related to the Series B Preferred Stock of approximately $33,000, which was credited to additional paid-in capital, and reduced the income available to common shareholders. Since the Series B Preferred Stock can immediately be converted by the holder, the beneficial conversion feature was immediately accreted and recognized as a deemed dividend to the preferred shareholders.

Series B preferred Stock Conversions and Repurchase

During the year ended December 31, 2019, 9,250 shares of Series B Preferred Stock, par value $0.001, and accrued dividends were assumed with the Merger and an aggregate of 2,650 shares of Series B Preferred Stock, and accrued dividends, were subsequently converted into an aggregate of 715,279 shares of the Company's common stock. The Company also repurchased 500 shares of Series B Preferred Stock for $50,000 plus accrued dividends.

Debt Conversion

Convertible Notes and Promissory Note to Related Party

The $750,000 convertible notes payable assumed in the Merger had a fair value of approximately $598,000 on the acquisition date. Subsequently, on February 6, 2019, $100,000 of the outstanding Convertible Notes was converted into an aggregate of 250,000 shares of common stock, eliminating $100,000 of the Company's debt obligation. The debt was converted into shares of common stock at $0.40 per share, in accordance with the SPA.

Stock-Based Compensation Plan

The Company utilizes the Black-Scholes valuation method to recognize stock-based compensation expense over the vesting period. The expected life represents the period that the stock-based compensation awards are expected to be outstanding.

Including the expense of approximately $1,690,000 related to the restricted stock award to the Company's CEO and approximately $95,000 of compensation expense with respect to vested stock options, total stock-based compensation expense for the year ended December 31, 2019 was approximately $1,785,000. The recognition of the $1,690,000 in compensation expense was the result of the stock award being 100% vested upon issuance. This restricted stock award was issued pursuant to his employment agreement with the Company, which stated that this grant would be fully vested if not issued within fifteen days of the reverse merger transaction. The restricted stock award was not issued within that time frame and was fully vested when issued.

Stock Option Activity

For the year ended December 31, 2019, the Company recognized approximately $95,000, as compensation expense with respect to vested stock options. Since these stock options were assumed on January 8, 2019 as part of the Merger, there were no historical costs related to this prior to January 8, 2019. The expense for the year ended December 31, 2019 is primarily related to an option to purchase 250,000 shares of the Company's common stock that was issued to the Company's CEO pursuant to his employment agreement. These options were immediately vested upon issuance.

As of December 31, 2019, there were 3,750 shares of unvested stock options and unrecognized compensation expense totaled approximately $600. The remaining expense will be recognized as an expense on a straight-line basis over the remaining weighted average service period which is approximately 6.28 years.

The following is a summary of stock option activity for the year ending December 31, 2019:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Term (Years)
Outstanding at December 31, 2018	—	$ —	—
Assumed with the Merger	557,282	$ 2.78	6.99
Other activity since January 8, 2019:			
Granted	250,000	$ 0.40	9.02
Cancelled	(382,282)	$ 2.86	—
Outstanding at December 31, 2019	425,000	$ 1.38	7.71
Exercisable at December 31, 2019	421,250	$ 1.38	7.71

Non-Controlling Interest

For the year-ended December 31, 2019 and 2018, the Company consolidated the results for LI Dallas, LI Nashville, LI Pittsburgh and LI Scottsdale as VIEs. The Company owns no portion of any of these four entities which entities own their respective clinics; however, the Company maintains control through their management role for each of the clinics, in accordance with each clinic's respective management agreement. Based on these agreements, the Company (RMS and RMS Management and now H-CYTE) has the responsibility to run and make decisions on behalf of the clinics, except for medical procedures. Beginning in January 2018, the Company adopted the policy for all of the VIEs that the management fee charged by the Company would equal the amount of net income from each VIE on a monthly basis, bringing the amount of the net income each month for each VIE to a net of zero. Due to this change in policy, there was no change in the non-controlling interest for the years ended December 31, 2018 or 2019 related to the net income as it was $0 each month through the management fee charged by the Company. The only change in the non- controlling interest balance in 2018 was related to the acquisition of 100% interest of State in 2018; there was no change in non-controlling interest in 2019.

Note 10 – Commitments & Contingencies

Biotechnology Agreement

On June 21, 2019, the Company entered into a 10-year exclusive and extendable product supply agreement with Rion that will enhance its existing cytotherapy product line, developing a disruptive technology for COPD, the fourth leading cause of death in the U.S. Rion has established a unique exosome technology to harness the healing power of the body. Rion's novel exosome technology, based on science developed at Mayo Clinic, provides an off-the-shelf platform to enhance healing in soft tissue, musculoskeletal, cardiovascular and neurological organ systems. With this agreement, Rion will serve as the product supplier and will co-develop a proprietary cellular platform with H-CYTE for the treatment of COPD. H-CYTE will control the commercial development and facilitate clinical trial investigation. After conducting joint research and development of these biologics, H-CYTE intends to pursue submission of an investigational new drug (IND) application for review by the FDA for treatment of COPD.

On October 9, 2019, the Company entered into a services agreement with Rion, LLC which provides the Company the benefit of Rion's resources and expertise for the limited purpose of (i) consulting with and assisting H-CYTE in the further research and development for the generation of a new cellular therapy (L-CYTE-01) and (ii) subsequently assisting H-CYTE in seeking and obtaining FDA Phase 1 IND clearance for L-CYTE-01. Rion also agrees to consult with H-CYTE in its arrangement for services from third parties unaffiliated with Rion to support research, development, regulatory approval, and commercialization of L-CYTE-01. The description of services around the L-CYTE-01 product include research and development, process development, point of care GMP process, and investigational new drug (IND) generation for submission to the FDA. The total compensation under the agreement is $1,500,000. H-CYTE paid Rion $750,000 in November, 2019 per the agreement to start the services outlined which is recorded as a prepaid expense on the balance sheet as of December 31, 2019 as services did not begin until 2020. The remaining $750,000 is due and payable upon the achievement of certain milestones in the services agreement; at this time, the Company is not able to estimate when these milestones will occur.

Regenerative Medical Equipment & Services Agreement

On December 1, 2019, H-CYTE entered into an agreement with Alliance Health Services S.C. to provide specialized equipment and supplies, medical practices, procedures and protocols for regenerative medicine. Additionally, certain related training, educational development, compliance, marketing, supply chain management, and support services are provided. H-CYTE is to receive as compensation for these services for a monthly fee of $5,000. Alliance Health Services also agrees to purchase the supplies needed for the regenerative medicine protocols at cost provided to H-CYTE from its manufacturer plus $450 per treatment utilization. H-CYTE prorated the initial monthly fee from $5,000 to $3,333 which were recorded as accounts receivable as of December 31, 2019. Due to the coronavirus pandemic, this agreement was suspended indefinitely on March 23, 2020.

Consulting Agreements

The Company entered into an agreement with Jesse Crowne, a former Director and Co-Chairman of the Board of the Company, to provide business development consulting services for a fee of $5,000 per month. Additionally, 62,500 shares of common stock at $0.29 per share was issued in connection with a separate agreement on August 29, 2019. The Company incurred expense of approximately $83,000 for the year ended December 31, 2019 related to these agreements. Since these agreements were assumed on January 8, 2019 as part of the Merger, there were no historical costs related to this prior to January 8, 2019.

The Company entered into a consulting agreement with LilyCon Investments, LLC effective February 1, 2019 for services related to evaluation and negotiation of future acquisitions, joint ventures, and site evaluations/lease considerations. The duration of the consulting agreement is for a period of twelve months in the amount of $12,500 per month with a $15,000 signing bonus. Either party may terminate this agreement with or without cause upon 30 days written notice. The agreement also provides LilyCon Investments with $35,000 in stock (to be calculated using an annual variable weighted average price from February 2019 through January 2020) to be granted on the one-year anniversary of this agreement, if the agreement has not been terminated prior to that date. For year ended December 31, 2019, the Company expensed a total of approximately $153,000 in compensation to LilyCon Investments. In February 2020, the Company issued LilyCon Investments $35,000 in shares of H-CYTE stock at an average share price of $0.31 per share for a total of 106,061 shares per the terms of the agreement. In March 2020, this agreement was modified to lower the monthly payment amount to $5,000. This agreement was terminated effective April 1, 2020.

Effective February 1, 2019, the Company entered into an oral consulting agreement with Mr. Raymond Monteleone, Board Member and Chairman of the Audit Committee, in which Mr. Monteleone receives $10,000 per month for advisory services and $5,000 per quarter as Audit Committee Chair in addition to regular quarterly board meeting fees. This arrangement has no specified termination date. For year ended December 31, 2019 and 2018, the Company has expensed approximately $125,000, and $0 in compensation to Mr. Monteleone, respectively. Effective March 25, 2020, the Company reduced the fees for the advisory services to $5,000 per month and the fees per quarter that Mr. Monteleone was to receive as the Audit Committee Chair to $2,500.

The Company entered into an oral consulting arrangement with St. Louis Family Office, LLC, controlled by Jimmy St. Louis, former CEO of RMS, in January 2019 in the amount of $10,000 per month plus benefits reimbursement for advisory services. The Company terminated this agreement effective June 30, 2019. For year ended December 31, 2019, the Company expensed approximately $68,000 in consulting fees to St. Louis Family Office.

The Company entered into a consulting agreement with Strategos Public Affairs, LLC (Strategos) on February 15, 2019 for a period of twelve months, unless otherwise terminated by giving thirty days prior written notice. The monthly fee started at $4,500 and increased to approximately $7,500 per month. Strategos will provide information to key policymakers in the legislature and executive branches of government on the benefits of the cellular therapies offered by the Lung Health Institute, advocate for legislation that supports policies beneficial to patient access and oppose any legislation that negatively impacts the Company's ability to expand treatment opportunities, and position the Company and its related entities as the expert for information and testimony. For the year ended December 31, 2019, the Company expensed approximately $71,000. The Company terminated this agreement in March 2020.

The Company entered into a consulting agreement with Goldin Solutions, effective August 4, 2019, for media engagement and related efforts, including both proactive public relations and crisis management services. The agreement has a minimum term of six months, with a $34,650 monthly fee plus expenses payable each month, with the exception of a first month discount of $12,600. For year ended December 31, 2019, the Company expensed $162,000. The Company terminated this agreement in March 2020.

Distribution center and logistic services agreement

The Company has a non-exclusive distribution center agreement with a logistics service provider in Berlin, Germany pursuant to which they manage and coordinate the DenerveX System products which the Company exports to the EU through June 2020. The Company paid a fixed monthly fee of €4,500 (approximately $5,050 based on the EU exchange rate at December 31, 2019) for all accounting, customs declarations and office support, and a variable monthly fee ranging from €1,900 to €6,900 (approximately $2,300 to $8,300), based off volume of shipments, for logistics, warehousing and customer support services.

Total expenses incurred for the distribution center and logistics agreement were approximately $49,000 for the year ended December 31, 2019. Since this agreement was assumed on January 8, 2019 as part of the reverse merger transaction, there were no historical costs related to this prior to January 8, 2019.

Patent Assignment and Contribution Agreements

The terms of a Contribution and Royalty Agreement dated January 31, 2013 with Dr. Scott Haufe, M.D was assumed in the Merger as of January 8, 2019. This agreement provides for the Company to pay Dr. Haufe royalties equal to 1% of revenues earned from sales of any and all products derived from the use of the DenerveX technology. Royalties are payable to Dr. Haufe within 30 days after the close of each calendar quarter based on actual cash collected from sales of applicable products. The royalty period expires on September 6, 2030.

The Company incurred approximately $1,100 in royalty expense under the Contribution and Royalty agreement for the year ended December 31, 2019, all of which was included in accounts payable at December 31, 2019. Since this agreement was assumed on January 8, 2019 as part of the Merger, there were no historical costs related to this prior to January 8, 2019.

Due to the discontinuance of the DenerveX product, no further expense from this agreement is expected.

Litigation

From time to time, the Company may be involved in routine legal proceedings, as well as demands, claims and threatened litigation that arise in the normal course of our business. The ultimate amount of liability, if any, for any claims of any type (either alone or in the aggregate) may materially and adversely affect the Company's financial condition, results of operations and liquidity. In addition, the ultimate outcome of any litigation is uncertain. Any outcome, whether favorable or unfavorable, may materially and adversely affect the Company due to legal costs and expenses, diversion of management attention and other factors. The Company expenses legal costs in the period incurred. The Company cannot assure that additional contingencies of a legal nature or contingencies having legal aspects will not be asserted against the Company in the future, and these matters could relate to prior, current or future transactions or events.

Guarantee

The Company has guaranteed payments based upon the terms found in the management services agreements to affiliated physicians related to LI Dallas, LI Nashville, LI Pittsburgh, LI Scottsdale, and LI Tampa. For year ended December 31, 2019 and 2018, payments totaling approximately $141,000 and $119,000, respectively, were made to these physicians' legal entities. Due to the ramifications of the coronavirus pandemic, the Company ceased operations effective March 23, 2020 in LI Dallas, LI Pittsburgh, LI Scottsdale, and LI Tampa. The guaranteed payments for these clinics will be suspended until operations recommence at the aforementioned clinics.

Manufacturer Liability Dispute

The Company selected an FDA registered contract manufacturer, to manufacture the DenerveX product. In 2019, the Company became aware of events which resulted in the manufacturer not meeting certain contract performance requirements. As a result, the Company is in a dispute with the manufacturer. The Company intends to vigorously defend its position that the manufacturer did not meet its contract performance obligations. The Company believes the likelihood of incurring a material loss regarding the dispute with the manufacturer is reasonably possible but is unable to estimate the amount of the loss based on information available at this time. As such, the Company has not recorded a loss as of December 31, 2019. The Company is not aware of any legal action regarding this matter.

Note 11 –Debt

The Convertible Notes payable represents a securities purchase agreement with select accredited investors, which was assumed in the Merger. The debt assumed by the Company consisted of $750,000 of units (the "Units") with a purchase price of $50,000 per Unit. Each Unit consists of (i) a 12% senior secured convertible note, initially convertible into shares of the Company's common stock, par value $0.001 per share, at a conversion price equal to the lesser of $0.40 or ninety percent (90%) of the per share purchase price of any shares of common stock or common stock equivalents issued in future private placements of equity and/or debt securities completed by the Company following this offering, and (ii) a three-year warrant to purchase such number of shares of the Company's common stock equal to one hundred percent (100%) of the number of shares of common stock issuable upon conversion of the notes at $0.40. The Warrants were initially exercisable at a price equal to the lesser of $0.75 or ninety percent (90%) of the per share purchase price of any shares of common stock or common stock equivalents issued in future private placements of the debt and/or equity securities completed by the Company following the issuance of warrants. The Convertible Notes are secured by all of the assets of the Company.

The Convertible Notes sold in the offering were initially convertible into an aggregate of 1,875,000 shares of common stock. The down round feature was triggered on January 8, 2019, and the conversion price of the Convertible Notes was adjusted to $0.36. The Company recognized the down round as a deemed dividend of approximately $288,000 which reduced the income available to common stockholders.

On February 6, 2019, $100,000 of the Company's $750,000 outstanding Convertible Notes, plus accrued interest, was converted into an aggregate of 251,667 shares of common stock, eliminating $100,000 of the Company's debt obligation. The debt was converted into shares at $0.36 per share, which was the conversion price per the SPA subsequent to the trigger of the down round feature.

The convertible notes had maturity dates between August and September 2019. In November 2019 the Company redeemed $350,000 of convertible notes payable in principal and $52,033 in interest payable for three of the noteholders. The Company also recognized an additional $80,225 in penalties and late fees in relation to these notes for the year ended December 31, 2019.

The Company also reached an extension with the remaining noteholder which extended the maturity date of the loan for one year, until September 30, 2020. This note had a principal balance of $300,000 plus penalties of approximately $85,000 and accrued interest of approximately $40,000 for a total adjusted principal balance upon renewal of approximately $425,000 for the year ending December 31, 2019. Additionally, approximately 424,000 warrants were issued in connection with the extension of the note. The fair market value of the warrants on September 18, 2019, the day the warrants were issued, was approximately $106,000, which the Company recognized as an expense for the year ending December 31, 2019.

Notes payable were assumed in the Merger and are due in aggregate monthly installments of approximately $5,800 and carry an interest rate of 5%. Each note originally had a maturity date of August 1, 2019. The Company finalized an eighteen-month extension to March 1, 2021. The promissory notes have an aggregate outstanding balance of approximately $78,000 at December 31, 2019. The Company incurred interest expense related to the promissory notes for the year ended December 31, 2019 in the amount of approximately $2,000; no interest expense was incurred during 2018 as these notes were assumed on January 8, 2019.

Note 12 – Derivative Liability- Warrants and Redemption Put Liability

Financial assets and liabilities carried at fair value as of December 31, 2019 are classified in the table below in one of the three categories described in Note 3:

	Fair Value Measurement at December 31, 2019 (1)	
	Using Level 3	Total
Liability:		
Derivative Liability - Warrants	$ 315,855	$ 315,855
Derivative Put Liability	$ 267,399	$ 267,399

(1) The Company did not have any assets or liabilities measured at fair value using Level 1 or 2 of the fair value hierarchy as of December 31, 2018 or 2019.

The Company's derivative liabilities are classified within Level 3 of the fair value hierarchy because certain unobservable inputs were used in the valuation models. These assumptions included estimated future stock prices, potential down-round financings for the Warrants, and potential redemptions for the Redemption Put Liability.

The following is a reconciliation of the beginning and ending balances for the liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2019:

Derivative Liability- Warrants		
January 8, 2019 - date of dilutive financing	$	1,215,678
Exchange for common stock		(72,563)
Fair value adjustments		(827,260)
Balance at December 31, 2019	$	315,855

Redemption Put Liability		
November 15, 2019 - date of issuance	$	614,095
Fair value adjustments		(346,696)
Balance at December 31, 2019	$	267,399

Derivative Liability- Warrants

In connection with the securities purchase agreements executed in May 2018 (which the Company assumed in the Merger), whereby 108,250 shares of the Company's Series B Convertible Preferred Stock (the "Series B Shares") and warrants were issued to purchase 2,312,500 shares of the Company's common stock ("Series B Warrants"). The Series B Warrants had a three-year term at an exercise price of $0.75. The Series B Warrants contain two features such that in the event of a downward price adjustment the Company is required to reduce the strike price of the existing warrants (first feature or "down round") and issue additional warrants to the award holders such that the aggregate exercise price after taking into account the adjustment, will equal the aggregate exercise price prior to such adjustment (second feature or "additional issuance").

On January 8, 2019 the Company issued equity securities which triggered the down round and additional issuance warrant features. As a result, the exercise price of the warrants was lowered from $0.75 to $0.40 and 2,023,438 additional warrants were issued. The inclusion of the additional issuance feature caused the warrants to be accounted for as liabilities in accordance with ASC Topic 815.

The fair market value of the warrants, approximately $1,200,000, has been recorded as a derivative liability in the purchase price allocation. The derivative liability has been remeasured to fair value at the end of each reporting period and the cumulative change in fair value, approximately $827,000, has been recorded as a component of other income (expense) in the Company's consolidated statement of operations for the year ended December 31, 2019. The fair value of the derivative liability included on the consolidated balance sheet was approximately $316,000 as of December 31, 2019.

Fair values for the Series B Warrants were determined using a Lattice model which considered randomly generated stock-price paths obtained through a Geometric Brownian Motion stock price simulation.

The Company estimated the fair value of the warrant derivative liability as of the date they were accounted for as liabilities (assumed in Merger as of January 8, 2019) and December 31, 2019, respectively, using the following assumptions:

	January 8, 2019	December 31, 2019
Fair value of underlying stock	$ 0.40	$ 0.13
Exercise price	$ 0.40	$ 0.40
Risk free rate	2.57%	1.58-1.59%
Expected term (years)	3.00	1.34-2.02
Stock price volatility	115%	143-154%
Expected dividend yield	—	—

Due to the down round provision contained in the warrants, which could provide for the issuance of additional warrant shares as well as a reduction in the exercise price, the model also considered subjective assumptions related to the shares that would be issued in a down-round financing and the potential adjustment to the exercise price. The fair value of the warrants will be significantly influenced by the fair value of the Company's stock price, stock price volatility, changes in interest rates and management's assumptions related to the down-round provisions.

On November 15, 2019, the Company redeemed a shareholder's Series B Preferred shares for its initial face value, plus accrued dividends.

In conjunction with the Series D Preferred financing (See Note 14), the Company offered the Series B warrant holders the option to exchange their warrants on the basis of 1 warrant for 0.40 common shares. Warrant holders chose to exchange 1,007,813 warrants with a fair value of approximately $75,000 for 403,125 shares of common stock with a fair value of approximately $73,000. On the date of the exchange, the Series B Warrants were first adjusted to fair value with the change in fair value being recorded in earnings.

Redemption Put Liability

As described in Note 14, the redemption put provision embedded in the Series D financing required bifurcation and measurement at fair value as a derivative. If the redemption put provision is triggered, it allows either payment in cash or the issuance of "Trigger Event Warrants". Accordingly, the fair value of the Redemption put liability considered management's estimate of the probability of cash payment versus payment in Trigger Event Warrants and was valued using a Monte Carlo Simulation which uses randomly generated stock-price paths obtained through a Geometric Brownian Motion stock price simulation. The fair value of the redemption provision will be significantly influenced by the fair value of the Company's stock price, stock price volatility, changes in interest rates and management's assumptions related to the redemption factor. The Company estimated the fair value of the Trigger Event Warrant portion of the redemption put liability using the following assumptions on the closing date of November 15, 2019 and December 31, 2019:

	November 15, 2019	December 31, 2019
Fair value of underlying stock	$ 0.118	$ 0.056
Exercise price	$ 0.20409	$ 0.20409
Risk free rate	1.84%	1.92%
Expected term (in years)	10.0	9.9
Stock price volatility	90%	92%
Expected dividend yield	—	—
Likelihood of redemption	50%	50%

The fair market value of the redemption put liability at inception was approximately $614,000 which has been recorded as a liability and is remeasured to fair value at the end of each reporting period. The cumulative change in fair value, approximately $347,000, has been recorded as a component of other income (expense) in the Company's consolidated statement of operations for year ended December 31, 2019. The fair value of the redemption put liability included on the consolidated balance sheet was approximately $267,000 as of December 31, 2019.

Note 13 - Common Stock Warrants

Fair value measurement valuation techniques, to the extent possible, should maximize the use of observable inputs and minimize the use of unobservable inputs. The Company's fair value measurements of all warrants are designated as Level 1 since all of the significant inputs are observable and quoted prices used for volatility were available in an active market.

A summary of the Company's warrant issuance activity and related information for the year ended December 31, 2019:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Assumed as of the January 8, 2019 merger	12,108,743	$ 1.38	1.53
Exchanged	(1,007,813)	0.40	—
Expired	(2,183,478)	2.73	—
Issued	35,888,624	$ 0.73	5.36
Outstanding and exercisable at 12/31/19	44,806,076	0.78	4.59

The fair value of all warrants issued are determined by using the Black-Scholes valuation technique and were assigned based on the relative fair value of both the common stock and the warrants issued. The inputs used in the Black-Scholes valuation technique to value each of the warrants issued at December 31, 2019 as of their respective issue dates are as follows:

Event Description	Date	Number of Warrants	H-CYTE Stock Price	Exercise Price of Warrant	Grant Date Fair Value	Life of Warrant	Risk Free Rate of Return (%)	Annualized Volatility Rate (%)
Private placement	1/8/2019	5,000,000	$ 0.40	$ 0.75	$ 0.24	3 years	2.57	115.08
Antidilution provision[1]	1/8/2019	2,023,438	$ 0.40	$ 0.40	$ 0.28	3 years	2.57	115.08
Private placement	1/18/2019	6,000,000	$ 0.40	$ 0.75	$ 0.23	3 years	2.60	114.07
Private placement	1/25/2019	1,250,000	$ 0.59	$ 0.75	$ 0.38	3 years	2.43	113.72
Private placement	1/31/2019	437,500	$ 0.54	$ 0.75	$ 0.34	3 years	2.43	113.47
Private placement	2/7/2019	750,000	$ 0.57	$ 0.75	$ 0.36	3 years	2.46	113.23
Private placement	2/22/2019	375,000	$ 0.49	$ 0.75	$ 0.30	3 years	2.46	113.34
Private placement	3/1/2019	125,000	$ 0.52	$ 0.75	$ 0.33	3 years	2.54	113.42
Private placement	3/8/2019	150,000	$ 0.59	$ 0.75	$ 0.38	3 years	2.43	113.53
Private placement	3/11/2019	2,475,000	$ 0.61	$ 0.75	$ 0.40	3 years	2.45	113.62
Private placement	3/26/2019	500,000	$ 0.51	$ 0.75	$ 0.32	3 years	2.18	113.12
Private placement	3/28/2019	375,000	$ 0.51	$ 0.75	$ 0.31	3 years	2.18	112.79
Private placement	3/29/2019	62,500	$ 0.51	$ 0.75	$ 0.31	3 years	2.21	112.79
Private placement	4/4/2019	500,000	$ 0.48	$ 0.75	$ 0.29	3 years	2.29	112.77
Private placement	7/15/2019	200,000	$ 0.53	$ 1.00	$ 0.31	3 years	1.80	115.50
Convertible debt extension	9/18/2019	424,000	$ 0.40	$ 0.75	$ 0.25	3 years	1.72	122.04
Private placement of Series D Convertible Preferred Stock	11/15/2019	14,669,757	$ 0.28	$ 0.75	$ 0.19	10 years	1.84	89.75
Short-term note related party	11/26/2019	400,000	$ 0.20	$ 0.75	$ 0.13	3 years	1.58	144.36
Short-term note, related party	12/30/2019	171,429	$ 0.14	$ 0.75	$ 0.08	3 years	1.59	145.29

[1] The Company had warrants that triggered the required issuance of an additional 2,023,438 warrants as a result of the Company's capital raise that gave those new investors a $0.40 per share investment price which required the old warrant holders to receive additional warrants since their price was $0.75 per share.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 14- Mezzanine Equity AND SERIES D CONVERTIBLE PREFERRED STOCK

Series D Convertible preferred Stock

On November 15, 2019, the Company entered into a securities purchase agreement with selected accredited investors whereby the Company offered (i) up to 238,871 shares of Series D Convertible Preferred Stock the ("Series D Shares") at a price of $40.817 per share and (ii) a ten-year warrant (the "Series D Warrant") to purchase 14,669,757 shares of common stock. The Series D Warrants are exercisable for a period of 10 years from issuance at an initial exercise price of $0.75 per share, subject to adjustment for traditional equity restructurings and reorganizations.

On November 21,2019, the Company entered into a securities purchase agreement with FWHC HOLDINGS, LLC ("FWHC") an accredited investor for the purchase of 146,998 shares of Series D Preferred Stock, par value $0.001 per share and the Series D Warrant resulting in $6.0 million in gross proceeds to the Company (the "FWHC Investment"). The Shares were sold at a price of $40.817 per Share and each Share is convertible into 100 shares of Common Stock. Accordingly, the conversion price into common stock is $0.40817 per share. In connection with the FWHC Investment, the Company, FWHC and certain key holders entered into a Right of First Refusal and Co-Sale Agreement (the "RFRC Agreement") which provides for certain rights with respect to the shares held by FWHC and the key holders. The key holders are identified in the RFRC Agreement and include the Company's principal stockholder RMS Shareholder, LLC and the Company's CEO, William E. Horne. The Company, FWHC and certain other holders of the Company's voting stock entered into a Voting Agreement ("Voting Agreement") with respect to the size and composition of the Company's Board and certain other items if requested by FWHC. In connection the FWHC Investment, the Company and FWHC entered into an Investors' Rights Agreement (the "IRA") which provided FWHC with other additional rights including but not limited to, registration rights, board observer rights, and a right of first refusal for future offerings. The Series D Shares vote with the common shareholders on an if-converted basis and provide for cumulative dividends at 8% of the stated value, payable upon a liquidation or redemption. For any other dividends, the Series D Shares will participate with common stock on an as-converted basis. Each Series D Share is convertible into common shares at a conversion price of $100 per common share. The conversion price is subject to adjustment for anti-dilution protection and traditional equity restructuring and reorganizations. The Series D Shares will be mandatorily converted upon the earlier of 1) the written consent of holders of a majority of Series D shareholders and 2) the common stock is listed and quoted on one of the NASDAQ markets or the New York Stock Exchange as a result of a public offering at a price of at least $1.22451 per share and proceeds of at least $25 million. The Series D Shares also contain an embedded mandatory redemption provision which will occur at the earliest of: (a) 90 days following the date that William E. Horne is no longer serving as the Corporation's CEO and a majority of the Series D holders do not approve of his replacement, (b) William E Horne transfers more than 25% of the stock owned by him to a person not related to him or a current shareholder or (c) the Company's common stock is not listed on a NASDAQ market or the New York Stock Exchange within 30 months as a result of a public offering generating minimum net proceeds of at least $25 million (the "Trigger Date"). The redemption price to be paid is the greater of a) the Original Issue Price of $40.817, plus any accrued and unpaid dividends and (b) the fair market value of the Series D Shares on the redemption date. In lieu of redeeming the Series D Shares for cash, the holder may elect to receive "Trigger Event Warrants" equal to the number of shares of common stock the Series D Shares are convertible into on the Trigger Date. The Trigger Event Warrants will have a ten-year term from the date of redemption and allow the holders to purchase shares of common stock at a price equal to the lower of a) 0.50% of the Original Issue Price and b) the Series D conversion price on the Trigger Date.

The Company determined that the nature of the Series D Shares was more analogous to an equity instrument, and that the economic characteristics and risks of the embedded conversion option was clearly and closely related to the Series D Shares. As such, the conversion option was not required to be bifurcated from the host under ASC 815, *Derivatives and Hedging*. The Company recognized a beneficial conversion feature related to the Series D Shares of approximately $623,000, which was credited to additional paid-in capital, and reduced the income available to common shareholders. Because the Series D Shares can immediately be converted by the holder, the beneficial conversion feature was immediately accreted and recognized as a deemed dividend to the preferred shareholders. Since the Series D Shares are redeemable in certain circumstances upon the occurrence of an event that is not solely within the Company's control, they have been classified as mezzanine equity in the Consolidated Balance Sheets.

The Company determined that the economic characteristics and risks of the embedded redemption provision were not clearly and closely related to the Series D Shares. The Company assessed the embedded redemption provision further, and determined it met the definition of a derivative and required classification as a derivative liability at fair value. The redemption put liability as of inception and December 31, 2019, was approximately $614,000 and $267,000, respectively.

The Company's approach to the allocation of the proceeds to the financial instruments was to first allocate basis to the redemption put liability at its fair values and the residual to the Series D Shares and the Series D Warrants. Based upon the amount allocated to the Series D Shares the Company was required to determine if a beneficial conversion feature ("BCF") was present. A BCF represents the intrinsic value in the convertible instrument, adjusted for amounts allocated to other financial instruments issued in the financing. The effective conversion price is calculated as the amount allocated to the convertible instrument divided by the number of shares to which it is indexed. However, a BCF is limited to the basis initially allocated. After allocating a portion of the proceeds to the other instruments, the effective conversion price was $0.24 compared to the share price of $0.28, resulting in a BCF of $623,045 or $0.04 per share.

Based upon the above accounting conclusions and the additional information provided below, the allocation of the proceeds arising from the Series D Preferred financing transaction is summarized in the table below:

October 18, 2019 Series D Convertible Preferred and warrant financing:	Proceeds Allocation	Financing Cost Allocation	Total Allocation
Gross proceeds	$ 6,000,000	$ —	$ 6,000,000
Financing costs paid in cash	—	(111,983)	(111,983)
	$ 6,000,000	$ (111,983)	$ (5,888,017)
Derivative Liability:			
Derivative Put Liability	$ (614,095)	—	$ (614,095)
Deferred Financing costs	—	8,100	8,100
Redeemable preferred stock:			
Series D Convertible Preferred Stock	(2,869,854)	—	(2,869,854)
Financing costs (APIC)	—	1,106	1,106
Financing costs (Retained Earnings)	—	66,265	66,265
Beneficial Conversion Feature	(623,045)	—	(623,045)
Investor Warrants (equity classified):			
Proceeds allocation	(1,893,006)	—	(1,893,006)
Financing costs (APIC)	—	36,512	36,512
	$ (6,000,000)	$ 111,983	(5,888,017)

Since the Series D Convertible Preferred Stock is perpetual and convertible at any time, the resulting discount of $3,130,146 was accreted as a Preferred Stock dividend on the date of issuance to record the Series D Convertible Preferred Stock to its redemption value of $6,000,000.

The Company recorded $60,493 in deemed dividends on the Series D Convertible Preferred stock in accordance with the 8% stated dividend resulting in a total balance of Series D Convertible Preferred stock of $6,060,493 at December 31, 2019.

Series D CONVERTIBLE Preferred Stock Preferences

Voting Rights

Holders of our Series D Preferred Stock ("Series D Holders") have the right to receive notice of any meeting of holders of common stock or Series D Preferred Stock and to vote upon any matter submitted to a vote of the holders of common stock or Series D Preferred Stock. Each Series D Holder shall vote on each matter submitted to them with the holders of common stock.

Liquidation

Upon the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, each Series D Holder shall be entitled to receive, for each share thereof, out of assets of the Company legally available therefore, a preferential amount in cash equal to the stated value plus all accrued and unpaid dividends. All preferential amounts to be paid to the Series D Holders in connection with such liquidation, dissolution or winding up shall be paid before the payment or setting apart for payment of any amount for, or the distribution of any assets of the Company's to the holders of the Company's common stock. The Company accrues these dividends as they are earned each period.

Note 15 - Income Taxes

The Company utilizes the liability method of accounting for income taxes as set forth in FASB ASC Topic 740, "Income Taxes". Under the liability method, deferred taxes are determined based on temporary differences between the financial statement and tax bases of assets and liabilities using tax rates expected to be in effect during the years in which the basis difference reverses. The Company accounts for interest and penalties on income taxes as income tax expense. A valuation allowances is recorded when it is more likely than not that a tax benefit will not be realized. In determining the need for valuation allowances the Company considers projected future taxable income and the availability of tax planning strategies.

The Company's policy is to record interest and penalties on uncertain tax positions as a component of income tax expense. As of December 31, 2019, the Company has not incurred any interest or penalties relating to uncertain tax positions.

For the years ended December 31, 2019 and 2018, the Company has incurred net losses and, therefore, has no current income tax liability and recognized no income tax expense. The net deferred tax asset generated by these losses, which principally consist of operating losses deferred for income tax purposes, is fully reserved as of December 31, 2019 and 2018 since it is more likely than not that the benefit will not be realized in future periods.

A reconciliation of the statutory federal income tax expense (benefit) to the effective tax is as follows for the years ended December 31:

	2019	2018
Statutory rate – federal	21.0%	21.0%
Effect of:		
State income tax, net of federal benefit	3.0	5.0
State NOL true-up	(2.0)	-
Goodwill impairment	(9.0)	-
Other permanent differences	-	(1.0)
Change in valuation allowances	(13.0)	(25.0)
Income taxes	0.0%	0.0%

The Company's financial statements contain certain deferred tax assets which have arisen primarily as a result of losses incurred that are considered startup costs for tax purposes, as well as net deferred income tax assets resulting from other temporary differences related to certain reserves and differences between book and tax depreciation and amortization. The Company records a valuation allowance against our net deferred tax assets when we determine that based on the weight of available evidence, it is more likely than not that the net deferred tax assets will not be realized.

Management of the Company evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets and determined that it is more likely than not that the Company will not recognize the benefits of the deferred tax assets. As a result, a full valuation allowance was recorded as of December 31, 2019 and 2018.

Deferred tax assets and liabilities consist of the following at December 31:

	2019	2018
Deferred Tax Assets:		
Federal and state net operating loss carryforwards	$ 7,302,375	$ 666,888
Capitalized start-up costs	2,483,736	154,791
Capitalized research and development costs	424,390	-
Patents	57,907	-
Share-based compensation	242,437	-
Other	25,405	81,801
Total gross deferred tax assets	10,536,250	903,480
Valuation Allowance	(10,536,250)	(903,480)
Net deferred tax assets	$ —	—

The Company is required to file federal income tax returns and state income tax returns in the states of Florida, Georgia and Minnesota. There are no uncertain tax positions at December 31, 2019. The Company has not undergone any tax examinations since inception and is therefore not subject to examination by any applicable tax authorities.

Note 16 - Subsequent Events

COVID-19 has adversely affected the Company's financial condition and results of operations. The impact of the COVID-19 outbreak on the businesses and the economy in the U.S. and the rest of the world is, and is expected to continue to be, significant. The extent to which COVID-19 outbreak will impact business and the economy is highly uncertain and cannot be predicted. Accordingly, the Company cannot predict the extent to which its financial condition and results of operation will be affected. The Company recently has taken steps to protect its vulnerable patient base (elderly patients suffering from chronic lung disease) by cancelling all treatments effective March 23, 2020 through at least the end of July. This decision has put significant financial strain on the Company. The Company made the decision in late March, to layoff approximately 40% of its employee base, including corporate and clinical employees and to cease operations at the LHI clinics in Tampa, Scottsdale, Pittsburgh, and Dallas. The Company will reevaluate when operations will recommence at these clinics as more information about COVID-19 becomes available.

The Company believes these expense reductions are necessary during the unexpected COVID-19 pandemic. Due to COVID-19, the Company is not expecting to be able to generate revenue until, at the earliest, August 2020. The Company has contacted its patients that are scheduled to come in for treatment, both first time patients and recurring patients, and have rescheduled these patients to August 2020. There is no guarantee that the Company will be able to treat patients as soon as August 2020; as such, the Company cannot estimate when it will be safe to treat patients and generate revenue. The Company's fourth quarter 2019 revenue was approximately $1.8 million. The Company expects that the first quarter will be substantially less than the fourth quarter 2019 and future quarters' revenue is dependent on the timing for being able to treat patients again. The Company will continue to focus on its goal of taking the L-CYTE-01 protocol to the FDA for treatment of chronic lung diseases. The Company is currently evaluating if its protocol has the potential to help people affected by COVID-19, but more research will need to be completed before a definitive conclusion can be reached.

With the Company's revenue-generating activities suspended, the Company will need to raise cash from debt and equity offerings to continue with its efforts to take the L-CYTE-01 protocol to the FDA for treatment of chronic lung diseases. There can be no assurance that the Company will be successful in doing so.

In January 2020, the Company closed on an additional $100,000 in the Series D SPA.

On March 27, 2020 and April 9, 2020, the Company issued a Note, each one in the principal amount of $500,000 to the Investor for a total of $1,000,000 in exchange for loans in such amount to cover working capital needs. Each Note bears simple interest at a rate of 8% per annum. The Investor is an affiliate of a pre-existing shareholder of the Company having been the lead investor in the Company's recent Series D Convertible Preferred Stock Offering.

On April 17, 2020, the Company entered into a Secured Convertible Note and Warrant Purchase Agreement (the "April SPA") with an aggregate of 32 investors (the "Purchaser(s)") pursuant to which the Company received an aggregate of $2,812,445 in gross proceeds (the "April Offering"). The proceeds of the April Offering will be used for working capital and general corporate purposes. The April Offering resulted in the issuance of an aggregate of $2,812,445 in Secured Convertible Promissory Notes (the "April Secured Notes'). The April Secured Notes bear interest at 12% per annum and have a maturity date of October 31, 2020. The April Secured Notes are secured by all of the Company's assets pursuant to a security agreement and an intellectual Property Security Agreement which are included as Exhibits to this Annual report on Form 10-K. The conversion price of the April Secured Notes shall be equal to the lesser of (i) the price per share paid by an investor, in the Qualified Financing (as defined below) for such new securities and (ii) the price per share obtained by dividing (x) $3,000,000 by the number of fully diluted shares outstanding immediately prior to the Qualified Financing. Qualified Financing is defined as an offering of preferred stock of at least $3.6 million, exclusive of the conversion of any April Secured Note or the Backstop Commitment (as defined below), at a price of at least $0.01279 per share. The obligations on the April Secured Notes are guaranteed by each of the Company's subsidiaries. FWHC Bridge, LLC, which is an affiliate of FWHC, who has acted as our lead investor in the last several financing transactions and was the lender of the $1,000,000 loaned to the Company in March and April, was the lead investor in the April Offering purchasing $1,535,570 of April Secured Notes. YPH Holdings, LLC, which is an affiliate of Michael Yurkowsky, who is a Director of the Company, purchased $25,000 of April Secured Notes on the same terms as all other investors.

Each Purchaser received a warrant to purchase 100% of the aggregate number of shares of common stock into which such Purchaser's April Secured Note may ultimately be converted, except that the holders of the Notes issued in March and April in the total amount of $1,000,000 received warrants to purchase up to 200% of the aggregate number of shares of Common stock into which such Note may ultimately be converted The April Warrants have an exercise price equal to the purchase price in the Qualified Offering.

The April SPA provides a commitment on the part of each Purchaser to agree to invest an identical amount (as purchased in the April Offering) in the Qualified Offering as a backstop commitment (the "Backstop Commitment"). The Qualified Offering is contemplated to be made in the form of a rights offering to holders of all of the Company's common stock. Accordingly, in the event that any stockholders do not participate in the Qualified Offering, their purchase would be filled by the Purchasers on a pro rata basis. In the event that any Purchaser fails to fulfil its Backstop Commitment then the April Warrants issued to such Purchaser in the April Offering will be cancelled.

In connection with the April Offering, the Company's CEO Bill Horne entered into an amendment letter to his employment agreement which provides that his salary will be reduced to $0 per month; provided that on the date that the Company receives FDA approval to commence clinical trials for its products, Mr. Horne's salary will be increased to a total of $18,750 per month (i.e. $225,000 per annum. Mr. Horne also agreed to subordinate the promissory notes owed to him by the Company to the April Secured Notes.

As part of the April Offering, the holders of certain existing warrants which contained anti- dilution price protection and other objectionable features that would have been triggered by the April Offering agreed to a one-time adjustment of their exercise price to $.015 per share and to gross up the number of warrants issuable. In consideration, the holders of such pre-existing warrants waived all future anti-dilution price protection.

In addition, in connection with the April Offering, the Company entered into an amendment with the Investor for the remaining convertible notes which were originally issued in 2018 and assumed in the Merger. These notes have a principal amount of $424,615 as of December 31, 2019. The amendment provides that the conversion price of the notes will be equal to the purchase price in the Qualified Offering. The holder waived all future anti-dilution price protection.

The description of the April SPA, the April Secured Note, the April Warrant, the Security Agreement, the Intellectual Property Security Agreement and the Amendment to William Horne Employment Agreement and the First Amendment to Hawes Secured Convertible Promissory Note, are each qualified in their entirety by the full text of such agreements which are filed as Exhibits to this Annual Report on Form 10k.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to our management, including our principal executive officer and principal accounting officer, as appropriate to allow timely decisions regarding disclosure.

Our Chief Executive Officer (our "CEO") and our Chief Financial Officer (our "CFO"), evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) as of December 31, 2019, the end of our fiscal year. In designing and evaluating the Company's disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired objectives, and the Company necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures.

The Company's management, including its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2019.

Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2019, the Company's disclosure controls and procedures were not effective because of the material weakness in our internal control over financial reporting as discussed below, and as a result, the Company engaged consultants to help mitigate this material weakness.

In light of the conclusion that our internal disclosure controls were ineffective as of December 31, 2019, we have applied procedures and processes as necessary to ensure the reliability of our financial reporting in regard to this annual report. Accordingly, the Company believes, based on its knowledge, that: (i) this annual 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 they were made, not misleading with respect to the period covered by this report; and (ii) the financial statements, and other financial information included in this annual report, fairly present in all material respects our financial condition, results of operations and cash flows as of and for the periods presented in this annual report.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act.

Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Under the supervision of our CEO and CFO, the Company conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2019 using the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") (2013 Framework).

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. In our assessment of the effectiveness of internal control over financial reporting as of December 31, 2019, we determined that control deficiencies existed that constituted material weaknesses.

- The Company has an ineffective control environment due to a lack of internal resources with expertise to determine entries and disclosures related to some of the Company's more complex transactions.
- The Company lacks qualified accounting personnel with appropriate knowledge and experience of generally accepted accounting principles for the complexity of some of the Company's transactions.
- The Company lacks a robust accounting system infrastructure to handle the timeliness of the reporting requirements necessary for a public company.

Remediation Efforts to Address Material Weaknesses:

Management is committed to maintaining a strong internal control environment. In response to the identified material weaknesses, management, with the oversight of the Audit Committee of the Board of Directors, has taken actions toward the remediation of the respective material weaknesses in internal control over financial reporting as outlined below.

Management believes this lack of internal expertise has been somewhat mitigated by continuing to retain experts and consultants with the necessary expertise for the year ended 2019. This material weakness in the Company's disclosure controls and procedures will be further remediated in 2020.

Management believes continuing to use qualified consultants and experts to help with the Company's more complex transactions, along with the implementation of a new financial reporting system, will remediate the material weaknesses described above. The Audit Committee of the Board of Directors and management will continue to monitor the implementation of these remediation measures and the effectiveness of our internal controls over financial reporting on an ongoing basis.

As a result of the material weaknesses described above, our CEO and Controller concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2019 based on criteria established in Internal Control— *Integrated Framework* issued by COSO (2013 Framework).

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal controls over financial reporting because this is not required of the Company pursuant to Regulation SK Item 308(b).

Changes in Internal Control Over Financial Reporting

Except as set forth above, there were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2019 that materially affected, or that are reasonably likely to materially affect our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our board of directors consists of three (3) members: William E. Horne, Raymond Monteleone and Michael Yurkowsky.

Our current executive officers are William E. Horne, Chief Executive Officer, Jeremy Daniel, Chief Financial Officer and Ann Miller, Chief Operating Officer

Directors and Executive Officers

The following table provides information as of March 30, 2020 as to each person who is, as of the filing hereof, a director and/or executive officer of the Company:

Name	Position(s)	Age
William E. Horne	Chief Executive Officer & Chairman of the Board	65
Jeremy Daniel	Chief Financial Officer	43
Ann Miller	Chief Operating Officer	39
Michael Yurkowsky	Director	46
Raymond Monteleone	Director (1)	72

(1) Chairman of audit committee

No Family Relationships

There is no family relationship between any director and executive officer or among any directors or executive officers.

Business Experience and Background of Directors and Executive Officers

BOARD OF DIRECTORS

William E. Horne

William "Bill" Horne is a founder and former Chief Executive Officer and Chairman of the Board of Laser Spine Institute. From 2005 to 2015, Horne served as the company's CEO, expanding the homegrown organization from one facility with nine employees, to seven state-of-the-art surgery centers with more than 1,000 employees across six states, while driving annual revenues as high as $288M during his tenure. In his role as Chairman of the Board, he led the strategic direction of the company, which has made it possible for more than 75,000 patients to take back their lives from chronic pain with its minimally invasive spine procedures.

Raymond Monteleone

Raymond Monteleone serves managerial and consultative roles at several enterprises. Mr. Monteleone currently serves as the chairman and president of Paladin Global Partners, LLC since 2007; a board member and vice president of Dannelly, Monteleone & Associates, LLC since 2010; sits on the board of Chenmoore Engineering Inc. since 2015; is a managing member at Diner Investment Partners, LLC since 2016 and Uyona Management, LLC since 2013; a managing member and the chief financial officer at HBRE, LLC since 2013 and Horne Management, LLC since 2011; and the president at Monteleone & Associates Consulting, Inc. since 2005. Mr. Monteleone received a college degree from the New York Institute of Technology and an MBA degree from Florida Atlantic University. Mr. Monteleone is presently the interim CFO of LVI Intermediate Holdings, Inc.

A former partner with Arthur Young (now EY), Ray Monteleone joined H-CYTE after working closely with several large and small companies serving as board member and/or advisor, specializing in strategic planning, health care, tax and financial planning and corporate management. Mr. Monteleone previously held officer positions with Sensormatic Electronics Corporation, a billion-dollar company listed in the New York Stock Exchange and was a member of the Board of Directors of Rexall Sundown, Inc., a large public entity. He also previously served as an officer working closely with the Board of Directors of Laser Spine Institute ("LSI") and worked as deputy commissioner, chief operating officer, and chief financial officer with the Florida Department of Education. He attended an exclusive Arthur Young Harvard Business School program and earned his MBA from Florida Atlantic University. Considered an expert in financial analysis and business management, Monteleone is regularly featured as a lecturer at various universities and professional associations.

Michael Yurkowsky

Michael Yurkowsky operates his own family office, YP Holdings LLC, which has an investment portfolio of 50 private companies and participated in over 100 financing transactions with public companies since 2012. Previously Mr. Yurkowsky managed his own hedge fund and worked as a broker at several national broker-dealer firms.

Michael Yurkowsky comes to MedoveX with more than 25 years of experience in financial services. Yurkowsky spent the first ten years of his career working as a broker with several national broker-dealers and as a licensed investment banker. He went on to start and manage his own hedge fund, specializing in debt arbitrage. In 2012, he opened his own family office, YP Holdings LLC, which has invested in more than 50 private companies and participated in more than 100 public company financing transactions. Throughout his career, Mr. Yurkowsky has served on multiple public and private boards and has been involved in several M&A transactions.

NON-DIRECTOR EXECUTIVE OFFICERS

Chief Financial Officer – Jeremy Daniel

Jeremy Daniel has been the Chief Financial Officer of Regenerative Medicine Solutions, LLC ("RMS") since 2013. Prior to that, Mr. Daniel worked in the private sector in the accounting and finance field for the past twenty years. Mr. Jeremy Daniel is a Certified Public Accountant and received a college degree from the University of Cincinnati and an MBA degree from Xavier University. The Company currently does not have any employment agreement with Mr. Jeremy Daniel.

Chief Operating Officer – Ann Miller

Ann Miller as Chief Operating Officer, is responsible for leading operations through research evaluation and implementation on key business strategies to improve performance and organizational development as it relates to patient satisfaction, quality core standards, and revenue generation. Prior to joining the Company, Ms. Miller was an Executive Vice President at Regenerative Medicine Solutions from June 2014 to January 2019. Ms. Miller has a bachelor's degree in Anthropology from Tulane University. The Company currently does not have any employment agreement with Ms. Ann Miller.

Liability and Indemnification of Directors and Officers

Our Articles of Incorporation provide that to the fullest extent permitted under Nevada law, our directors will not be personally liable to the Company or its stockholders for monetary damages for breach of the duty of care, breach of fiduciary duty or breach of any other duties as directors. Our Articles of Incorporation also provide for indemnification of our directors and officers by the Company to the fullest extent permitted by law. The Company maintains D&O insurance coverage.

Role of Board in Risk Oversight Process

Our board of directors has responsibility for the oversight of the Company's risk management processes.

The audit committee reviews information regarding liquidity and operations and oversees our management of financial risks. Periodically, the audit committee reviews our policies with respect to risk assessment, risk management, loss prevention and regulatory compliance. Oversight by the audit committee includes direct communication with our external auditors, and discussions with the CFO regarding significant risk exposures.

Board Committees and Independence

Our board of directors has established an audit committee, a nominating and corporate governance committee and a compensation committee, each of which operates under a charter that has been approved by our board.

The following committees are in the process of being formulated; and selections of chairman to be finalized upon approval of the Board.

- Nominating and corporate governance committee
- Compensation committee
- Audit committee expansion

Mr. Ray Monteleone chairs the audit committee. The audit committee's main function is to oversee the financial health of the Company.

Code of Business Conduct and Ethics

We have adopted a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A current copy of the code will be posted on the Corporate Governance section of our website, www.hcyte.com.

In addition, we intend to post on our website all disclosures that are required by law or the listing standards of The OTCQB Capital Market concerning any amendments to, or waivers from, any provision of the code. The reference to our website address does not constitute incorporation by reference of the information contained at or available through our website, and you should not consider it to be a part of this Annual Report.

Procedures for Security Holders to Recommend Nominees for Election as Directors

There have been no material changes to the procedures by which security holders may recommend nominees to the board of directors since the Company last described such procedures or any material changes thereto.

Company Policy as to Director Attendance at Annual Meetings of Stockholders

The Company's policy encourages board members to attend annual meetings of stockholders.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires each person who is a director or officer or beneficial owner of more than 10% of the common stock of the Company to file reports in connection with certain transactions. To the knowledge of the Company, based solely upon a review of forms or representations furnished to the Company during or with respect to the most recent completed fiscal year, there were a few isolated instances where the director purchased or received shares and was late filing under section 16(a). All the required filings have now been made.

ITEM 11. EXECUTIVE COMPENSATION

Name & Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Option Awards ($)	All Other Compensation ($)	Total ($)
William E. Horne, CEO	2019	600,000	-	82,620	1,690,254	2,372,874
	2018	153,333	-	-	-	153,333
Jeremy Daniel, CFO	2019	189,583	-	-	-	189,583
	2018	150,000	-	-	-	150,000
Ann Miller, COO	2019	189,583	-	-	-	189,583
	2018	150,000	-	-	-	150,000

All other compensation for William E. Horne is related to the 4,225,634 in restricted stock awards that was granted to him on January 8, 2019 as part of his employment agreement.

The current annualized salaries of our executive officers as of March 30, 2020 are as follows:

Name & Position	Annual Salary
William E. Horne, CEO	$ 0
Jeremy Daniel, CFO	$ 200,000
Ann Miller, COO	$ 200,000

William E. Horne has reduced his annual salary, effective March 16, 2020 to $0 until H-CYTE receives FDA Clearance for its L-CYTE-01 protocol. The current estimated

timeframe for FDA clearance to be granted is October 2020.

Director Compensation

There are understandings between the Company and Mr. Michael Yurkowsky as follows: $5,000 per Board of Director meeting only if and when the Company becomes profitable

There are understandings between the Company and Mr. Raymond Monteleone as follows: $5,000 per Board of Director meeting only if and when the Company becomes profitable, $2,500 per quarter as Audit Committee Chair, and $5,000 per month for advisory services.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information is presented for each person we know to be a beneficial owner of 5% or more of our securities, each of our directors and executive officers, and our officers and directors as a group.

The percentage of common equity beneficially owned is based upon 99,768,704 shares of Common Stock issued and outstanding as of December 31, 2019.

The number of shares beneficially owned by each stockholder is determined under the rules issued by the Securities and Exchange Commission and includes voting or investment power with respect to such securities.

Under these rules, beneficial ownership includes any shares as to which the individual or entity has sale or shared voting power or investment power. Unless otherwise indicated, the address of all listed stockholders is c/o H-CYTE, 201 E Kennedy Blvd, Suite 700, Tampa, Florida.

Unless otherwise indicated each of the stockholders listed has sole voting and investment power with respect to the shares beneficially owned, subject to community property laws where applicable.

	Number of Shares Beneficially Owned(1)	Percentage of common equity beneficially owned (2)
William E. Horne, Director and Officer	5,547,063	5.56%
Michael Yurkowsky, Director	1,506,207	1.51%
RMS Shareholder, LLC	50,925,276	51.04%
FWHC Holdings	36,013,916	36.10%
Officers and Directors as a Group (5 persons)	7,053,270	7.07%

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting or investment power with respect to shares beneficially owned and options and warrants exercisable within 60 days. Beneficial ownership is based on information furnished by the individuals or entities.

(2) Percentage calculated using for each person or entity the sum of that person's or entity's outstanding shares plus shares from exercisable options and warrants and shares from convertible securities divided by the sum of total outstanding shares plus that person's or entity's outstanding shares plus shares from exercisable options and warrants and shares from convertible securities

Equity Compensation Plan Information

In the Merger, the Company assumed the 2013 Stock Incentive Plan (the "Plan").

The Plan is intended to secure for us and our stockholders the benefits arising from ownership of our Common Stock by individuals we employ or retain who will be responsible for the future growth of the enterprise. The Plan is also designed to help attract and retain superior personnel for positions of substantial responsibility, including advisory relationships where appropriate, and to provide individuals with an additional incentive to contribute to our success.

The "Administrator" of the Plan is the CEO; however, the Administrator may also delegate to one or more officers of the Company the authority to make most determinations otherwise reserved for decision by the Administrator. Under the Plan, the Administrator has the flexibility to determine eligible participants and the type and amount of awards to grant to eligible participants.

The Administrator may make the following types of grants under the Plan, each of which will be an "Award":

- qualified incentive stock options ("QISOs");
- nonqualified stock options; and
- awards of restricted stock and/or restricted stock units.

Our officers, key employees, directors, consultants and other independent contractors or agents who are responsible for or contribute to our management, growth or profitability will be eligible for selection by the Administrator to participate in the Plan, provided, however, that QISOs may be granted only to our employees.

We authorized and reserved for issuance under the Plan an aggregate of 2,650,000 shares of our Common Stock. The Company's only stock option grant in 2019 was a fully-vested option to purchase 250,000 shares of the Company's common stock that was issued to the Company's CEO pursuant to his employment agreement, which stated that this option grant would be fully vested if it was not issued within fifteen days of the Merger. The option was not granted within that time frame and was fully vested when issued.

As of December 31, 2019, we have outstanding an aggregate of 425,000 options to purchase common stock at a weighted average price of $1.38 per share. In 2019 we granted an aggregate of 280,085 common stock shares from the Plan to certain outside consultants at the market price on the day of grant. If any of the awards granted under the Plan expire, terminate or are forfeited for any reason before they have been exercised, vested or issued in full, the unused shares allocable to or subject to those expired, terminated or forfeited awards will become available for further grants under the Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Policies and Procedures for Related Person Transactions

Our board of directors has adopted written policies and procedures for the review of any transaction, arrangement or relationship in which we are a participant, the amount

involved exceeds $120,000 and one of our executive officers, directors, director nominees or 5% stockholders, or their immediate family members, each of whom we refer to as a "related person," has a direct or indirect material interest.

If a related person proposes to enter into such a transaction, arrangement or relationship, which we refer to as a "related person transaction," the related person must report the proposed related person transaction to our CEO. The policy calls for the proposed related person transaction to be reviewed and, if deemed appropriate, approved by our audit committee. Whenever practicable, the reporting, review and approval will occur prior to entry into the transaction.

If advance review and approval is not practicable, the committee will review, and, in its discretion, may ratify the related person transaction. The policy also permits the chairman of the committee to review and, if deemed appropriate, approve proposed related person transactions that arise between committee meetings, subject to ratification by the committee at its next meeting. Any related person transactions that are ongoing in nature will be reviewed annually.

A related person transaction reviewed under the policy will be considered approved or ratified if it is authorized by the committee after full disclosure of the related person's interest in the transaction. As appropriate for the circumstances, the committee will review and consider:

- the related person's interest in the related person transaction;
- the approximate dollar value of the amount involved in the related person transaction;
- the approximate dollar value of the amount of the related person's interest in the transaction without regard to the amount of any profit or loss;
- whether the transaction was undertaken in the ordinary course of our business;
- whether the terms of the transaction are no less favorable to us than terms that could have been reached with an unrelated third party; and
- the purpose of, and the potential benefits to us of, the transaction.

The committee may approve or ratify the transaction only if the committee determines that, under all circumstances, the transaction is in our best interests. The committee may impose any conditions on the related person transaction that it deems appropriate.

In addition to the transactions that are excluded by the instructions to the SEC's related person transaction disclosure rule, our board of directors has determined that the following transactions do not create a material direct or indirect interest on behalf of related persons and, therefore, are not related person transactions for purposes of this policy:

- interests arising solely from the related person's position as an executive officer of another entity (whether or not the person is also a director of such entity) that is a participant in the transaction, where (i) the related person and all other related persons own in the aggregate less than a 10% equity interest in such entity, (ii) the related person and his or her immediate family members are not involved in the negotiation of the terms of the transaction and do not receive any special benefits as a result of the transaction and (iii) the amount involved in the transaction is less than the greater of $200,000 or 5% of the annual gross revenues of the company receiving payment under the transaction; and
- a transaction that is specifically contemplated by provisions of our charter or bylaws.

The policy provides that transactions involving compensation of executive officers shall be reviewed and approved by the compensation committee in the manner specified in its charter.

We did not have a written policy regarding the review and approval of related person transactions. Nevertheless, with respect to such transactions, it was our policy for our board of directors to consider the nature of and business reason for such transactions, how the terms of such transactions compared to those which might be obtained from unaffiliated third parties and whether such transactions were otherwise fair to and in the best interests of, or not contrary to, our best interests.

In addition, all related person transactions required prior approval, or later ratification, by our board of directors.

Stock Option Grants to Executive Officers and Directors

We authorized and reserved for issuance under the Plan an aggregate of 2,650,000 shares of our Common Stock. The Company's only stock option grant in 2019 was a fully-vested option to purchase 250,000 shares of the Company's common stock that was issued to the Company's CEO pursuant to his employment agreement, which stated that this option grant would be fully vested if it was not issued within fifteen days of the Merger. The option was not granted within that time frame and was fully vested when issued. No stock options were issued under the Plan in 2018. If any of the Awards granted under the Plan expire, terminate or are forfeited for any reason before they have been exercised, vested or issued in full, the unused shares allocable to or subject to those expired, terminated or forfeited awards will become available for further grants under the Plan.

Policies and Procedures for Approving Related Person Transactions

Our policy and procedure with respect to any related person transaction between the Company and any related person requiring disclosure under Item 404(a) of regulation S-K under the Exchange Act, is that the Company's audit committee reviews all such transactions.

This review covers any material transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which the Company was and is to be a participant, and a related party had or will have a direct or indirect material interest, including, purchases of goods or services by or from the related party or entities in which the related party has a material interest, indebtedness, guarantees of indebtedness and employment by the Company of a related party. The board of directors has adopted a written policy reflecting the policy and procedure identified above.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following is a summary of the fees billed to the Company by Frazier & Deeter, LLC and Skoda Minotti for professional accounting services rendered for the year ended December 31, 2019 and 2018.

	Fiscal Year 2019	Fiscal Year 2018
Audit fees	$ 318,400	$ 65,000
Tax fees	12,000	14,250
Other fees	77,882	20,112

Total	**$ 408,282**	**$ 99,362**

Audit fees consist of fees billed for services rendered for the audit of our financial statements and review of our financial statements included in our quarterly reports on Form 10–Q. Other fees consist of comfort letter service fees.

Tax fees consist of fees billed for professional services related to the preparation of our U.S. federal and state income tax returns.

Policy on Pre-Approval by Audit Committee of Services Performed by Independent Registered Public Accounting Firms

The policy of the audit committee is to pre-approve all audit and permissible non-audit services to be performed by the independent public accounting firm during the fiscal year. The audit committee pre-approves services by authorizing specific projects within the categories outlined above. The audit committee's charter delegates to its Chair the authority to address any requests for pre-approval of services between audit committee meetings, and the Chair must report any pre-approval decisions to the audit committee at its next scheduled meeting. All services related to the fees described above were approved by the audit committee pursuant to the pre-approval provisions set forth in the applicable SEC rules and the audit committee's charter.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) *Financial Statements*. The following are filed as part of Item 15 of this Annual Report on Form 10-K:

(a)(3) *Exhibits required by Item 601 of Regulation S-K*. The information required by this Section (a)(3) of Item 15 of this Annual Report on Form 10-K is set forth on the exhibit index that follows the Signatures page hereof.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

H-CYTE, Inc.

Date: April 22, 2020

By: */s/ William E. Horne*
William E. Horne,
Chief Executive Officer

Signature	Title	Date
/s/ William E. Horne William E. Horne	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	April 22, 2020
/s/ Jeremy Daniel Jeremy Daniel	Chief Financial Officer (Principal Financial and Accounting Officer)	April 22, 2020
/s/ Michael Yurkowsky Michael Yurkowsky	Director	April 22, 2020

EXHIBIT INDEX

Exhibits

Exhibit Number	Description
10.1	Note and warrant Purchase Agreement dated April 17, 2020;
10.2	Form of Secured Convertible Note dated April 17, 2020;
10.3	Form of warrant dated April 17, 2020;
10.4	Security Agreement dated April 17, 2020;
10.5	Intellectual Property Security Agreement dated April 17, 2020
10.6	Form of Subsidiary Guarantee dated April 17, 2020;
10.7	Amendment Letter to William Horne Employment Agreement dated April 17, 2020; and
10.8	First amendment to Hawes Secured Note dated April 17, 2020.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Principal Financial and Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

(*) Filed herewith

ITEM 16. SUMMARY.

NONE.

Exhibit 10.1

H-CYTE, INC.

SECURED CONVERTIBLE NOTE AND WARRANT PURCHASE AGREEMENT

as of April 17, 2020

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SECURED CONVERTIBLE NOTE AND WARRANT PURCHASE AGREEMENT

This Secured Convertible Note and Warrant Purchase Agreement (this "**Agreement**") is entered into as of April 17, 2020 (the "**Effective Date**"), by and among H-Cyte, Inc., a Nevada corporation (the "**Company**"), FWHC Bridge, LLC, a Delaware limited liability company (the "**Lead Purchaser**") and any other Purchaser delivering a counterpart signature page to this Agreement.

The parties agree as follows:

1. Purchase and Sale of Convertible Notes and Warrants.

1.1. Sale and Issuance of Convertible Notes and Warrants .

(a) Prior to the Initial Closing (as defined below), the Lead Purchaser advanced funds to the Company in the amount of $1,000,000 (the "**Advance**") and the Company executed and delivered to the Lead Purchaser an Amended and Restated Demand Note in the amount of the Advance (the "**Advance Note**").

(b) The initial purchase and sale of the Notes contemplated by thisSection 1.1(a) (the "**Initial Closing**") will take place remotely via the exchange of documents and signatures on the Effective Date. Subject to the terms and conditions of this Agreement, at the Initial Closing, the Lead Purchaser and the other Purchasers party hereto on the Effective Date (the "**Initial Purchasers**") will each advance to the Company an amount equal to the "**Bridge Funding Commitment**" amount set forth opposite such Initial Purchaser's name on Schedule I to this Agreement and the Company will sell and issue to each Initial Purchaser a secured convertible promissory note, in the form attached as Exhibit A to this Agreement in the original principal amount of such Initial Purchaser's Bridge Funding Commitment. At the Initial Closing, the Company will also execute and deliver a separate secured convertible promissory note, also in the form attached as Exhibit A to this Agreement, to the Lead Purchaser in an amount equal to the Advance provided by the Lead Purchaser to the Company prior to the Initial Closing, together with any accrued and unpaid interest thereon (the "**Converted Advance Note**"), which such Converted Advance Note will serve as an amendment of and substitution for the Advance Note. The secured convertible promissory notes issued at the Initial Closing are referred to herein as the "**Initial Notes**". At the Initial Closing, the Company will also execute and deliver to each holder of an Initial Note a ten-year warrant to purchase shares of the Company's Common Stock, each in the form attached as Exhibit B to this Agreement (the "**Initial Warrants**"). For further clarity, the Lead Purchaser will receive two separate Warrants at the Initial Closing, (i) a Warrant with respect to the Lead Purchaser's purchase of an Initial Note at the Initial Closing through the funding of its Bridge Funding Commitment and (ii) a Warrant with respect to the issuance of the Converted Advance Note to the Lead Purchaser (the "**Converted Advance Warrant**").

(c) Following the Initial Closing, the Company may, subject to the approval of the Lead Purchaser, offer, issue and sell, on the same price, terms and conditions as those contained in this Agreement, at one or more subsequent closings (each, an "**Additional Closing**"), (i) secured convertible promissory notes, each in the form attached as Exhibit A to this Agreement (the "**Additional Notes**" and together with the Initial Notes, the "**Notes**") to the Lead Purchaser and/or one or more additional investors who is a holder of capital stock of the Company and executes a counterpart signature page to this Agreement (the "**Additional Purchasers**" and together with the Lead Purchaser, the "**Purchasers**") and (ii) ten-year warrants to purchase shares of the Company's Common Stock each in the form attached as Exhibit B to this Agreement (the "**Additional Warrants**" and together with the Initial Warrants, the "**Warrants**"). Upon any Additional Closing, Schedule I to this Agreement shall be updated to reflect any Additional Notes and Additional Warrants purchased at such Additional Closing.

(d) Subject to the terms and conditions of this Agreement, at each Closing, the Company shall deliver to each applicable Purchaser in addition to their Note(s) and Warrant(s): (i) the Security Agreement substantially in the form attached hereto as Exhibit C, duly executed by the Company (the "**Security Agreement**"), (ii) the Absolute Guaranty of Payment and Performance in the form attached hereto as Exhibit D (the "**Subsidiary Guaranty**"), duly executed by each Subsidiary of the Company, (iii) the Intellectual Property Security Agreement in the form attached hereto as Exhibit E, duly executed by the Company (the "**IP Security Agreement**") and (iv) Subordination Agreements, each substantially in the form attached hereto as Exhibit F, duly executed by each of the holders of outstanding indebtedness of the Company subordinating their indebtedness to the rights of the Purchasers under their Notes (the "**Subordination Agreements**"). For the avoidance of doubt, the Lead Purchaser shall not be required to deliver a Subordination Agreement with respect to the Hawes Note.

(e) Each purchase of Securities by a Purchaser is a separate transaction from each other purchase of Securities by any other Purchaser. No Purchaser shall have any obligation to purchase any Securities or otherwise provide any additional funding to the Company other than as set forth on Schedule I and in any event on the terms and subject to the conditions in this Agreement. Any and all obligations of the Purchasers under the Transaction Documents are several and not joint and several; no Purchaser shall be liable for the failure of any other Purchaser to purchase any Securities in accordance with this Section 1.1, for any breach of representation or warranty by any other Purchaser, or for any other act or omission by any other Purchaser.

(f) Each Warrant issued pursuant to this Agreement shall entitle the Purchaser holding such Warrant the right to purchase up to one hundred percent (100%) of the aggregate number of shares of Common Stock into which such Purchaser's Note may ultimately be converted, provided, that as partial consideration for the Advance provided by the Lead Purchaser prior to the Effective Date, the Converted Advance Warrant shall entitle the holder thereof to purchase up to two hundred percent (200%) of the aggregate number of shares of Common Stock into which the Converted Advance Note may ultimately be converted. Any Warrant (other than the Converted Advance Warrant) issued to a Purchaser pursuant this Agreement is subject to immediate forfeiture and termination upon a Purchaser Subscription Default with respect to such Purchaser.

1.2. Use of Proceeds. In accordance with the directions of the Board, the Company will use the proceeds from the sale of the Notes for funding the Company's payroll and other general corporate purposes and shall not use such proceeds: (a) for the satisfaction of any portion of the Company's debt, (b) for the redemption of any Common Stock or Common Stock Equivalents, (c) for the settlement of any outstanding litigation, or (d) in violation of FCPA or OFAC regulations.

1.3. Defined Terms Used in this Agreement. The following terms used in this Agreement have the meanings set forth or referenced below.

"**Acquiring Person**" has the meaning set forth in Section 4.5 of this Agreement.

"**Action**" means any action, claim, suit, inquiry, notice of violation, proceeding or investigation before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign), whether commenced or threatened.

"**Additional Closing**" has the meaning set forth in Section 1.1(c) of this Agreement.

"**Additional Notes**" has the meaning set forth in Section 1.1(c) of this Agreement.

"**Additional Purchaser**" and "**Additional Purchasers**" has the meaning set forth in Section 1.1(b) of this Agreement.

"**Additional Warrants**" has the meaning set forth in Section 1.1(c) of this Agreement.

"**Advance**" has the meaning set forth in Section 1.1(a) of this Agreement.

"**Advance Note**" has the meaning set forth in Section 1.1(a) of this Agreement.

"**Affiliate**" means, with respect to any specified Person, any other Person who or which, directly or indirectly, Controls, is Controlled by, or is under common Control with such specified Person, including, without limitation, any general partner, officer, director, managing member or manager of such Person or any venture capital fund or family office now or hereafter existing that is Controlled by one or more general partners, managing members or managers of, or shares the same management company with, such Person.

"**Agreement**" has the meaning set forth in the first paragraph of this Agreement.

"**Applicable Law**" means any domestic or foreign, federal, state or local statute, law, ordinance, policy, guidance, rule, administrative interpretation, regulation, order, writ, injunction, directive, judgment, decree or other legal requirement, of any governmental authority applicable to the Company or any of its properties, assets, operations, officers, directors, employees, consultants or agents.

"**Backstop Commitment**" means the commitment under the Equity Commitment Agreement to be entered into immediately prior to the commencement of the Rights Offering among the Company and the Purchasers, pursuant to which the Purchasers (on a pro rata basis based on the relative principal amount of their respective Notes, excluding the Converted Advance Note) will agree to purchase shares of preferred stock in the Company that are not subscribed for by purchasers in the Rights Offering at the offering price, subject to a cap equal to the Aggregate Commitment of the Purchasers (excluding amounts funded under the Converted Advanced Note) as set forth on Schedule I to this Agreement.

"**Board**" means the Board of Directors of the Company.

"**Bridge Funding Commitment**" has the meaning set forth in Section 1.1(b) of this Agreement.

"**Business Day**" means any day other than a Saturday, Sunday or a day on which banks are required or permitted to be closed in Tampa, Florida.

"**Certificate**" means the Amended and Restated Articles of Incorporation of the Company, filed with the Secretary of State of Nevada on July 11, 2019, as amended by (a) the Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock of the Company dated as of February 3, 2017, (b) the Amended and Restated Certificate of Designation of Preferences, Rights and Limitations of 5% Series B Preferred Stock of the Company dated as of November 15, 2019, (c) the Certificate of Designation of Preferences, Rights and Limitations of Series C Convertible Preferred Stock dated as of October 17, 2018 and (d) the Certificate of Designation of Preferences, Rights and Limitations of Series D Preferred Stock of the Company dated as of November 15, 2019.

"**Closing**" means the Initial Closing and each Additional Closing (if any).

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Commission**" means the United States Securities and Exchange Commission.

"**Common Stock**" means shares of the Company's common stock, par value $0.001 per share.

"**Common Stock Equivalents**" means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, the Notes, the Conversion Shares, the Warrants, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive Common Stock.

"**Company**" has the meaning set forth in the first paragraph of this Agreement.

"**Control**" as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by contract or otherwise.

"**Conversion Shares**" means, collectively, the shares of the Company's preferred stock issuable upon conversion of the Notes and the shares of Common Stock issuable upon conversion of such shares of preferred stock.

"**Converted Advance Note**" has the meaning set forth in Section 1.1(b) of this Agreement.

"**Converted Advance Warrant**" has the meaning set forth in Section 1.1(b) of this Agreement.

"**Disqualifying Event**" has the meaning set forth in Section 2.21 of this Agreement.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"**Existing Investment Documents**" means, collectively, the Investors' Rights Agreement, the Right of First Refusal and Co-Sale Agreement, the Voting Agreement, and the Certificate.

"**FCPA**" means the Foreign Corrupt Practices Act of 1977, as amended.

"**Financial Statements**" has the meaning set forth in Section 2.6 of this Agreement.

"**Hawes Note**" has the meaning set forth in Section 4.16 of this Agreement.

"**Indebtedness**" means, with respect to any Person, without duplication, such Person's (a) obligations for borrowed money, (b) obligations representing the deferred purchase price of property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade and not outstanding more than 90 days past the date of invoice), (c) obligations, whether or not assumed, secured by Liens or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person (but the amount of such Indebtedness shall not exceed the lesser of such Indebtedness or the value of the property subject to such Lien), (d) obligations which are evidenced by notes, acceptances, or other debt instruments, (e) obligations of such Person to purchase securities or other property arising out of or in connection with the sale of the same or substantially similar securities or property, (f) obligations under capitalized leases and obligations created or arising under any conditional sale or other title retention agreement, (g) contingent obligations, (h) obligations under or relating to hedging or swap instruments, (i) off-balance sheet liabilities, (j) obligations under sale and leaseback transactions, and (k) the aggregate undrawn face amount of all letters of credit issued for the account and/or upon the application of such Person together with all unreimbursed drawings with respect thereto.

"**Initial Closing**" has the meaning set forth in Section 1.1(b) of this Agreement.

"**Initial Notes**" has the meaning set forth in Section 1.1(b) of this Agreement.

"**Initial Purchasers**" has the meaning set forth in Section 1.1(b) of this Agreement.

"**Initial Warrants**" has the meaning set forth in Section 1.1(b) of this Agreement.

"**Investors' Rights Agreement**" means the Investors' Rights Agreement, dated as of November 15, 2019, among the Company and certain stockholders of the Company, as it may be amended and/or restated.

"**IP Security Agreement**" has the meaning set forth in Section 1.1(b) of this Agreement.

"**Lead Purchaser**" has the meaning set forth in the first paragraph of this Agreement.

"**Lien**" means a lien, charge, pledge, security interest, hypothecation, mortgage, encumbrance, right of first refusal, preemptive right or other restriction.

"**Material Adverse Effect**" means a material adverse effect on the business, assets (including intangible assets), liabilities, financial condition, property or results of operations of the Company and its Subsidiaries.

"**Money Laundering Laws**" has the meaning set forth in Section 2.26 of this Agreement.

"**Notes**" has the meaning set forth in Section 1.1(c) of this Agreement.

"**OFAC**" has the meaning set forth in Section 2.25 of this Agreement.

"**Organizational Change**" has the meaning set forth in Section 4.11 of this Agreement.

"**Person**" means any individual, corporation, partnership, trust, limited liability company, association or other entity.

"**Price Protected Securities**" has the meaning set forth in Section 2.7 of this Agreement.

"**Purchaser**" and "**Purchasers**" has the meaning set forth in Section 1.1(b) of this Agreement.

"**Purchaser Party**" has the meaning set forth in Section 4.7 of this Agreement.

"**Purchaser Subscription Default**" has the meaning set forth in Section 4.15(c) of this Agreement.

"**Qualified Financing**" shall mean a Rights Offering conducted by the Company with aggregate gross cash proceeds to the Company of not less than $3,600,000 (or such lesser amount approved in writing by the Lead Purchaser), which shall be calculated exclusive of (a) any amounts converted under the Notes or any other convertible notes or other monetary obligations which are converted in connection with such Qualified Financing or (b) any amounts received by the Company in connection with the Backstop Commitment at the closing, if any, of the Backstop Commitment.

"**Qualified Financing Closing**" means (a) the date of the closing of the Rights Offering, assuming all shares of the Company's preferred stock offered for subscription through the Rights Offering are subscribed in full and (b) the date of the closing of the Backstop Commitment, assuming not all shares of the Company's preferred stock offered for subscription through the Rights Offering are subscribed in full.

"**Qualified Financing Commitment**" has the meaning set forth in Section 4.15(a) of this Agreement.

"**Required Filings and Approvals**" means collectively, (a) the filings required pursuant to Section 4.4, (b) the notice and/or application(s) to each applicable Trading Market for the issuance and sale of the Notes and the listing of the Conversion Shares for trading thereon in the time and manner required thereby and (c) the filing of a Form D with the Commission and such filings as are required to be made under applicable state securities laws.

"**Required Minimum**" means, as of any date (updated on a monthly basis), the maximum aggregate number of shares of Common Stock then issuable pursuant to the Transaction Documents (including any Warrant Shares or Common Stock issuable upon conversion of Conversion Shares), multiplied by 1.0.

"**Right of First Refusal and Co-Sale Agreement**" means the Right of First Refusal and Co-Sale Agreement, dated as of November 15, 2019, among the Company and certain stockholders of the Company, as it may be amended and/or restated.

"**Rights Offering**" means a subscription rights offering to be conducted by Company following the Effective Date with the principal purpose of raising capital in which the existing holders of Common Stock of the Company are offered the right on a pro rata basis to subscribe for shares of the Company's newly authorized series of preferred stock, subject to the restrictions set forth in Section 4.17 of this Agreement.

"**SEC Reports**" has the meaning set forth in Section 2.10 of this Agreement.

"**Securities**" means the Notes, the Warrants, the Conversion Shares and the Warrant Shares.

"**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"**Security Agreement**" has the meaning set forth in Section 1.1(b) of this Agreement.

"**Series D Preferred Stock**" means the Series D Preferred Stock of the Company, par value $0.001 per share.

"**Short Sales**" means all "short sales" as defined in Rule 200 of Regulation SHO under the Exchange Act (but shall not be deemed to include the location and/or reservation of borrowable shares of Common Stock).

"**Subordination Agreement**" has the meaning set forth in Section 1.1(b) of this Agreement.

"**Subsidiary**" means any direct or indirect corporation, limited or general partnership, limited liability company, trust, estate, association, joint venture or other business entity of which (a) more than 30% of (i) the outstanding capital stock having (in the absence of contingencies) ordinary voting power to elect a majority of the board of directors or other managing body of such entity, (ii) in the case of a partnership or limited liability company, the interest in the capital or profits of such partnership or limited liability company or (iii) in the case of a trust, estate, association, joint venture or other entity, the beneficial interest in such trust, estate, association or other entity business is, at the time of determination, owned or controlled directly or indirectly through one or more intermediaries, by such entity, or (b) is under the actual control of the Company.

"**Subsidiary Guaranty**" has the meaning set forth in Section 1.1(b) of this Agreement.

"**Trading Day**" means a day on which the principal Trading Market is open for trading.

"**Trading Market**" means the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE American LLC, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, the OTC Bulletin Board, the OTCQX or OTCQB as maintained by OTC Markets, Inc.

"**Transaction Documents**" means this Agreement, the Security Agreement, the Subsidiary Guaranty, the IP Security Agreement, the Subordination Agreements, the Notes and the Warrants.

"Voting Agreement" means the Amended and Restated Voting Agreement, dated as of November 15, 2019, among the Company and certain stockholders of the Company, as it may be further amended and/or restated.

"**Warrant Shares**" means the shares of Common Stock issued and issuable upon exercise of the Warrants in accordance with the terms of the Transaction Documents.

"**Warrants**" has the meaning set forth in Section 1.1(c) of this Agreement.

2. Representations and Warranties of the Company . The Company represents and warrants to each Purchaser that the following representations and warranties are true and complete as of the applicable Closing at which such Purchaser is acquiring Notes hereunder. For purposes of these representations and warranties (other than those in Sections 2.1, 2.2, 2.3, and 2.4), the term "**Company**" shall include any Subsidiaries of the Company, unless otherwise noted in this Agreement.

2.1. Organization, Good Standing, Corporate Power and Qualification. The Company is a corporation duly incorporated, validly existing, and in good standing under the laws of the State of Nevada and has all requisite corporate power and authority to carry on its business as presently conducted and as proposed to be conducted. The Company is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to so qualify would have a Material Adverse Effect.

2.2. Subsidiaries. Except as set forth on Schedule 2.2, the Company does not currently own or Control, nor has it ever owned or Controlled, directly or indirectly, any interest in any other corporation, partnership, trust, joint venture, limited liability company, association, or other business entity. The Company is not a participant in any joint venture, partnership or similar arrangement.

2.3. Authorization. All corporate action required to be taken by the Board and the Company's stockholders in order to authorize the Company to enter into the Transaction Documents, and to issue the Notes at the Closing, has been taken or will be taken prior to the Closing. All action on the part of the officers of the Company necessary for the execution and delivery of the Transaction Documents, the performance of all obligations of the Company under the Transaction Documents to be performed as of the Closing, and the issuance and delivery of the Securities to be issued at the Closing has been taken or will be taken prior to the Closing other than in connection with the Required Filings and Approvals. The Transaction Documents, when executed and delivered by the Company, will constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their respective terms.

2.4. Valid Issuance. Assuming the accuracy of the representations of the Purchasers in Section 3 and subject to the filings described in Section 2.5(a)(ii), the Securities will be issued in compliance with all applicable federal and state securities laws. Subject to (i) Board approval of, and the filing of an amendment to, amendment and restatement of, or certificate of designation with respect to, the Certificate in order to establish the series of preferred stock issuable upon conversion of the Notes, which have been obtained or will be obtained in a timely manner and (ii) the valid election to convert the Note into Conversion Shares in accordance with the terms of the Note, the Conversion Shares will be validly issued, fully paid, and nonassessable, and free of restrictions on transfer other than restrictions on transfer under the Transaction Documents and the Existing Investment Documents, applicable federal and state securities laws, and Liens created by or imposed by the Purchasers. Based in part on the representations of the Purchasers in Section 3, and subject to Section 2.5, the Conversion Shares issuable on conversion of the Notes will be issued in compliance with all applicable federal and state securities laws.

2.5. Governmental Consents and Filings; Compliance with Law and Other Instruments.

(a) Assuming the accuracy of the representations made by the Purchasers in Section 3, no consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority is required on the part of the Company in connection with the consummation of the transactions contemplated by the Transaction Documents, except for (i) Board and stockholder approval of, and the filing of an amendment to, amendment and restatement of, or certificate of designation with respect to, the Certificate in order to establish the series of any preferred stock issuable upon conversion of the Notes, which have been obtained or will be obtained in a timely manner, and (ii) filings pursuant to Regulation D of the Securities Act, and applicable state securities laws, which have been made or will be made in a timely manner.

(b) The transactions contemplated by this Agreement and the other Transaction Documents will not require any authorization, consent, approval, or waiver from, or notice to, any third person, except such as will have been validly completed or obtained prior to the Closing other than the Required Filings and Approvals. The execution, delivery and performance of the Transaction Documents and the consummation of the transactions contemplated by the Transaction Documents will not result in any such violation or be in conflict with or constitute, with or without the passage of time and giving of notice, either (i) a default under any such provision, instrument, judgment, order, writ, decree, contract or agreement or (ii) an event which results in the creation of any lien, charge or encumbrance upon any assets of the Company or the suspension, revocation, forfeiture, or non-renewal of any material permit or license applicable to the Company.

2.6. Financial Condition. The Company has delivered to each Purchaser its unaudited financial statements (including balance sheet, income statement and statement of cash flows) for the fiscal year ended December 31, 2019 and for the 3-month period ended March 31, 2020 (collectively, the "**Financial Statements**"). The Financial Statements fairly present in all material respects the financial condition and operating results of the Company as of the dates, and for the periods, indicated therein, subject to normal year-end audit adjustment (none of which would be material). Except as set forth in Schedule 2.6 hereto, since December 31, 2019, the Company has not suffered any Material Adverse Effect and no event has occurred, and no circumstance exists, that could reasonably be expected to result in a Material Adverse Effect. The Company has no liabilities, obligations or commitments of any nature whatsoever, asserted or unasserted, known or unknown, absolute or contingent, accrued or unaccrued, matured or unmatured or otherwise except those which are adequately reflected or reserved against in the most recent financial statements other than (i) those which are adequately reflected or reserved against in the most recent Financial Statements, (ii) liabilities incurred in the ordinary course of business subsequent to March 31, 2020; (iii) obligations under contracts and commitments incurred in the ordinary course of business (other than as a result of a breach or default of the Company thereunder); and (iv) liabilities and obligations of a type or nature not required under the U.S. generally accepted accounting principles to be reflected in the Financial Statements, which, in all such cases, individually and in the aggregate would not have a Material Adverse Effect.

2.7. Price Protection Termination. Schedule 2.7 sets forth the holders of all Common Stock or Common Stock Equivalents (including without limitation, any option, warrant, convertible note or other instrument issued by the Company that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive Common Stock) for which the terms of such securities provide for anti-dilution (whether weighted, full ratchet or otherwise) or other similar exercise price or conversion price protection ("**Price Protected Securities**"). Notwithstanding the foregoing, Price Protected Securities does not include any shares of Series D Preferred Stock. The Company has delivered to the Lead Purchaser instruments duly executed by each such holder of any Price Protected Securities terminating any anti-dilution or other price protection features set forth in all Price Protected Securities held by such holder. Other than with respect to the Series D Preferred Stock, there are no shares of Common Stock or Common Stock Equivalents outstanding, or any outstanding option, warrant, convertible note or other instrument issued by the Company that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive Common Stock that contain any anti-dilution or other price protection features which was not terminated prior to the Initial Closing.

2.8. Indebtedness. Schedule 2.8 lists (a) all Indebtedness of the Company and its Subsidiaries (other than Indebtedness under the Notes) as of the Closing (along with the amounts outstanding thereunder), (b) the Liens that relate to such Indebtedness and that encumber the assets of the Company and its Subsidiaries, (c) the name of each lender thereof, and (d) the amount of any unfunded commitments, if any, available to the Company and its Subsidiaries in connection with any such Indebtedness facilities.

2.9. Title to Assets. The Company has good and marketable title in fee simple to all real property owned by them and good and marketable title in all personal property owned by them that is material to the business of the Company, in each case free and clear of all Liens except for (a) Liens arising under, or permitted pursuant to, the Security Agreement, as the same may be amended and/or restated from time to time, (b) Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and (c) Liens for the payment of federal, state or other taxes, for which appropriate reserves have been made therefor in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved and the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company are held by it under valid, subsisting and enforceable leases with which the Company is in compliance.

2.10. SEC Reports. The Company has filed all reports, schedules, forms, statements and other documents, required to be filed by the Company under Section 13 or 15(d) of the Exchange Act for the two years preceding the Effective Date (the foregoing materials, in addition to all schedules, forms, statements and other documents filed with the Securities and Exchange Commission for the two years preceding the Effective Date, including any amendments thereto, the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "**SEC Reports**") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Company has never been an issuer subject to Rule 144(i) under the Securities Act.

2.11. Certain Fees. No brokerage or finder's fees or commissions are or will be payable by the Company to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. No Purchaser shall have any obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section 2.11 that may be due in connection with the transactions contemplated by the Transaction Documents.

2.12. Private Placement. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3, no registration under the Securities Act is required for the offer and sale of the Securities by the Company to the Purchasers as contemplated hereby. The issuance and sale of the Securities hereunder does not contravene the rules and regulations of the Trading Market.

2.13. Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Securities, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become subject to the Investment Company Act of 1940, as amended.

2.14. Listing and Maintenance Requirements. Except as disclosed in the SEC Reports, the Company has not, in the 12 months preceding the Effective Date, received notice from any Trading Market on which the Common Stock is or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Trading Market. The Company is required to and has made current filings under Section 13 or 15(d) of the Exchange Act. The Common Stock is currently eligible for electronic transfer through the Depository Trust Company or another established clearing corporation and the Company is current in payment of the fees to the Depository Trust Company (or such other established clearing corporation) in connection with such electronic transfer.

2.15. No Integrated Offering. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3, neither the Company, nor, to the Company's knowledge, any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Securities to be integrated with prior offerings by the Company for purposes of the Securities Act which would require the registration of any such securities under the Securities Act.

2.16. Tax Status. Except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, the Company (a) has made or filed all United States federal, state and local income and all foreign income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, (b) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, and (c) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company or of any Subsidiary know of no basis for any such claim.

2.17. No General Solicitation. Neither the Company nor, to the Company's knowledge, any person acting on behalf of the Company has offered or sold any of the Securities by any form of general solicitation or general advertising. The Company has offered the Securities for sale only to the Purchasers and certain other "accredited investors" within the meaning of Rule 501 under the Securities Act.

2.18. Foreign Corrupt Practices. None of the Company or, the knowledge of the Company, any agent or other person acting on behalf of the Company has: (a) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (b) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (c) failed to disclose fully any contribution made by the Company (or made by any person acting on its behalf of which the Company is aware) which is in violation of law or (d) violated in any material respect any provision of FCPA. The Company further represents that it has maintained, and has caused each of its Subsidiaries and affiliates to maintain, systems of internal controls (including, but not limited to, accounting systems, purchasing systems and billing systems) and written policies to ensure compliance with the FCPA or any other applicable anti-bribery or anti-corruption law, and to ensure that all books and records of the Company accurately and fairly reflect, in reasonable detail, all transactions and dispositions of funds and assets. Neither the Company nor any of its officers, directors or employees are the subject of any allegation, voluntary disclosure, investigation, prosecution or other enforcement action related to the FCPA or any other anti-corruption law.

2.19. No Disagreements with Accountants and Lawyers; Outstanding SEC Comments. There are no disagreements of any kind presently existing, or reasonably anticipated by the Company to arise, between the Company and the accountants and lawyers formerly or presently employed by the Company and the Company is or, immediately after the Initial Closing, will be current with respect to any fees owed to its accountants which could affect the Company's ability to perform any of its obligations under any of the Transaction Documents. There are no unresolved comments or inquiries received by the Company or its Affiliates from the Commission which remain unresolved as of the Effective Date.

2.20. Acknowledgment Regarding Purchasers' Purchase of Securities. The Company acknowledges and agrees that each of the Purchasers is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated thereby. The Company further acknowledges that no Purchaser is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby and any advice given by any Purchaser or any of their respective representatives or agents in connection with the Transaction Documents and the transactions contemplated thereby is merely incidental to the Purchasers' purchase of the Securities. The Company further represents to each Purchaser that the Company's decision to enter into this Agreement and the other Transaction Documents has been based solely on the independent evaluation of the transactions contemplated hereby by the Company and its representatives.

2.21. Disqualification. No executive officer, member of the Board of Directors of the Company or, to the knowledge of the Company, any shareholder of the Company beneficially owning more than 10% of the Company's securities is currently subject to a Disqualifying Event. For purposes of this Agreement, "**Disqualifying Event**" means any conviction, order, judgment, decree, suspension, expulsion, event or other matter set out in Rule 506(d)(1)(i) through 506(d)(1)(viii) of Regulation D that is currently in effect or which occurred within the periods set out in Rule 506(d)(1)(i) through (viii).

2.22. Acknowledgment Regarding Each Purchaser's Trading Activity. Anything in this Agreement or elsewhere herein to the contrary notwithstanding, it is understood and acknowledged by the Company that: (a) none of the Purchasers has been asked by the Company to agree, nor has any such Purchaser agreed, to desist from purchasing or selling, long and/or short, securities of the Company, or "derivative" securities based on securities issued by the Company or to hold the Securities for any specified term, (b) past or future open market or other transactions by any Purchaser, specifically including, without limitation, Short Sales or "derivative" transactions, before or after the closing of this or future private placement transactions, may negatively impact the market price of the Company's publicly-traded securities, (c) any Purchaser, and counter-parties in "derivative" transactions to which any such Purchaser is a party, directly or indirectly, presently may have a "short" position in the Common Stock and (d) each Purchaser shall not be deemed to have any affiliation with or control over any arm's length counter-party in any "derivative" transaction. The Company further understands and acknowledges that (i) one or more Purchasers may engage in hedging activities at various times during the period that the Securities are outstanding, including, without limitation, during the periods that the value of the Securities are being determined, and (ii) such hedging activities (if any) could reduce the value of the existing stockholders' equity interests in the Company at and after the time that the hedging activities are being conducted. The Company acknowledges that such aforementioned hedging activities do not constitute a breach of any of the Transaction Documents.

2.23. Regulation M Compliance. The Company has not, and to its knowledge no one acting on its behalf has, (a) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (b) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Securities, or (c) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company, other than, in the case of clauses (b) and (c), compensation paid to the Company's placement agent, if any, in connection with the placement of the Securities.

2.24. Insurance. The Company is insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which the Company is engaged, including, but not limited to, directors and officers insurance coverage in amounts customary in the businesses in which the Company and the Subsidiaries are engaged. The Company does not have any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

2.25. Office of Foreign Assets Control. None of the Company or, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("**OFAC**").

2.26. Money Laundering. The operations of the Company are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the "**Money Laundering Laws**"), and no Action by or before any court or governmental agency, authority or body or any arbitrator involving the Company with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

2.27. Takeover Protections. The Company and the Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the Company's articles of incorporation (or similar charter documents), any certificates of designation adopted by the Company pursuant to its articles of incorporation or the laws of its state of incorporation that is or could become applicable to the Purchasers as a result of the Purchasers and the Company fulfilling their obligations or exercising their rights under the Transaction Documents, including without limitation as a result of the Company's issuance of Securities and the Purchasers' ownership of the Securities.

2.28. Promotional Stock Activities. Neither the Company, nor any of its officers, directors, affiliates or agents, have engaged in any stock promotional activity that could give rise to a complaint or inquiry by the Commission alleging (a) a violation of the anti-fraud provisions of the U.S. federal securities laws, (b) violations of the anti-touting provisions of the U.S. federal securities laws, (c) improper "gun-jumping" under applicable law, or (d) improper promotion of the Company or its securities without adequate disclosure of compensation information.

2.29. Disclosure. No representation or warranty of the Company contained in this Agreement, as qualified by the Schedules attached hereto, and no certificate furnished or to be furnished to Purchasers at the Closing contains any untrue statement of a material fact or, omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made. All disclosures furnished in writing by or on behalf of the Company to the Purchasers regarding the Company, its business and the transactions contemplated hereby, are true and correct and do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The press releases disseminated by the Company during the twelve months preceding the Effective Date taken as a whole do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made and when made, not misleading.

3. Representations and Warranties of the Purchasers. Each Purchaser, severally and not jointly, represents and warrants to the Company (with respect to itself only and not any other Purchaser), as of the Closing, that:

3.1. Authorization. The Purchaser has full power and authority to enter into the Transaction Documents. The Transaction Documents to which such Purchaser is a party, when executed and delivered by the Purchaser, will constitute valid and legally binding obligations of the Purchaser, enforceable in accordance with their terms, except (a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, and any other laws of general application affecting enforcement of creditors' rights generally, and as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies, or (b) to the extent the indemnification provisions contained in the Existing Investment Documents may be limited by applicable federal or state securities laws.

3.2. Purchase Entirely for Own Account. This Agreement is made with the Purchaser in reliance upon the Purchaser's representation to the Company, which by the Purchaser's execution of this Agreement, the Purchaser confirms, that the Securities to be acquired by the Purchaser will be acquired for investment for the Purchaser's own account and not with a view to the resale or distribution of any part thereof, and that the Purchaser has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Agreement, the Purchaser further represents that the Purchaser does not presently have any contract, undertaking, agreement or arrangement with any Person to sell, transfer or grant participations to such Person or to any third Person, with respect to any of the Securities. The Purchaser has not been formed for the specific purpose of acquiring the Securities.

3.3. Restricted Securities. The Purchaser understands that the Securities have not been, and will not be, registered under the Securities Act, by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of the Purchaser's representations as expressed in this Agreement. The Purchaser understands that the Securities are "restricted securities" under applicable U.S. federal and state securities laws and that, pursuant to these laws, the Purchaser must hold the Securities indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities, or an exemption from such registration and qualification requirements is available. The Purchaser acknowledges that the Company has no obligation to register or qualify the Securities for resale except as set forth in the Investors' Rights Agreement. The Purchaser further acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Securities, and on requirements relating to the Company which are outside of the Purchaser's Control, and which the Company is under no obligation and may not be able to satisfy.

3.4. No Public Market. The Purchaser understands that no public market now exists for the Securities, and that the Company has made no assurances that a public market will ever exist for the Securities.

3.5. Legends. The Purchaser understands that the Conversion Shares issued in respect of or exchange for the Notes, may bear one or all of the following legends (or a substantially similar legend):

(a) "THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH TRANSFER MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933."

(b) Any legend set forth in, or required by, the other Transaction Documents and the Existing Investment Documents.

(c) Any legend required by the securities laws of any state to the extent such laws are applicable to the securities represented by the certificate so legended.

3.6. Accredited Investor. The Purchaser is an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act.

3.7. U.S. Investors. The Purchaser is a United States person (as defined by Section 7701(a)(30) of the Code).

3.8. No General Solicitation. Neither the Purchaser nor any of its officers, managers, directors, employees, agents, members, stockholders or partners has either, directly or indirectly, including through a broker or finder (a) engaged in any general solicitation, or (b) published any advertisement, in connection with the offer and sale of the Securities.

3.9. Residence. The office of the Purchaser in which its principal place of business is located is set forth on Schedule I.

3.10. Exculpation Among Purchasers. Each Purchaser acknowledges that it is not relying upon any Person, other than the Company and its officers and directors, in making its investment or decision to invest in the Company. Each Purchaser agrees that no Purchaser or the respective Controlling Persons, officers, directors, managers, partners, agents, or employees of any Purchaser shall be liable to any other Purchaser for any action heretofore or hereafter taken or omitted to be taken by any of them in connection with the purchase of the Securities. Each Purchaser, on its own behalf and on behalf of its Controlling Persons, officers, directors, managers, partners, agents, or employees, hereby irrevocably covenants and agrees not to directly or indirectly assert any claims, actions or causes of action whatsoever, in law or in equity and agrees not to commence, institute or cause to be commenced or instituted, any proceeding of any kind against any other Purchaser or such Purchaser's Controlling Persons, officers, directors, managers, partners, agents, or employees, in connection with the purchase of the Securities hereunder.

4. Other Agreements of the Parties.

4.1. Acknowledgment of Dilution. The Company acknowledges that the issuance of the Securities may result in dilution of the outstanding shares of Common Stock, which dilution may be substantial under certain market conditions. The Company further acknowledges that its obligations under the Transaction Documents, including, without limitation, its obligation to issue the Conversion Shares and Warrant Shares pursuant to the Transaction Documents, are, except as otherwise set forth in the Transaction Documents, unconditional and absolute and not subject to any right of set off, counterclaim, delay or reduction, regardless of the effect of any such dilution or any claim the Company may have against any Purchaser and regardless of the dilutive effect that such issuance may have on the ownership of the other stockholders of the Company.

4.2. Furnishing of Information. The Company represents and warrants to the Purchasers that the Company files reports with the Commission pursuant to Section 13 or 15(d) of the Exchange Act. Until such time that no Purchaser owns Securities, the Company covenants to maintain the registration of the Common Stock under Section 12(b) or 12(g) of the Exchange Act and to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the Effective Date pursuant to the Exchange Act even if the Company is not then subject to the reporting requirements of the Exchange Act.

4.3. Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities to the Purchasers in a manner that would require the registration under the Securities Act of the sale of the Securities to the Purchasers.

4.4. Securities Laws Disclosure; Publicity. The Company shall (a) by 9:00 a.m. (New York City time) on the Trading Day immediately following the Effective Date, issue a press release disclosing the material terms of the transactions contemplated hereby, and (b) file a Current Report on Form 8-K, including the Transaction Documents as exhibits thereto, with the Commission within the time required by the Exchange Act. From and after the issuance of such press release, the Company represents to the Purchasers that it shall have publicly disclosed all material, non-public information delivered to any of the Purchasers by the Company or any of its Subsidiaries, or any of their respective officers, directors, employees or agents in connection with the transactions contemplated by the Transaction Documents. In addition, effective upon the issuance of such press release, the Company acknowledges and agrees that any and all confidentiality or similar obligations under any agreement, whether written or oral, between the Company, any of its Subsidiaries or any of their respective officers, directors, agents, employees or Affiliates on the one hand, and any of the Purchasers or any of their Affiliates on the other hand, shall terminate. The Company and the Lead Purchaser shall consult with each other in issuing any other press releases with respect to the transactions contemplated hereby, and neither the Company nor any Purchaser shall issue any such press release nor otherwise make any such public statement without the prior consent of the Company, with respect to any press release of any Purchaser, or without the prior consent of the Lead Purchaser, with respect to any press release of the Company, which consent shall not unreasonably be withheld or delayed, except if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication. Notwithstanding the foregoing, the Company shall not publicly disclose the name of any Purchaser, or include the name of any Purchaser in any filing with the Commission or any regulatory agency or Trading Market, without the prior written consent of such Purchaser, except: (i) as required by federal securities law in connection with the filing of final Transaction Documents with the Commission and (ii) to the extent such disclosure is required by law or Trading Market regulations, provided, however, that in each such case the, Company shall provide the Purchasers with prior notice of such disclosure.

4.5. Shareholder Rights Plan. The Company will not make or enforce any claim or, provide its consent to, any claim by any other Person, that any Purchaser or group of Purchasers is an "**Acquiring Person**" under any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or similar anti-takeover plan or arrangement in effect, or that any Purchaser or group of Purchasers could be deemed to trigger the provisions of any such plan or arrangement, by virtue of receiving Securities under the Transaction Documents or any other agreement between the Company and the Purchasers.

4.6. Non-Public Information. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, which shall be disclosed pursuant to Section 4.4, the Company covenants and agrees that neither it, nor any other Person acting on its behalf has provided or will provide any Purchaser or its agents or counsel with any information that constitutes, or the Company reasonably believes constitutes, material non-public information, unless prior thereto such Purchaser shall have consented to the receipt of such information and agreed with the Company to keep such information confidential. The Company understands and confirms that each Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company. To the extent that the Company delivers any material, non-public information to a Purchaser without such Purchaser's consent, the Company hereby covenants and agrees that such Purchaser shall not have any duty of confidentiality to the Company, any of its Subsidiaries, or any of their respective officers, directors, agents, employees or Affiliates, or a duty to the Company, any of its Subsidiaries or any of their respective officers, directors, agents, employees or Affiliates not to trade on the basis of, such material, non-public information, provided that the Purchaser shall remain subject to applicable law. To the extent that any notice provided pursuant to any Transaction Document constitutes, or contains, material, non-public information regarding the Company or any Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Company understands and confirms that each Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company.

4.7. Indemnification of Purchasers. Subject to the provisions of this Section 4.7, the Company will indemnify and hold each Purchaser and such Purchaser's directors, officers, shareholders, members, managers, managing members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls such Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, agents, members, managers, managing members, partners or employees (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a "**Purchaser Party**") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Purchaser Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the other Transaction Documents, (b) any action instituted against the Purchaser Parties in any capacity, or any of them or their respective Affiliates, by any stockholder of the Company who is not an Affiliate of such Purchaser Party, with respect to any of the transactions contemplated by the Transaction Documents (unless such action is based upon a breach of such Purchaser Party's representations, warranties or covenants under the Transaction Documents or any agreements or understandings such Purchaser Party may have with any such stockholder or any violations by such Purchaser Party of state or federal securities laws or any conduct by such Purchaser Party which constitutes fraud, gross negligence, willful misconduct or malfeasance) or (c) any untrue statement or alleged untrue statement of a material fact contained in any registration statement registering the sale or resale of the Securities, or related prospectus or prospectus supplement, or any information incorporated by reference therein, or arising out of or based upon any omission or alleged omission to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. If any action shall be brought against any Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the Company shall have the right to assume, pursue and maintain the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party. Any Purchaser Party shall have the right to engage separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the extent that (i) the engagement of such separate counsel thereof has been specifically authorized by the Company in writing, (ii) the Company has failed after a reasonable period of time to assume, pursue and maintain such defense and to engage counsel or (iii) in such action there is, in the reasonable opinion of counsel, a material conflict on any material issue between the position of the Company and the position of such Purchaser Party, in which case the Company shall be responsible for the reasonable fees and expenses of no more than one such separate counsel for such Purchaser Party. The Company will not be liable to any Purchaser Party under this Agreement (y) for any settlement by a Purchaser Party effected without the Company's prior written consent, which shall not be unreasonably withheld, conditioned or delayed; or (z) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Purchaser Party's breach of any of the representations, warranties, covenants or agreements made by such Purchaser Party in this Agreement or in the other Transaction Documents. The indemnification required by this Section 4.7 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or are incurred. The indemnity agreements contained herein shall be in addition to any cause of action or similar right of any Purchaser Party against the Company or others and any liabilities the Company may be subject to pursuant to law.

4.8. Reservation and Listing of Securities.

(a) From and after the Initial Closing, the Company shall maintain a reserve from its duly authorized shares of Common Stock for issuance pursuant to the Transaction Documents in such amount as may then be required to fulfill its obligations in full under the Transaction Documents (including Common Stock issuable upon conversion of Conversion Shares).

(b) If, on any date after the Initial Closing, the number of authorized but unissued (and otherwise unreserved) shares of Common Stock is less than the Required Minimum on such date, then the Board of Directors shall use commercially reasonable efforts to amend the Company's certificate or articles of incorporation to increase the number of authorized but unissued shares of Common Stock to at least the Required Minimum at such time, as soon as possible and in any event not later than the 90th calendar day after such date.

(c) The Company shall, if applicable but only after the Initial Closing: (i) in the time and manner required by the principal Trading Market, prepare and file with such Trading Market an additional shares listing application covering a number of shares of Common Stock at least equal to the Required Minimum on the date of such application, (ii) take all steps necessary to cause such shares of Common Stock to be approved for listing on such Trading Market as soon as possible thereafter, (iii) provide to each Purchaser evidence of such listing, and (iv) maintain the listing of such Common Stock on any date at least equal to the Required Minimum on such date on such Trading Market or another Trading Market.

4.9. Form D; Blue Sky Filings. The Company shall timely file a Form D with respect to the Securities and shall provide a copy thereof, promptly upon request of any Purchaser. The Company shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Securities for, sale to each applicable Purchaser at each Closing under applicable securities or "Blue Sky" laws of the states of the United States, and shall provide evidence of such actions promptly upon request of any Purchaser.

4.10. Transfer Agent. The Company covenants and agrees that it will at all times while the Securities remain outstanding maintain a duly qualified independent transfer agent.

4.11. Corporate Existence. So long as the Securities remain outstanding, the Company shall not directly or indirectly consummate any merger, reorganization, restructuring, consolidation, sale of all or substantially all of the Company's assets or any similar transaction or related transactions, (each such transaction, an "**Organizational Change**") unless the Company provides the Purchasers with three (3) Trading Days written notice of such Organizational Change.

4.12. Equal Treatment of Purchasers. No consideration (including any modification of any Transaction Document) shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of any of the Transaction Documents unless the same consideration is also offered to all of the parties to the Transaction Documents. For clarification purposes, this provision constitutes a separate right granted to each Purchaser by the Company and negotiated separately by each Purchaser, and is intended for the Company to treat the Purchasers as a class and shall not in any way be construed as the Purchasers acting in concert or as a group with respect to the purchase, disposition or voting of Securities or otherwise.

4.13. Conversion and Exercise Procedures. The form of Notice of Exercise in the Warrants sets forth the totality of the procedures required of the Purchasers in order to exercise the Warrants. Without limiting the preceding sentences, no ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise form be required in order to exercise the Warrants. No additional legal opinion, other information or instructions shall be required of the Purchasers to exercise their Warrants. The Company shall honor exercises of the Warrants and shall deliver underlying shares of Common Stock in accordance with the terms, conditions and time periods set forth in the Transaction Documents.

4.14. Certain Tax Matters. After consideration of all relevant factors, the Company and the Purchaser acknowledge and agree that the fair market value on the Effective Date of each Warrant is equal to five percent (5%) of the principal amount of the corresponding Note issued to the respective Purchaser. The parties will not take any position inconsistent with the forgoing, and the Company will file tax and information returns with the Internal Revenue Service and all other relevant tax authorities based on such determination.

4.15. Purchaser Commitment to Qualified Financing.

(a) Each Purchaser acknowledges, covenants, affirms and agrees that in purchasing their Note(s) and Warrant(s), such Purchaser is committing to participating as an investor in the Company's next Qualified Financing (as such term is defined in the Notes) by committing to purchase shares of preferred stock in the Company at the Qualified Financing Closing via the Backstop Commitment in cash at an aggregate purchase price no less than such Purchaser's Bridge Funding Commitment (subject to pro rata reduction if the Backstop Commitment is not exercised in full), as more particularly set forth on "**Qualified Financing Commitment**" amount set forth opposite such Purchaser's name on Schedule I to this Agreement. For the sake of example, if a Purchaser were to purchase a Note under this Agreement in the original principal amount of $100,000, such Purchaser's Qualified Financing Commitment would also be equal to $100,000 and at the Qualified Financing Closing, such Purchaser will invest an additional $100,000 towards the purchase of shares of preferred stock in the Company upon the exercise of the Backstop Commitment for a total aggregate investment of $200,000 (subject to pro rata reduction if the Backstop Commitment is not exercised in full). Each Purchaser (other than the Lead Purchaser) further acknowledges and agrees that such Purchaser may only participate in the Qualified Financing through the Backstop Commitment and may not separately acquire shares of preferred stock in the Company through subscriptions in the Rights Offering or through any other means without the prior consent of the Lead Purchaser.

(b) Each Purchaser further, on its own behalf and on behalf of its Controlling Persons, officers, directors, managers, partners, agents, or employees, hereby irrevocably covenants and agrees not to directly or indirectly assert any claims, actions or causes of action whatsoever, in law or in equity and agrees not to commence, institute or cause to be commenced or instituted, any proceeding of any kind against the Company, any other Purchaser, or any of their respective Controlling Persons, officers, directors, managers, partners, agents, or employees, in such Purchaser's capacity as a holder of capital stock in the Company with respect to the terms and conditions of the Qualified Financing, including any limitations that are placed on such Purchaser's ability to participate in any Rights Offering conducted by the Company in connection with a Qualified Financing.

(c) Each Purchaser acknowledges that such Purchaser's breach or failure to comply with the covenants set forth in thisSection 4.15 (a "**Purchaser Subscription Default**") will result in the automatic termination and forfeiture of the Warrants issued to such Purchaser under this Agreement and in the conversion of such Purchaser's Note into shares of Common Stock of the Company in lieu of Conversion Shares at the Qualified Financing Closing (as more particularly set forth in Section 8(a) of such Note). For the avoidance of doubt, the Advance will not be taken into account for purposes of calculating the Lead Purchaser's Qualified Financing Commitment hereunder and a Purchaser Subscription Default on the part of the Lead Purchaser will not result in the termination or forfeiture of the Converted Advance Warrant.

4.16. Hawes Note. The Company is the borrower under that certain 12% Senior Secured Convertible Note due September 30, 2020 in the original principal amount of $424,615 and originally payable to George Hawes (the "**Hawes Note**"). The Company and the Purchasers acknowledge that on March 27, 2020, the Lead Purchaser purchased the Hawes Note from George Hawes, along with all other right, title and interest of George Hawes in and to any other documents or instruments delivered pursuant to the Hawes Note (including without limitation, the Security Agreement referenced therein) and the Lead Purchaser is the current holder of the Hawes Note. Each Purchaser (other than the Lead Purchaser) further acknowledges and confirms that (a) such Purchaser has no right, title or interest in, or any participation rights with respect to, the Hawes Note, or its acquisition by the Lead Purchaser and (b) the Lead Purchaser shall be permitted to enforce its rights with respect to the Hawes Note (and any collateral secured the Hawes Note) in such manner as it deems appropriate in its sole and absolute discretion and without regard to its status as a Purchaser hereunder or as the Agent for the Purchasers.

4.17. Rights Offering Restrictions. The Company agrees that neither it, nor any other Person acting on its behalf, shall consummate a Rights Offering in which shares of the Company's preferred stock are offered for sale at a price per share less than $0.01279 (subject to adjustment for stock dividends, splits, combinations and similar events) without first seeking the prior written consent of the Lead Purchaser, which may be withheld in its sole and absolute discretion.

5. Conditions to the Purchasers' Obligations at each Closing. The obligations of each Purchaser to purchase the Notes at their applicable Closing are subject to the fulfillment, on or before such Closing, of each of the following conditions, unless otherwise waived by such Purchaser:

5.1. Representations and Warranties True and Correct. The representations and warranties of the Company set forth in Section 2 shall be true and correct on and as of the date of such Closing.

5.2. Qualifications. All authorizations, approvals or permits, if any, of any governmental authority or regulatory body of the United States or of any state that are required in connection with the lawful issuance and sale of the Notes at the Closing shall be obtained and effective as of such Closing.

5.3. Exemption from Registration Requirements. The Notes to be issued at the applicable Closing shall be exempt from registration requirements under the Securities Act and any applicable state securities laws.

5.4. Consents. The Company shall have obtained and furnished to each Purchaser a copy of all consents and waivers required in connection with the consummation of the transactions related to the purchase of the Notes at the applicable Closing.

5.5. No Material Adverse Effect. The Company has not experienced a Material Adverse Effect as of the date of such Closing.

6. Conditions to the Company's Obligations at Each Closing. The obligations of the Company to sell Notes to the Purchasers at the applicable Closing are subject to the fulfillment, on or before such Closing, of each of the following conditions, unless otherwise waived by the Company:

6.1. Representations and Warranties. The representations and warranties of each Purchaser contained in Section 3 that is purchasing a Note at such Closing shall be true and correct in all respects as of such Closing.

6.2. Qualifications. All authorizations, approvals or permits, if any, of any governmental authority or regulatory body of the United States or of any state that are required in connection with the lawful issuance and sale of the Notes pursuant to this Agreement shall be obtained and effective as of the applicable Closing.

7. Agent.

7.1. Appointment of Agent. Each Purchaser hereby constitutes and appoints the Lead Purchaser as their representative (the "**Agent**") and their true and lawful agents and attorney-in-fact, with full power and authority in each of their names and to act on behalf of each of them in the absolute discretion of the Agent (i) with respect to the provisions of this Agreement and the other Transaction Documents, and (ii) exercising all of the rights and remedies of the Purchasers under this Agreement and the other Transaction Documents following an "Event of Default" under the Notes, an "Event of Default" under the Security Agreement or any other default under any of the Transaction Documents. This appointment and grant of power and authority is coupled with an interest and is in consideration of the mutual covenants made in this Agreement and is irrevocable and shall not be terminated by any act of the Purchasers (other than the resignation of the Agent) or by operation of law. Each Purchaser consents to the taking of any and all actions and the making of any decisions required or permitted to be taken or made by the Agent pursuant to this Section 7.1. The Lead Purchaser may resign as Agent at any time by written notice to the Company and the other Purchasers. Upon any such resignation, the Lead Purchaser shall use reasonable efforts to identify and appoint another Person to replace it as Agent hereunder. If it is unable or otherwise does not appoint another Person to act as Agent, then the holders of a majority in principal amount outstanding under the Notes shall fulfill the role of the Agent.

7.2. Delegation of Duties. The Agent may execute its rights or authority under this Agreement by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such rights and authority. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by the Agent with reasonable care.

7.3. Exculpatory Provisions. Neither the Agent nor any of its officers, directors, managers, employees, agents, partners, limited partners, members, managers, officers, attorneys-in-fact, representatives, subsidiaries or affiliates shall be (a) liable for any action lawfully taken or omitted to be taken by it or such Person in good faith under or in connection with this Agreement or the other Transaction Documents, or (b) responsible in any manner to any of the Purchasers for any recitals, statements, representations or warranties made by the Company or for any failure of the Company to perform its obligations under this Agreement or the other Transaction Documents. The Agent shall not be under any obligation to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or the other Transaction Documents, or to inspect the books, records or properties of the Company.

7.4. Reliance by the Agent. The Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, facsimile, electronic mail, statement, order or other document, communication or correspondence believed by it to be genuine and correct and to have been signed, sent or made by officers of the Company, public officials, other appropriate persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Company), independent accountants and other experts selected by the Agent. The Agent shall be fully justified in failing or refusing to take any action under this Agreement and the other Transaction Documents unless they shall first receive (but they are not required to obtain unless expressly stated elsewhere in this agreement) such advice or concurrence of the Purchasers as they deem appropriate.

7.5. Non-Reliance on Agent. Each Purchaser expressly acknowledges and agrees that neither Agent nor any of its respective officers, directors, managers, employees, agents, partners, limited partners, members, managers, attorneys-in-fact, representatives, subsidiaries or affiliates has made any representations or warranties to it and that no act by either Agent hereunder taken, including any review of the affairs of the Company, shall be deemed to constitute any representation or warranty by Agent to any other Purchaser. Each Purchaser further waives the fiduciary duty, if any, of the Agent with respect to its duties hereunder.

7.6. Indemnification. Each of the Purchasers shall, on a proportionate basis in accordance with its or his ownership interest in the Notes, indemnify and hold the Agent harmless from and against any and all losses, damages, expenses, liabilities, obligations, penalties, actions, judgments, suits or disbursements (including reasonable counsel fees and expenses) which may be imposed on, incurred or sustained by, or asserted against the Agent at any time in any way relating to or arising out of any action or omission by the Agent in such capacity, except for those resulting from the Agent's bad faith.

7.7. Agent in its Individual Capacity. The Agent and its affiliates may make loans to and investments in and generally engage in any kind of business with the Company as though they were not the Agent hereunder. With respect to its investments and any indebtedness issued to it, the Agent shall have the same rights and powers under this Agreement and the other Transaction Documents as any other Purchaser and may exercise the same to its own benefit, regardless of the impact on or to other Purchasers, as though it were not Agent. The term "Purchaser" includes the Agent in its own capacity.

7.8. No Action by Other Purchasers. No Purchaser other than the Agent shall pursue any remedies in respect of an "Event of Default" under the Notes, an "Event of Default" under the Security Agreement or any other default under any of the Transaction Documents, it being the intent of the Purchasers that any an action to enforce rights of the Purchasers under any of the Transaction Documents be brought by the Agent as the representative of all Purchasers in a single action.

8. Miscellaneous.

8.1. Survival of Warranties. Unless otherwise set forth in this Agreement, the representations and warranties of the Company and the Purchasers contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Closings, and shall in no way be affected by any investigation or knowledge of the subject matter thereof made by or on behalf of the parties hereto.

8.2. Communications. Any public announcement or other disclosure to a third party regarding this Agreement or the investment by any party hereto shall be subject to the prior written approval of each of the other parties to this Agreement, except as required by Applicable Law, and except for disclosure by Lead Purchaser to its accountants, attorneys, and other advisors, or customary disclosures by Lead Purchaser to its investors. Without limiting the foregoing, the Company shall not, without the prior written approval of any Purchaser, (a) use in a press release, advertising, publicity, or otherwise, the name of such Purchaser or any of its Affiliates or any trade name, trademark, trade device or simulation thereof owned by such Purchaser or its Affiliates, (b) disclose the fact or nature of this investment by such Purchaser, or (c) represent, directly or indirectly, that any product of service provided by the Company has been endorsed by such Purchaser or its Affiliates.

8.3. Transfer; Successors and Assigns. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties to this Agreement or their respective successors and permitted assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

8.4. Governing Law. This Agreement and any controversy arising out of or relating to this Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without regard to its principles of conflicts of laws.

8.5. Dispute Resolution. The parties (a) hereby irrevocably and unconditionally submit to the jurisdiction of the state courts of the State of Florida located in the County of Hillsborough and to the jurisdiction of the United States District Courts for such county for the purpose of any suit, action or other proceeding arising out of or based upon this Agreement, (b) agree not to commence any suit, action or other proceeding arising out of or based upon this Agreement except in such courts, and (c) hereby waive, and agree not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court.

8.6. Counterparts; Electronic Signatures. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The exchange of copies of this Agreement and of signature pages by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature

8.7. Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

8.8. Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by facsimile if sent during normal business hours of the recipient, and if not, then on the recipient's next Business Day, (c) seven (7) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) Business Day after deposit (with full payment) with a nationally recognized overnight courier prior to such courier's deadline for next Business Day delivery, specifying next Business Day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their address(es) as set forth (x) for the Company, on the signature page, and (y) for the Purchasers, on Schedule I, or to such facsimile number or address as subsequently modified by written notice given in accordance with thisSection 8.8.

8.9. No Finder's Fees. Each party represents that it neither is nor will be obligated for any finder's fee or commission in connection with this transaction. The Company agrees to indemnify and hold harmless each Purchaser from any liability for any commission or compensation in the nature of a finder's or broker's fee arising out of this transaction (and the costs and expenses of defending against such liability or asserted liability) for which the Company or any of its officers, employees or representatives is responsible.

8.10. Fees and Expenses. Except as expressly set forth in the Transaction Documents to the contrary, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement, provided that the Company shall pay all reasonable out-of-pocket legal, due diligence and administrative fees and expenses of counsel to the Lead Purchaser, with respect to the Transaction Documents and the transactions contemplated thereby, regardless of whether such transactions are consummated. The Purchasers will not be liable for any legal, due diligence, and administrative costs incurred by the Company regardless of the amount of those costs.

8.11. Attorneys' Fees. If any action at law or in equity (including arbitration) is necessary to enforce or interpret the terms of any of the Transaction Documents, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

8.12. Amendments and Waivers. Any term of this Agreement or the other Transaction Documents may be amended, terminated or waived only with the written consent of the Company and the Lead Purchaser; provided that Schedule I may be updated by the Company in accordance with Section 1 without any consent of the Purchasers. Any amendment or waiver effected in accordance with this Section 8.12 shall be binding upon all of the Purchasers and each transferee of the Notes (or the Conversion Shares issuable upon conversion or exercise thereof), each future holder of all such securities, and the Company. Any time any provision of this Agreement allows for, contemplates or requires the consent of the Purchasers, such consent shall be deemed given if Purchasers (or their assigns) holding at least a majority of the then aggregate principal amount of the Notes provide their consent.

8.13. Severability. In case any one or more of the provisions contained in this Agreement is for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and such invalid, illegal, or unenforceable provision shall be reformed and construed so that it will be valid, legal, and enforceable to the maximum extent permitted by law.

8.14. No Waiver; Remedies Cumulative. No delay or omission on the part of any party in exercising any right, power or privilege under this Agreement will operate as a waiver thereof, nor will any single or partial exercise of any right, power or privilege hereunder or thereunder preclude other or further exercise thereof, or the exercise of any other right, power or privilege. The rights and remedies provided in this Agreement are cumulative and are in addition to all rights or remedies that the Purchasers or the Company otherwise may have in law or in equity or by statute or otherwise. Without limiting the generality of the foregoing, nothing in this Agreement will be deemed to preclude or be in lieu of any right or remedy that the Purchaser or the Company may have in law or in equity or by statute or otherwise against, in the case of the Purchaser, the Company, or any other person based upon any fraud, and, in the case of the Company, the Purchaser or any other person based on fraud.

8.15. Entire Agreement. This Agreement (including the Exhibits) and the other Transaction Documents constitute the full and entire understanding and agreement between the parties with respect to the subject matter of this Agreement, and any other written or oral agreements relating to the subject matter of this Agreement existing between the parties.

8.16. Legal Counsel. Each party to this Agreement acknowledges that Hill, Ward & Henderson, P.A. (the "**Firm**") (a) has previously served as counsel to an Affiliate of the Lead Purchaser in connection with a prior investment in the Company, and (b) has in the past performed and may continue to perform legal services for the Lead Purchaser and its Affiliates in other matters unrelated to the transactions described in this Agreement, including the representation of the Lead Purchaser and one or more of its Affiliates in venture capital financings and other matters. Accordingly, each party to this Agreement hereby (i) acknowledges that they have had an opportunity to ask for information relevant to this disclosure; and (ii) gives its informed consent to the Firm's representation of the Lead Purchaser in connection with this Agreement and the transactions contemplated hereby as well as such other unrelated matters. Each Purchaser acknowledges that it has reviewed this Agreement and the related Transaction Documents and has had the opportunity to engage separate counsel to review this Agreement the related Transaction Documents on such Purchaser's behalf.

8.17. Acknowledgement. For avoidance of doubt, it is acknowledged that each Purchaser will be entitled to the benefit of all adjustments in the number of shares of the Company's capital stock as a result of any splits, reorganizations, combinations, or other similar transactions affecting the Company's capital stock underlying the Conversion Shares that occur prior to the conversion of the Notes.

(Signature Pages Follow)

H-CYTE, INC.
SECURED CONVERTIBLE NOTE AND WARRANT PURCHASE AGREEMENT
COMPANY'S SIGNATURE PAGE

The undersigned has executed this Secured Convertible Note and Warrant Purchase Agreement as of the date first written above.

H-CYTE, INC.,
a Nevada corporation

By: ***/s/ William E. Horne***
Name: William E. Horne
Title: Chief Executive Officer

Address:

201 E. Kennedy Blvd, Suite 700
Tampa, FL 33602

H-CYTE, INC.
SECURED CONVERTIBLE NOTE AND WARRANT PURCHASE AGREEMENT
LEAD PURCHASER SIGNATURE PAGE

The undersigned has executed this Secured Convertible Note and Warrant Purchase Agreement as of the date first written above.

LEAD PURCHASER:

FWHC BRIDGE, LLC

By: ***/s/ Todd Wagner***
Name: Todd R. Wagner
Title: Manager

H-CYTE, INC.
SECURED CONVERTIBLE NOTE AND WARRANT PURCHASE AGREEMENT
PURCHASER SIGNATURE PAGE

The undersigned has executed this Secured Convertible Note and Warrant Purchase Agreement as of the date first written above.

PURCHASER:

FWHC BRIDGE FRIENDS, LLC

By: HOA Capital LLC, its manager

By: ***/s/ J. Rex Farrior***
Name: J. Rex Farrior, III
Title: Manager

H-CYTE, INC.
SECURED CONVERTIBLE NOTE AND WARRANT PURCHASE AGREEMENT
ADDITIONAL PURCHASER SIGNATURE PAGE

The undersigned has executed this Secured Convertible Note and Warrant Purchase Agreement as of _____.

PURCHASER:

_____
(Entity name, if applicable)

_____
(Print name)

_____
(*Signature*)

_____
(Print **name** of signatory, if signing for an entity)

_____
(Print **title** of signatory, if signing for an entity)

EXHIBIT A

FORM OF NOTE

(Attached)

EXHIBIT B

FORM OF WARRANT

(Attached)

EXHIBIT C

FORM OF SECURITY AGREEMENT

(Attached)

EXHIBIT D

FORM OF SUBSIDIARY GUARANTY

(Attached)

EXHIBIT E

FORM OF IP SECURITY AGREEMENT

(Attached)

EXHIBIT F

FORM OF SUBORDINATION AGREEMENT

(Attached)

Exhibit 10.2

THIS NOTE AND THE SECURITIES ISSUABLE UPON THE CONVERSION HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER SAID ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE CORPORATION THAT SUCH REGISTRATION IS NOT REQUIRED.

H-CYTE, INC.

SECURED CONVERTIBLE PROMISSORY NOTE

$[_____] [_____, 2020]

FOR VALUE RECEIVED, H-Cyte, Inc., a Nevada corporation ("**Maker**"), promises to pay to [PURCHASER] ("**Holder**"), the sum of [_____] ($_____) (the "**Principal Balance**"), together with simple interest from the date of this Secured Convertible Promissory Note (this "**Note**") on the unpaid Principal Balance at a rate equal to 12% per annum (subject to Section 16 below), computed on the basis of the actual number of days elapsed and a year of 365 or 366 days, as the case may be. This Note is one of the "Notes" issued pursuant to the Secured Convertible Note and Warrant Purchase Agreement, dated as of April [__], 2020 (as amended or supplemented, the "**Purchase Agreement**") between Maker, Holder and the other purchasers thereunder and the holders of other Notes are sometimes referred to herein as "**Holders**".

The following is a statement of the rights of Holder and the conditions to which this Note is subject, and to which Holder, by the acceptance of this Note, agrees:

1. **Definitions**. All capitalized terms used but not defined in this Note have the meanings given to them in the Purchase Agreement.

2. **Maturity Date**. Unless this Note is converted under Section 8 or prepaid in full pursuant to Section 4, the unpaid Principal Balance, together with any accrued but unpaid interest under this Note, shall be due and payable by Maker on October 31, 2020 (the "**Maturity Date**").

3. **Security**. This Note is secured by the collateral of the Company pledged by the Company to the Holders pursuant to that certain Security Agreement (as it may be amended, the "**Security Agreement**") dated as of the date hereof, among the Company, the existing subsidiaries of the Company and the Lead Purchaser (as agent for the Holders).

4. **Prepayment**. Except as provided in Section 8(b) with respect to a Sale of the Company, this Note and all or any Principal Balance or interest hereunder may not be prepaid by Maker without the prior written consent of the Lead Purchaser.

5. **Notice of Sale of the Company**. In the event that Maker takes any action to approve or enter into any transaction constituting a Sale of the Company, Maker shall provide Holder with at least ten (10) days' prior written notice of the anticipated closing date of such transaction. A "**Sale of the Company**" means (a) the closing of the sale, transfer or other disposition, in a single transaction or series of related transactions, or all or substantially all of the Maker's assets, (b) a transaction or series of related transactions in which a Person, or a group of related Persons, acquires from stockholders of the Maker shares representing more than fifty percent (50%) of the outstanding voting power of the Maker; or (c) a transaction that qualifies as a "Deemed Liquidation Event" as defined in the Certificate. For the avoidance of doubt, a transaction will not constitute a "Sale of the Company" if its sole purpose is to change the state of Maker's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held Maker's securities immediately prior to such transaction.

6. **Events of Default**. The occurrence of any of the following shall constitute an "**Event of Default**" under this Note:

(a) Failure to Pay. Maker fails to make any payment of principal or interest when due under the terms of this Note; provided that a failure to pay the Principal Balance and all accrued but unpaid interest at the Maturity Date shall only constitute an Event of Default if such failure continues unremedied for a period of ten (10) days following the Maturity Date after written notice from the Lead Purchaser;

(b) Involuntary Bankruptcy or Insolvency Proceedings. Proceedings for the appointment of a receiver, trustee, liquidator or custodian of Maker or of all or a substantial part of the property of Maker, or an involuntary case or other proceedings seeking liquidation, reorganization or other relief with respect to Maker or the debts of Maker under any bankruptcy, insolvency or other similar law now or hereafter in effect are commenced and an order for relief entered or such proceeding is not dismissed or discharged within ninety (90) days of such commencement; or

(c) Voluntary Bankruptcy or Insolvency Proceedings. Maker (i) applies for or consents to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (ii) admits in writing to its inability to pay its debts generally as they mature, (iii) makes a general assignment for the benefit of its or any of its creditors, (iv) is dissolved or liquidated, (v) commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consents to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it.

(d) Breach of Purchase Agreement. Any breach of or default under the Purchase Agreement that remains uncured for ten (10) days after written notice from the Lead Purchaser.

7. **Rights of Holder upon Default**. Upon the occurrence or existence of any Event of Default (other than an Event of Default referred to in Sections 6(b) and 6(c)) and at any time thereafter during the continuance of such Event of Default, Holder may, by written notice to Maker and with the prior written consent of the Lead Purchaser, declare the outstanding Principal Balance, together with accrued interest, to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived. Upon the occurrence or existence of any Event of Default described in Sections 6(b) and 6(c), immediately and without notice, the outstanding Principal Balance, together with accrued interest, shall automatically become immediately due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived. In addition to the foregoing remedies, upon the occurrence or existence of any Event of Default and at any time thereafter during the continuance of such Event of Default, Holder may, with the prior written consent of the Lead Purchaser, exercise any other right, power or remedy, either by suit in equity or by action at law, or both. All of the rights, powers and remedies of Holder shall be cumulative, and may be exercised independently, concurrently or successively in Holder's sole discretion. No waiver by Holder of any default shall operate as a waiver of any other default or of the same default on a future occasion. No delay or omission on the part of Holder in exercising any right or remedy shall operate as a waiver thereof and no single or partial exercise by Holder of any right or remedy shall preclude any other or future exercise thereof or the exercise of any other right or remedy.

8. **Conversion.**

(a) Mandatory Conversion Upon Qualified Financing Closing. If any and all amounts due hereunder are not paid in full on or before the Qualified Financing Closing, concurrently with the Qualified Financing Closing and subject to the terms and conditions set forth herein, the entire Principal Balance of this Note, together with any accrued and unpaid interest thereon, shall automatically convert into fully paid and non-assessable shares (rounded up to the nearest whole share) of the series of preferred stock of Maker issued pursuant to such Qualified Financing (the "**New Securities**"), such conversion in each case to occur concurrently with the Qualified Financing Closing. The number of shares of New Securities to be issued to Holder upon conversion of this Note pursuant to a Qualified Financing shall be equal to the product of (x) the Conversion Multiple and (y) the quotient obtained by dividing the entire Principal Balance of this Note, together with any accrued and unpaid interest thereon, as of the date of conversion, by the Conversion Price. The "**Conversion Multiple**" shall be equal to one (1), provided, that upon the occurrence of a Purchaser Subscription Default with respect to the Holder, the Conversion Multiple under this Note shall be automatically reduced to one-half (0.5) and instead of converting into the shares of New Securities in connection with such Qualified Financing, the Note shall convert into shares of Common Stock. The "**Conversion Price**" shall be equal to the lesser of (i) the price per share paid by the investors in such Qualified Financing for such New Securities (which are purchased for cash and not through conversion of Notes) and (ii) the price per share obtained by dividing (x) $3,000,000 by (y) the number of Fully-Diluted Shares outstanding immediately prior to the Qualified Financing Closing. "**Fully-Diluted Shares**" means all outstanding shares of capital stock of the Maker, assuming (A) the conversion of all convertible preferred stock and the conversion or exercise of warrants, options and all other securities convertible into or exercisable for shares of capital stock in the Maker (other than the Notes) regardless of whether such convertible securities are "in the money", and (B) the issuance of all shares of capital stock reserved for issuance under any equity plan of the Maker, including any additional stock reserved in connection with the Qualified Financing. The issuance of any New Securities pursuant to the conversion of the Note in connection with the Qualified Financing shall be upon and subject to the same terms and conditions applicable to the New Securities sold in the Qualified Financing.

(b) Conversion or Repayment Upon a Sale of the Company.

(i) In the event of a Sale of the Company prior to the Qualified Financing Closing or the Maturity Date, the Holder shall be entitled, at the election of the Holder, either (A) to receive payment of the outstanding Principal Balance of, together with any accrued and unpaid interest thereon, this Note as of the initial closing of the Sale of the Company, in such form of consideration as is paid to the Maker's shareholders in such Sale of the Company, or (B) to convert the outstanding Principal Balance together with any accrued and unpaid interest thereon, immediately prior to the closing of the Sale of the Company, into the number of shares of the Company's Series D Preferred Stock, par value $0.001 per share (the "**Series D Preferred Stock**") as is equal to the product of (x) two (2) and (y) the quotient obtained by dividing the outstanding Principal Balance and unpaid interest on this Note as of the date of conversion by the Sale Conversion Price. "**Sale Conversion Price**" means a price per share equal to the lesser of (x) 75% of the gross per-share consideration a holder of Series D Preferred Stock (excluding for purposes of this calculation any holders receiving shares of Series D Preferred Stock upon conversion of their Notes immediately prior to such Sale of the Company event) receives or is deemed to have received with respect to each such share of Shares D Preferred Stock in such Sale of the Company (assuming the Series D Preferred Stock did not convert into shares of Common Stock in connection with such Sale of the Company) and (y) the price per share obtained by dividing (I) $3,000,000 by (II) the number of Fully-Diluted Shares outstanding immediately prior to the closing of the Sale of the Company, such conversion in each case to occur (or be given effect) immediately prior to the closing of such Sale of the Company.

(ii) Maker shall give Holder written notice of any Sale of the Company at least ten (10) days prior to the anticipated closing date thereof, and Holder shall give Maker written notice of their election in accordance with the foregoing at least five (5) days prior to such anticipated closing date. Holder acknowledges and agrees that the conversion of the Notes in connection with a Sale of the Company may be conditioned upon Holder's execution of certain agreements and consents in the form agreed to by Maker and the acquiring party in the Sale of the Company including, without limitation, representations, warranties, escrows and indemnifications, if any, relating to the Conversion Shares issued upon conversion of the Notes.

(c) Optional Conversion. If a Qualified Financing Closing does not take place on or prior to the Maturity Date, at any time on or after the Maturity Date, at the election of the Lead Purchaser, this Note together with all other Notes shall be converted into the number of shares of Series D Preferred Stock of the Company as is equal to the quotient obtained by dividing the outstanding Principal Balance and unpaid interest on this Note as of the date of conversion by the product of (x) 50 and (y) the quotient obtained by dividing (A) $3,000,000 by (B) the number of Fully-Diluted Shares outstanding immediately prior to the date of such conversion (subject to adjustments for stock dividends, splits, combinations and similar events).

(d) Conversion Procedure. Upon the conversion of this Note, the Principal Balance, together with any accrued and unpaid interest thereon, shall be converted into Conversion Shares, shares of Common Stock or shares of Series D Preferred Stock, as applicable, in each case held by the Holder. The Company will not be required to issue or deliver the Conversion Shares, shares of Common Stock or shares of Series D Preferred Stock, as applicable, until the Holder has surrendered this Note to the Company (or provided an instrument of cancellation or affidavit of lost note). Upon a conversion under Section 8(a) or 8(c), Maker shall, within five (5) Business Days after such delivery, or such agreement and indemnification, issue and deliver certificates representing the number of fully paid and non-assessable shares of the New Securities, shares of Common Stock or Series D Preferred Stock, as applicable, into which the Note converts in accordance with the agreed conversion terms (bearing such legends as are required by the Purchase Agreement). Maker shall take all action to designate and authorize a sufficient number of shares of stock to be issued upon conversion to the New Securities, shares of Common Stock or Series D Preferred Stock, as applicable, following a conversion pursuant to this Section 8.

(e) Joinder to Investment Documents. If this Note is converted into any shares of equity securities, Maker will prepare any joinder or amendment to any applicable Existing Investment Documents as necessary or appropriate to expressly include Holder and its shares of equity securities received upon such conversion as an investor under such document(s) (with such adjustments and limitations as may apply for such equity securities of that type and due to the amount of Holder's stock ownership), and Holder and Maker will execute same.

(f) Effect of Conversion. Upon conversion of this Note in full, Maker shall be forever released from all its obligations and liabilities under this Note and the Note shall be deemed to be cancelled as of such time and any collateral of the Company pledged under the Security Agreement shall be released.

9. **Pari Passu Notes**. Holder acknowledges and agrees that the payment of all or any portion of the outstanding Principal Balance of this Note and all interest hereon shall be *pari passu* in right of payment and in all other respects to the other convertible promissory note(s) issued pursuant to the Purchase Agreement or pursuant to the terms of such notes. Maker shall make any payments under this Note and such other notes pro rata among the Holders of such notes based on the respective principal balances (together with any accrued and unpaid interest thereon) outstanding under them at the time of payment.

10. **Successors and Assigns**. Subject to the restrictions on transfer described in Sections 12 and 13 below, the rights and obligations of Maker and Holder shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

11. **Waiver and Amendment.** Any term, covenant, agreement or condition of this Note may be amended, and compliance therewith may be waived (either generally or in a particular circumstance and either retroactively or prospectively), in the manner specified in Section 8.12 of the Purchase Agreement. Any amendment or waiver in accordance with this Section 11 will be binding upon each of Maker, Holder, and any subsequent holder of this Note.

12. **Transfer of this Note by Holder.** Holder may not assign, pledge, or otherwise transfer this Note without the prior written consent of Maker and the Lead Purchaser, except that Holder may assign this Note and its rights hereunder to any Affiliate of Holder; provided that Maker is given written notice at the time of such assignment stating the name and address of the assignee and such assignee agrees in writing to be bound by the terms of this Note, the Purchase Agreement and the other Transaction Documents. Subject to the foregoing, this Note may be transferred only upon compliance with the securities law restrictions set forth in this Note, the Purchase Agreement and the other Transaction Documents, the surrender of the original Note for registration of transfer, duly endorsed, or accompanied by a duly executed written instrument of transfer in form satisfactory to Maker and its counsel. Thereupon, a new note for the same Principal Balance and interest will be issued to, and registered in the name of, the assignee. Interest and Principal Balance amounts are payable only to the registered holder of this Note.

13. **Assignment by Maker.** Neither this Note nor any of the rights, interests or obligations hereunder may be assigned, by operation of law or otherwise, in whole or in part, by Maker without the prior written consent of Holder.

14. **Notices.** All notices, requests, demands, consents, instructions or other communications required or permitted hereunder shall be made and effective as set forth in the Purchase Agreement.

15. **Payment.** All payments of Principal Balance, interest and any other amounts (other than by conversion) shall be made in lawful money of the United States of America and in immediately available funds at such place as Holder may from time to time designate in writing to Maker. Payment shall be credited first to Holder expenses, second to accrued interest then due and payable, if any, and then the remainder applied to the Principal Balance. All payments by the Maker under this Note shall be made without set-off or counterclaim and be free and clear and without any deduction or withholding for any taxes or fees of any nature whatsoever, unless the obligation to make such deduction or withholding is imposed by law. The Maker shall pay and save Holder harmless from all liabilities with respect to or resulting from any delay or omission to make any such deduction or withholding required by law.

16. **Usury; Default Interest.** During any period in which an Event of Default has occurred and is continuing, the Maker shall pay interest on the unpaid Principal Balance of this Note at a rate per annum equal to the rate otherwise applicable hereunder plus 6%. In the event any interest is paid on this Note which is deemed to be in excess of the then legal maximum rate, then that portion of the interest payment representing an amount in excess of the then legal maximum rate shall be deemed a payment of Principal Balance and applied against the Principal Balance of this Note.

17. **Coordinated Action**. Holder may not institute any action to collect this Note or any other action with respect to this Note or the obligations hereunder without the prior written consent of the Lead Purchaser, as Agent for all Holders. In connection therewith, the provisions of Section 7 of the Purchase Agreement will apply, *mutatis mutandis*, with respect to any action taken by the Agent on behalf of all Holders. The Lead Purchaser, or any successor Agent, shall be an express third party beneficiary of the provisions of this Section 17.

18. **Prevailing Party.** In any action at law or in equity to enforce or construe any provisions or rights under this Note, the non-prevailing party to such litigation, as determined by a court pursuant to a final order, judgment or decree, shall pay to the prevailing party all costs, expenses and reasonable attorneys' fees incurred by such prevailing party (including, without limitation, such costs, expenses and fees on any appeal), which costs, expenses and attorneys' fees shall be included as part of any order, judgment or decree.

19. **Loss of Note**. Upon receipt by Maker of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Note or any Note exchanged for it, and indemnity satisfactory to the Maker (in case of loss, theft or destruction) or surrender and cancellation of such Note (in the case of mutilation), Maker will (at Holder's expense) make and deliver in lieu of such Note a new Note of like tenor.

20. **Saturdays, Sundays, Holidays**. If any date that may at any time be specified in this Note as a date for the making of any payment of principal or interest under this Note shall fall on Saturday, Sunday or legal holiday in the State of Florida, then the date for the making of that payment shall be the next subsequent day which is not a Saturday, Sunday, or legal holiday.

21. **Governing Law; Jurisdiction and Venue**. The provisions of Sections 8.4 and 8.5 of the Purchase Agreement will apply, *mutatis mutandis*, with respect to any dispute arising out of this Note.

22. **Waiver of Jury Trial**. EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE.

23. **No Rights as a Stockholder**. Nothing contained in this Note shall be construed as conferring upon Holder, prior to the conversion of this Note, any rights of a shareholder of Maker, including the right to vote or to receive dividends, solely as it relates to this Note.

24. **Time is of the Essence**. Time is of the essence with respect to the payment and performance of the obligations of this Note.

25. **Acceptance of Note**. By acceptance of this Note, the Holder accepts and agrees to be bound by all of the terms and provisions set forth herein.

26. **Documentary Stamp Taxes**. MAKER SHALL BE LIABLE FOR DOCUMENTARY STAMP TAXES AND ANY PENALTIES AND INTEREST ASSOCIATED WITH THAT TAX PAYABLE WITH RESPECT TO THIS NOTE, AND ANY SUBSEQUENT RENEWALS, MODIFICATIONS OR AMENDMENTS OF THIS NOTE.

[Signature page follows]

IN WITNESS WHEREOF, Maker has caused this Note to be issued as of the date first written above.

H-CYTE, INC.,
a Nevada corporation

By: _____
Name: William E. Horne
Title: Chief Executive Officer

Form of Secured Convertible Promissory Note Payable to [PURCHASER]

Exhibit 10.3

THIS SECURITY HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

THE SECURITIES REPRESENTED BY THIS INSTRUMENT ARE SUBJECT TO THAT CERTAIN VOTING AGREEMENT, INVESTORS' RIGHTS AGREEMENT AND RIGHT OF FIRST REFUSAL AGREEMENT, EACH DATED NOVEMBER 15, 2019, BY AND AMONG THE COMPANY AND CERTAIN OF ITS STOCKHOLDERS.

THE TRANSFER OF THIS WARRANT IS RESTRICTED AS DESCRIBED HEREIN.

H-CYTE, INC.

Warrant for the Purchase of Shares of Common Stock, par value $0.001 per share

Original Issue Date: _____, 2020

THIS CERTIFIES that, for value received, [Name of Holder], whose address is [_____] (the "Holder"), is entitled to subscribe for and purchase from H-Cyte, Inc., a Nevada corporation f/k/a Medovex Corp. (the "Company"), upon the terms and conditions set forth herein, up to the number of Warrant Shares at a purchase price per share equal to the Exercise Price, subject to the provisions and upon the terms and conditions set forth herein. This Warrant was issued to the Holder in connection with the transactions contemplated by that certain Secured Convertible Note and Warrant Purchase Agreement (the "Purchase Agreement"), dated April __, 2020, among the Company and the Purchasers signatory thereto.

The number of shares of Common Stock issuable upon exercise of this Warrant (the "Warrant Shares") and the Exercise Price may be adjusted from time to time as hereinafter set forth.

1. Definitions. Capitalized terms used in this Warrant but not defined herein shall have the meanings ascribed to such terms in the Purchase Agreement. For purposes of this Warrant, the following terms shall have the following definitions:

(a) "Exercise Period Commencement Time" means 10:00 a.m. (New York City time) on the day immediately following the Qualified Financing Closing, provided that if a Qualified Financing Closing does not occur prior to the Maturity Date of the Holder Note, then Exercise Period Commencement Time means 10:00 a.m. (New York City time) on the day immediately following the Maturity Date of the Holder Note.

(b) "Exercise Price" means the Conversion Price set forth in the Holder Note (subject to adjustment as provided herein), provided that if a Qualified Financing does not occur on or prior to the Maturity Date of the Holder Note, the Exercise Price shall be equal to the price per share obtained by dividing (x) $3,000,000 by (y) the number of Fully-Diluted Shares outstanding immediately prior to the Maturity Date.

(c) "Fully-Diluted Shares" all outstanding shares of capital stock of the Company, assuming (A) the conversion of all convertible preferred stock and the conversion or exercise of warrants, options and all other securities convertible into or exercisable for shares of capital stock in the Company (other than the Holder Notes) regardless of whether such convertible securities are "in the money", and (B) the issuance of all shares of capital stock reserved for issuance under any equity plan of the Company, including any additional stock reserved in connection with a Qualified Financing.

(d) "Holder Note" means the Secured Convertible Promissory Note dated as of the date hereof, in the original principal amount of $[_____] made by the Company and payable to the Holder.

(e) "Warrant" means and includes this Warrant and any Common Stock or warrants hereafter issued as a consequence of the exercise or transfer of this Warrant in whole or in part.

(f) "Warrant Coverage Amount" means an amount equal to one hundred percent (100%) of the aggregate number of shares of Common Stock into which the Conversion Shares issuable upon conversion of the Holder Note may be converted.

(g) "Warrant Shares" means the number of shares of the Company's Common Stock equal to the quotient obtained by dividing the Warrant Coverage Amount by the Exercise Price.

(h) "VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Stock are then reported in the "Pink Sheets" published by OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Lead Purchaser and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

2. Exercise Period. Subject to the terms and conditions set forth herein, this Warrant may be exercised at any time or from time to time during the period commencing on Exercise Period Commencement Time and ending at the earlier to occur of (a) 5:00 p.m. (New York City time) on the tenth (10th) anniversary of the Exercise Period Commencement Date and (b) 5:00 p.m. (New York City time) on the day immediately prior to the occurrence of a Purchaser Subscription Default with respect to the Holder (the "Exercise Period").

3. Procedure for Exercise; Effect of Exercise.

(a) Cash Exercise. This Warrant may be exercised, in whole or in part, by the Holder during normal business hours on any business day during the Exercise Period by (i) the presentation and surrender of this Warrant to the Company at its principal office (or such other office or agency of the Company as it may designate by notice in writing to the Holder at the address of the Holder appearing on the books of the Company) along with a duly executed Notice of Exercise (in the form attached hereto) specifying the number of Warrant Shares to be purchased, and (ii) delivery of payment to the Company of the Exercise Price for the number of Warrant Shares specified in the Notice of Exercise by cash, wire transfer of immediately available funds to a bank account specified by the Company, or by certified or bank cashier's check.

(b) Cashless Exercise. If the Warrant has been outstanding for six (6) months and there is no effective registration statement including the Warrant Shares, this Warrant may also be exercised by the Holder through a cashless exercise, as described in this Section 3(b). In such case, this Warrant may be exercised, in whole or in part, by the Holder during normal business hours on any business day during the Exercise Period by the presentation and surrender of this Warrant to the Company at its principal office (or such other office or agency of the Company as it may designate by notice in writing to the Holder at the address of the Holder appearing on the books of the Company) along with a duly executed Notice of Exercise specifying the number of Warrant Shares to be applied to such exercise. The number of shares of Common Stock to be issued upon exercise of this Warrant pursuant to this Section 3(b) shall equal the value of this Warrant (or the portion thereof being canceled) computed as of the date of delivery of this Warrant to the Company using the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where:

X = the number of shares of Common Stock to be issued to Holder under this Section 3(b);
Y = the number of Warrant Shares identified in the Notice of Exercise as being applied to the subject exercise;
A = the Current Market Price on such date; and
B = the Exercise Price on such date.

For purposes of this Section 3(b), Current Market Price shall have the definition provided in Section 7(g).

The Company acknowledges and agrees that this Warrant was issued on the date set forth at the end of this Warrant. Consequently, the Company acknowledges and agrees that, if the Holder conducts a cashless exercise pursuant to this Section 3(b), the period during which the Holder held this Warrant may, for purposes of Rule 144 promulgated under the Securities Act of 1933, as amended (the "Securities Act"), be "tacked" to the period during which the Holder holds the Warrant Shares received upon such cashless exercise.

(c) Effect of Exercise. Upon receipt by the Company of this Warrant and a Notice of Exercise, together with proper payment of the Exercise Price, as provided in this Section 3, the Company agrees that such Warrant Shares shall be deemed to be issued to the Holder as the record holder of such Warrant Shares as of the close of business on the date on which this Warrant has been surrendered and payment has been made for such Warrant Shares in accordance with this Warrant and the Holder shall be deemed to be the holder of record of the Warrant Shares, notwithstanding that the stock transfer books of the Company shall then be closed or that certificates representing such Warrant Shares shall not then be actually delivered to the Holder. A stock certificate or certificates for the Warrant Shares specified in the Notice of Exercise shall be delivered to the Holder as promptly as practicable, and in any event within seven (7) business days, thereafter. The stock certificate(s) so delivered shall be in any such denominations as may be reasonably specified by the Holder in the Notice of Exercise. If this Warrant should be exercised in part only, the Company shall, upon surrender of this Warrant for cancellation, execute and deliver a new Warrant evidencing the right of the Holder to purchase the balance of the Warrant Shares subject to purchase hereunder.

4. Registration of Warrants; Transfer of Warrants. Any Warrants issued upon the transfer or exercise in part of this Warrant shall be numbered and shall be registered in a Warrant Register as they are issued. The Company shall be entitled to treat the registered holder of any Warrant on the Warrant Register as the owner in fact thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in such Warrant on the part of any other person, and shall not be liable for any registration or transfer of Warrants which are registered or to be registered in the name of a fiduciary or the nominee of a fiduciary unless made with the actual knowledge that a fiduciary or nominee is committing a breach of trust in requesting such registration or transfer, or with the knowledge of such facts that its participation therein amounts to bad faith. This Warrant shall be transferable only on the books of the Company upon delivery thereof duly endorsed by the Holder or by its duly authorized attorney or representative, or accompanied by proper evidence of succession, assignment, or authority to transfer. In all cases of transfer by an attorney, executor, administrator, guardian, or other legal representative, duly authenticated evidence of his or its authority shall be produced. Upon any registration of transfer, the Company shall deliver a new Warrant or Warrants to the person entitled thereto. This Warrant may be exchanged, at the option of the Holder thereof, for another Warrant, or other Warrants of different denominations, of like tenor and representing in the aggregate the right to purchase a like number of Warrant Shares, upon surrender to the Company or its duly authorized agent.

5. Restrictions on Transfer.

(a) The Holder, as of the date of issuance hereof, represents to the Company that such Holder is acquiring the Warrants for its own account for investment purposes and not with a view to the distribution thereof or of the Warrant Shares. Notwithstanding any provisions contained in this Warrant to the contrary, this Warrant and the related Warrant Shares shall not be transferable except pursuant to the proviso contained in the following sentence or upon the conditions specified in this Section 4, which conditions are intended, among other things, to insure compliance with the provisions of the Securities Act and applicable state law in respect of the transfer of this Warrant or such Warrant Shares. The Holder by acceptance of this Warrant agrees that the Holder will not transfer this Warrant or the related Warrant Shares prior to delivery to the Company of an opinion of the Holder's counsel (as such opinion and such counsel are described in Section 5(b) hereof) or until registration of such Warrant Shares under the Securities Act has become effective or after a sale of such Warrant or Warrant Shares has been consummated pursuant to Rule 144 or Rule 144A under the Securities Act; *provided, however*, that the Holder may freely transfer this Warrant or such Warrant Shares (without delivery to the Company of an opinion of counsel) (i) to one of its nominees, affiliates or a nominee thereof, (ii) to a pension or profit-sharing fund established and maintained for its employees or for the employees of any affiliate, (iii) from a nominee to any of the aforementioned persons as beneficial owner of this Warrant or such Warrant Shares, (iv) to a qualified institutional buyer, so long as such transfer is effected in compliance with Rule 144A under the Securities Act, or (v) to an accredited investor (as such term is defined in Regulation D under the Securities Act).

(b) The Holder, by its acceptance hereof, agrees that prior to any transfer of this Warrant or of the related Warrant Shares (other than as permitted by Section 5(a) hereof or pursuant to a registration under the Securities Act), the Holder will give written notice to the Company of its intention to effect such transfer, together with an opinion of such counsel for the Holder as shall be reasonably acceptable to the Company, to the effect that the proposed transfer of this Warrant and/or such Warrant Shares may be effected without registration under the Securities Act. Upon delivery of such notice and opinion to the Company, the Holder shall be entitled to transfer this Warrant and/or such Warrant Shares in accordance with the intended method of disposition specified in the notice to the Company.

(c) Each stock certificate representing Warrant Shares issued upon exercise or exchange of this Warrant and any other securities issued in respect of the Warrant Shares upon any stock split, stock dividend, recapitalization, merger, consolidation or similar event, shall bear the following legend (unless the opinion of counsel referred to in Section 5(b) states such legend is not required) in addition to any other agreement to which the Holder is subject:

"THIS SECURITY HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE " SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES."

The Holder understands that the Company may place, and may instruct any transfer agent or depository for the Warrant Shares to place, a stop transfer notation in the securities records in respect of the Warrant Shares.

6. Reservation of Shares. The Company shall at all times during the Exercise Period reserve and keep available out of its authorized and unissued Common Stock, solely for the purpose of providing for the exercise of the rights to purchase all Warrant Shares granted pursuant to the Warrants, such number of shares of Common Stock as shall, from time to time, be sufficient therefor. The Company covenants that all shares of Common Stock issuable upon exercise of this Warrant, upon receipt by the Company of the full Exercise Price therefor, and all shares of Common Stock issuable upon conversion of this Warrant, shall be validly issued, fully paid, non-assessable, and free of preemptive rights, and free from all taxes, claims, liens, charges and other encumbrances.

7. Certain Adjustments.

(a) The Exercise Price shall be subject to adjustment from time to time as follows:

(i) In the event that the Company shall (A) pay a dividend or make a distribution to all its stockholders, in shares of Common Stock, on any class of capital stock of the Company or any subsidiary which is not directly or indirectly wholly owned by the Company, (B) split or subdivide its outstanding Common Stock into a greater number of shares, or (C) combine its outstanding Common Stock into a smaller number of shares, then in each such case the Exercise Price in effect immediately prior thereto shall be adjusted so that the Holder of a Warrant thereafter surrendered for Exercise shall be entitled to receive the number of shares of Common Stock that such Holder would have owned or have been entitled to receive after the occurrence of any of the events described above had such Warrant been exercised immediately prior to the occurrence of such event. An adjustment made pursuant to this Section 7(a)(i) shall become effective immediately after the close of business on the record date in the case of a dividend or distribution (except as provided in Section 7(e) below) and shall become effective immediately after the close of business on the effective date in the case of such subdivision, split or combination, as the case may be. Any shares of Common Stock issuable in payment of a dividend shall be deemed to have been issued immediately prior to the close of business on the record date for such dividend for purposes of calculating the number of outstanding shares of Common Stock under clauses (c) and (d) below.

(ii) No adjustment in the Exercise Price shall be required unless the adjustment would require an increase or decrease of at least 1% in the Exercise Price then in effect; *provided, however,* that any adjustments that by reason of this Section 7(a) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 7(a) shall be made to the nearest cent or nearest 1/100th of a share.

(iii) The Company from time to time may reduce the Exercise Price by any amount for any period of time in the discretion of the Board of Directors. A voluntary reduction of the Exercise Price does not change or adjust the Exercise Price otherwise in effect for purposes of this Section 7(a).

(iv) In the event that, at any time as a result of an adjustment made pursuant to Section 7(a)(i) or 7(a)(ii) above, the Holder of any Warrant thereafter surrendered for exercise shall become entitled to receive any shares of the Company other than shares of the Common Stock, thereafter the number of such other shares so receivable upon exercise of any such Warrant shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in Section 7(a)(i) or 7(a)(ii) above, and the other provisions of this Section 7(a) with respect to the Common Stock shall apply on like terms to any such other shares.

(b) In case of any reclassification of the Common Stock (other than in a transaction to which Section 7(a)(i) applies), any consolidation of the Company with, or merger of the Company into, any other entity, any merger of another entity into the Company (other than a merger that does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock of the Company), any sale or transfer of all or substantially all of the assets of the Company or any compulsory share exchange, pursuant to which share exchange the Common Stock is converted into other securities, cash or other property, then lawful provision shall be made as part of the terms of such transaction whereby the Holder of a Warrant then outstanding shall have the right thereafter, during the period such Warrant shall be exercisable, to exercise such Warrant only for the kind and amount of securities, cash and other property receivable upon the reclassification, consolidation, merger, sale, transfer or share exchange by a holder of the number of shares of Common Stock of the Company into which a Warrant might have been able to exercise for immediately prior to the reclassification, consolidation, merger, sale, transfer or share exchange assuming that such holder of Common Stock failed to exercise rights of election, if any, as to the kind or amount of securities, cash or other property receivable upon consummation of such transaction subject to adjustment as provided in Section 7(a) above following the date of consummation of such transaction. The provisions of this Section 7(b) shall similarly apply to successive reclassifications, consolidations, mergers, sales, transfers or share exchanges.

(c) If (i) the Company shall take any action which would require an adjustment in the Exercise Price pursuant to Section 7(a); (ii) the Company shall authorize the granting to the holders of its Common Stock generally of rights, warrants or options to subscribe for or purchase any shares of any class or any other rights, warrants or options; (iii) there shall be any reclassification or change of the Common Stock (other than a subdivision or combination of its outstanding Common Stock or a change in par value) or any consolidation, merger or statutory share exchange to which the Company is a party and for which approval of any stockholders of the Company is required, or the sale or transfer of all or substantially all of the assets of the Company; or (iv) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Company; then, in each such case, the Company shall cause to be filed with the transfer agent for the Warrants and shall cause to be mailed to each Holder at such Holder's address as shown on the books of the transfer agent for the Warrants, as promptly as possible, but at least 30 days prior to the applicable date hereinafter specified, a notice stating (A) the date on which a record is to be taken for the purpose of such dividend, distribution or granting of rights, warrants or options, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or rights, warrants or options are to be determined, or (B) the date on which such reclassification, change, consolidation, merger, statutory share exchange, sale, transfer, dissolution, liquidation or winding-up is expected to become effective or occur, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reclassification, change, consolidation, merger, statutory share exchange, sale, transfer, dissolution, liquidation or winding up. Failure to give such notice or any defect therein shall not affect the legality or validity of the proceedings described in this Section 7(c).

(d) Whenever the Exercise Price is adjusted as herein provided, the Company shall promptly file with the transfer agent for the Warrants a certificate of an officer of the Company setting forth the Exercise Price after the adjustment and setting forth a brief statement of the facts requiring such adjustment and a computation thereof. The Company shall promptly cause a notice of the adjusted Exercise Price to be mailed to each Holder.

(e) In any case in which Section 7(a) provides that an adjustment shall become effective immediately after a record date for an event and the date fixed for such adjustment pursuant to Section 7(a) occurs after such record date but before the occurrence of such event, the Company may defer until the actual occurrence of such event (i) issuing to the Holder of any Warrants exercised after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such exercise before giving effect to such adjustment, and (ii) paying to such holder any amount in cash in lieu of any fraction pursuant to Section 7(h).

(f) In case the Company shall take any action affecting the Common Stock, other than actions described in this Section 7, which in the opinion of the Board of Directors would materially adversely affect the exercise right of the Holders, the Exercise Price may be adjusted, to the extent permitted by law, in such manner, if any, and at such time, as the Board of Directors may determine to be equitable in the circumstances; *provided, however,* that in no event shall the Board of Directors be required to take any such action.

(g) For the purpose of any computation under Section 3(b) or this Section 7, the "Current Market Price" per share of Common Stock shall mean the VWAP of the Common Stock on the day in question.

(h) The Company shall not be required to issue fractions of shares of Common Stock or other capital stock of the Company upon the exercise of this Warrant. If any fraction of a share would be issuable on the exercise of this Warrant (or specified portions thereof), the Company shall purchase such fraction for an amount in cash equal to the same fraction of the Current Market Price of such share of Common Stock on the date of exercise of this Warrant.

8. Transfer Taxes. The issuance of any shares or other securities upon the exercise of this Warrant, and the delivery of certificates or other instruments representing such shares or other securities, shall be made without charge to the Holder for any tax or other charge in respect of such issuance. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of any certificate in a name other than that of the Holder and the Company shall not be required to issue or deliver any such certificate unless and until the person or persons requesting the issue thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

9. Loss or Mutilation of Warrant. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction, or mutilation of any Warrant (and upon surrender of any Warrant if mutilated), and upon reimbursement of the Company's reasonable incidental expenses, the Company shall execute and deliver to the Holder thereof a new Warrant of like date, tenor, and denomination in lieu of the lost, stolen, destroyed or mutilated Warrant or stock certificate provided, however, that, if the Company's stock is publicly traded, the Company may require the posting of a bond in an amount and nature as is customary and reasonable given the circumstances.

10. No Rights as a Stockholder. The Holder of any Warrant shall not have, solely on account of such status, any rights of a stockholder of the Company, either at law or in equity, or to any notice of meetings of stockholders or of any other proceedings of the Company, except as provided in this Warrant.

11. Stockholder Agreements. This Warrant and the Warrant Shares exercisable hereunder are subject to the terms of each of those certain Investors' Rights Agreement, Right of First Refusal Agreement and Voting Agreement, as each may be amended or restated from time to time, each dated November 15, 2019 (collectively, and as the same may hereafter be amended, the "Stockholder Agreements"). In the event that Holder is not already a party to each of the Stockholder Agreements, as a condition precedent to the Company's issuance of any of the Warrant Shares exercisable hereunder, Holder shall execute an adoption agreement in a form acceptable to the Company providing that Holder become a party as an "Investor" to each of the Stockholder Agreements.

12. Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of Nevada, without regard to the principles of conflicts of law thereof.

13. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, by commercial delivery service, mailed by registered or certified mail (return receipt requested), sent via facsimile (with confirmation of receipt) or electronic mail to the parties at the address for each party, as set forth in the introductory paragraph with respect to the Holder and in the case of the Company, at 201 E. Kennedy Blvd, Suite 700, Tampa, Florida 33602.

14. Purchaser Subscription Default. For the avoidance of doubt, this Warrant shall terminate immediately upon the occurrence of a Purchaser Subscription Default with respect to the Holder and any Warrants Shares issued by the Company on, prior to or following the occurrence of such a Purchaser Subscription Default with respect to the Holder shall be null and void, *ab initio*, without further action or notice.

15. Acceptance of Warrant. By acceptance of this Warrant, the Holder accepts and agrees to be bound by all of the terms and provisions set forth herein.

* * *

Issuance date: _____, 2020

H-CYTE, INC.

By: _____
Name: William E. Horne
Title: Chief Executive Officer

Signature Page to Warrant Issued to [PURCHASER]

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the attached Warrant.)

FOR VALUE RECEIVED, _____ hereby sells, assigns, and transfers unto _____ a Warrant to purchase the Warrant Shares, together with all right, title, and interest therein, and does hereby irrevocably constitute and appoint _____ attorney to transfer such Warrant on the books of the Company, with full power of substitution.

Dated: _____

By: _____
Print Name

_____
Signature

The signature on the foregoing Assignment must correspond to the name as written upon the face of this Warrant in every particular, without alteration or enlargement or any change whatsoever.

To: H-Cyte, Inc.
201 E. Kennedy Blvd, Suite 700
Tampa, FL 33602
Attention: Chief Executive Officer

NOTICE OF EXERCISE

The undersigned hereby exercises his or its rights to purchase _____ Warrant Shares covered by the within Warrant and tenders payment herewith in the amount of $_____ by [tendering cash or delivering a certified check or bank cashier's check, payable to the order of the Company] [surrendering _____ shares of Common Stock received upon exercise of the attached Warrant, which shares have a Current Market Price equal to such payment] in accordance with the terms thereof, and requests that certificates for such securities be issued in the name of, and delivered to:

_____

_____

_____

(Print Name, Address and Social Security
or Tax Identification Number)

and, if such number of Warrant Shares shall not be all the Warrant Shares covered by the within Warrant, that a new Warrant for the balance of the Warrant Shares covered by the within Warrant be registered in the name of, and delivered to, the undersigned at the address stated below.

Dated: _____

By: _____
Print Name

_____
Signature

Address:

_____
_____
_____

Exhibit 10.4

SECURITY AGREEMENT

dated as of April 17, 2020

by

H-CYTE, INC.

AND

ITS SUBSIDIARIES

as Grantors,

in favor of

FWHC BRIDGE, LLC,
as Agent for the Secured Parties

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This SECURITY AGREEMENT (this "**Agreement**"), dated as of April 17, 2020, by and among H-CYTE, INC., a Nevada corporation (the "**Company**"), the existing subsidiaries of the Company, as set forth on Schedule 3.7 attached hereto, as such Schedule 3.7 may be updated from time to time, and any Additional Grantor (as defined below) who may become a party to this Agreement (such Additional Grantors, collectively with the Company and its subsidiaries, the "**Grantors**" and each individually a "**Grantor**"), in favor of FWHC Bridge, LLC, a Delaware limited liability company, as collateral agent (in such capacity, the "**Agent**") for the ratable benefit of itself and the other Purchasers (collectively with the Agent, the "**Secured Parties**" and each, a "**Secured Party**") from time to time party to the Purchase Agreement described below, by and among the Company and the Purchasers.

STATEMENT OF PURPOSE

WHEREAS, the Company and the Purchasers have previously entered into (i) the Secured Convertible Note and Warrant Purchase Agreement, dated as of the date hereof (the "**Purchase Agreement**"), pursuant to which the Company sold and issued secured convertible promissory notes to the Purchasers (the "**Notes**");

WHEREAS, it is a condition precedent to the obligation of the Purchasers to advance funds to the Company that the Grantors shall have executed and delivered this Agreement to the Agent for the ratable benefit of the Purchasers.

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

ARTICLE 1

DEFINED TERMS

SECTION 1.1. Terms Defined in the Uniform Commercial Code.

(a) The following terms when used in this Agreement shall have the meanings assigned to them in the UCC (as defined below) as in effect from time to time: "**Account**", "**Account Debtor**", "**Authenticate**", "**Certificated Security**", "**Chattel Paper**"; "**Commercial Tort Claim**", "**Deposit Account**", "**Documents**", "**Electronic Chattel Paper**", "**Equipment**", "**Fixture**", "**General Intangible**", "**Instrument**", "**Inventory**", "**Investment Company Security**", "**Investment Property**", "**Letter of Credit Rights**", "**Proceeds**", "**Record**", "**Registered Organization**", "**Security**", "**Securities Entitlement**", "**Securities Intermediary**", "**Securities Account**", "**Supporting Obligation**", "**Tangible Chattel Paper**", and "**Uncertificated Security**".

(b) Terms defined in the UCC and not otherwise defined herein or in the Notes or the Purchase Agreement shall have the meaning assigned in the UCC as in effect from time to time.

SECTION 1.2. Definitions. The following terms when used in this Agreement shall have the meanings assigned to them below:

"**Additional Grantor**" means each subsidiary of the Grantors which is formed or acquired after the date hereof pursuant to Section 7.14.

"**Advances**" means all advances made by Purchasers pursuant to the Purchase Agreement.

"**Agreement**" means this Security Agreement, as amended, restated, supplemented or otherwise modified from time to time.

"**Affiliate**" means, with respect to any specified Person, any other Person who or which, directly or indirectly, controls, is controlled by, or is under common control with such specified Person, including, without limitation, any general partner, officer, director, managing member or manager of such Person or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person.

"**Business Day**" means any day except Saturday, Sunday, or a federal holiday in the United States.

"**Collateral**" has the meaning assigned thereto in Section 2.1.

"**Contractual Obligation**" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"**Control**" means the manner in which "control" is achieved under the UCC with respect to any Collateral for which the UCC specifies a method of achieving "control".

"**Copyrights**" means collectively, all of the following: (a) all copyrights, rights and interests in copyrights, works protectable by copyright, copyright registrations and copyright applications anywhere in the world, (b) all reissues, extensions, continuations (in whole or in part) and renewals of any of the foregoing, (c) all income, royalties, damages and payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing, including, without limitation, damages or payments for past, present or future infringements of any of the foregoing, (d) the right to sue for past, present and future infringements of any of the foregoing and (e) all rights corresponding to any of the foregoing throughout the world.

"**Copyright Licenses**" means any written agreement naming any Grantor as licensor or licensee, granting any right under any Copyright, including, without limitation, the grant of rights to manufacture, distribute, exploit and sell materials derived from any Copyright.

"**Effective Endorsement and Assignment**" means, with respect to any specific type of Collateral, all such endorsements, assignments and other instruments of transfer reasonably requested by the Agent with respect to the Security Interest granted in such Collateral, and in each case, in form and substance satisfactory to the Agent.

"**Governmental Authority**" means any nation or government, any state, provincial or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"**Government Contract**" means a contract between any Grantor and an agency, department or instrumentality of the United States or any state, municipal or local Governmental Authority located in the United States or all obligations of any such Governmental Authority arising under any Account now or hereafter owing by any such Governmental Authority, as Account Debtor, to any Grantor.

"**Grantors**" has the meaning set forth in the Preamble of this Agreement.

"**Intellectual Property**" means collectively, all of the following: (a) all systems software, applications software and internet rights, including, without limitation, screen displays and formats, internet domain names, web sites (including web links), program structures, sequence and organization, all documentation for such software, including, without limitation, user manuals, flowcharts, programmer's notes, functional specifications, and operations manuals, all formulas, processes, ideas and know-how embodied in any of the foregoing, and all program materials, flowcharts, notes and outlines created in connection with any of the foregoing, whether or not patentable or copyrightable, (b) concepts, discoveries, improvements and ideas, (c) any useful information relating to the items described in clause (a) or (b), including know-how, technology, engineering drawings, reports, design information, trade secrets, practices, laboratory notebooks, specifications, test procedures, maintenance manuals, research, development, manufacturing, marketing, merchandising, selling, purchasing and accounting, (d) Patents and Patent Licenses, Copyrights and Copyright Licenses, Trademarks and Trademark Licenses, and (e) other licenses to use any of the items described in the foregoing clauses (a), (b), (c) and (d) or any other similar items of such Grantor necessary for the conduct of its business.

"**Issuer**" means any issuer of any Investment Property or Partnership/LLC Interests (including, without limitation, any Issuer as defined in the UCC).

"**Obligations**" means (i) all monetary obligations, including fees, costs, attorneys' fees and disbursements, reimbursement obligations, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Company under the Purchase Agreement, the Notes and any other Transaction Document, and (ii) all other agreements, duties, indebtedness, obligations and liabilities of any kind of the Company under, out of, or in connection with the Purchase Agreement, the Notes, this Agreement, the other Transaction Documents or any other document made, delivered or given in connection with any of the foregoing, in each case whether now existing or hereafter arising, whether evidenced by a note or other writing, whether allowed in any bankruptcy, insolvency, receivership or other similar proceeding, whether arising from an extension of credit, loan, guaranty, indemnification or otherwise, and whether direct or indirect, absolute or contingent, due or to become due, primary or secondary, or joint or several.

"**Partnership/LLC Interests**" means, with respect to any Grantor, the entire partnership, membership interest or limited liability company interest, as applicable, of such Grantor in each partnership, limited partnership or limited liability company owned thereby, including, without limitation, such Grantor's capital account, its interest as a partner or member, as applicable, in the net cash flow, net profit and net loss, and items of income, gain, loss, deduction and credit of any such partnership, limited partnership or limited liability company, as applicable, such Grantor's interest in all distributions made or to be made by any such partnership, limited partnership or limited liability company, as applicable, to such Grantor and all of the other economic rights, titles and interests of such Grantor as a partner or member, as applicable, of any such partnership, limited partnership or limited liability company, as applicable, whether set forth in the partnership agreement or membership agreement, as applicable, of such partnership, limited partnership or limited liability company, as applicable, by separate agreement or otherwise.

"**Patents**" means collectively, all of the following: (a) all patents, rights and interests in patents, patentable inventions and patent applications anywhere in the world, (b) all reissues, extensions, continuations (in whole or in part) and renewals of any of the foregoing, (c) all income, royalties, damages or payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing, including, without limitation, damages or payments for past, present or future infringements of any of the foregoing, (d) the right to sue for past, present and future infringements of any of the foregoing and (e) all rights corresponding to any of the foregoing throughout the world.

"**Patent License**" means all agreements now or hereafter in existence, whether written, implied or oral, providing for the grant by or to any Grantor of any right to manufacture, use or sell any invention covered in whole or in part by a Patent.

"**Perfection Certificate**" means that certain Perfection Certificate delivered by the Grantors to the Agent on the date hereof, as the same may be amendment, supplemented or otherwise modified from time to time.

"**Permitted Liens**" means:

(a) Liens for taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings and for which a Grantor maintains adequate reserves;

(b) Liens (i) upon or in any Equipment acquired or held by a Grantor or any of its Subsidiaries to secure the purchase price of such Equipment or indebtedness incurred solely for the purpose of financing the acquisition or lease of such Equipment, or (ii) existing on such Equipment at the time of its acquisition, provided that the Lien is confined solely to the property so acquired and improvements thereon, and the proceeds of such Equipment, it being agreed that this is in addition to Liens listed on the Perfection Certificate;

(c) Liens incurred in connection with the extension, renewal or refinancing of the indebtedness secured by Liens of the type described in clause (b) above, provided that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness being extended, renewed or refinanced does not increase;

(d) Liens in favor of other financial institutions arising in connection with a Grantor's deposit accounts held at such institutions to secured standard fees for deposit services charged by, but not financing made available by such institutions, provided that Bank has a perfected security interest in the amounts held in such deposit accounts; and

(e) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business.

"**Person**" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated association, corporation, limited liability company, entity or government (whether federal, state, county, city or otherwise, including, without limitation, any instrumentality, division, agency or department thereof).

"**Requirement of Law**" means, as to any Person, any law or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"**Security Interests**" means the security interests granted pursuant to Article II, as well as all other security interests expressly created or assigned as additional security for the Obligations pursuant to the provisions of the Purchase Agreement.

"**Trademarks**" means collectively, all of the following: (a) all trademarks, rights and interests in trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, other business identifiers, prints and labels on which any of the foregoing have appeared or appear, whether registered or unregistered, all registrations and recordings thereof, and all applications in connection therewith (other than each application to register any trademark or service mark prior to the filing under and acceptance in accordance with any Requirement of Law of a verified statement of use for such trademark or service mark) anywhere in the world, (b) all reissues, extensions, continuations (in whole or in part) and renewals of any of the foregoing, (c) all income, royalties, damages and payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing, including, without limitation, damages or payments for past, present or future infringements of any of the foregoing, (d) the right to sue for past, present and future infringements of any of the foregoing and (e) all rights corresponding to any of the foregoing (including the goodwill) throughout the world.

"**Trademark License**" means any agreement now or hereafter in existence, whether written or oral, providing for the grant by or to any Grantor of any right to use any Trademark.

"**Transaction Documents**" means, collectively, the Purchase Agreement, each Note issued pursuant thereto, each warrant issued pursuant thereto and this Agreement.

"**UCC**" means the Uniform Commercial Code as in effect in the State of Florida from time to time; provided, that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of the security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than Florida, "**UCC**" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection.

SECTION 1.3. Other Definitional Provisions. Terms defined in the Purchase Agreement or the Notes and not otherwise defined herein shall have the meaning assigned thereto in the Purchase Agreement or the Notes, as applicable. With reference to this Agreement, unless otherwise specified herein: (a) the definitions of terms herein shall apply equally to the singular and plural forms of the terms defined, (b) whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms, (c) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation", (d) the word "will" shall be construed to have the same meaning and effect as the word "shall", (e) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document, as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (f) any reference herein to any Person shall be construed to include such Person's permitted successors and assigns, (g) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (h) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (i) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights, (j) the term "documents" includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, whether in physical or electronic form, (k) in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including", (l) Section headings herein are included for convenience of reference only and shall not affect the interpretation of this Agreement and (k) where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor's Collateral or the relevant part thereof.

ARTICLE 2

SECURITY INTEREST

SECTION 2.1. Grant of Security Interest. Each Grantor hereby grants, pledges and collaterally assigns to the Agent, for the ratable benefit of the Secured Parties, a security interest in all of such Grantor's right, title and interest in the following property, now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest, and wherever located or deemed located (collectively, the "**Collateral**"), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations:

(a) all Accounts;

(b) all cash and currency;

(c) all Chattel Paper;

(d) all Commercial Tort Claims, including those identified in the Perfection Certificate;

(e) all Deposit Accounts;

(f) all Documents;

(g) all Equipment;

(h) all Fixtures;

(i) all General Intangibles;

(j) all Instruments;

(k) all Intellectual Property;

(l) all Inventory;

(m) all Investment Property;

(n) all Letter of Credit Rights;

(o) all other personal property not otherwise described above;

(p) all books and records pertaining to the Collateral; and

(q) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security and Supporting Obligations (as now or hereafter defined in the UCC) given by any Person with respect to any of the foregoing, provided, that (i) the Security Interests granted herein shall not extend to, and the term "Collateral" shall not include (A) any rights under any lease, contract or agreement (including, without limitation, any license for Intellectual Property) to the extent that the granting of a security interest therein is specifically prohibited in writing by, or would constitute an event of default under or would grant a party a termination right either under any Requirement of Law or any provision, term or condition of any such lease, contract or agreement governing such right unless such prohibition is not enforceable or is otherwise ineffective under any Requirement of Law, (B) equity interests of a foreign controlled corporation (as defined in the Internal Revenue Code) in excess of 65% of the voting power of all classes of equity interests of such controlled foreign corporation entitled to vote, or (C) any rights under any Government Contract or federal or state governmental license or permit to the extent that the granting of a security interest therein is specifically prohibited by any Requirement of Law. Notwithstanding any of the foregoing, such proviso shall not affect, limit, restrict or impair the grant by any Grantor of a Security Interest in (x) any Account or any money or other amounts due and payable to such Grantor or to become due and payable to such Grantor under such lease, contract or agreement or (y) Proceeds of any federal or state governmental license or permit.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

Each Grantor hereby represents and warrants to the Agent for the benefit of the Purchasers as of the date hereof that:

SECTION 3.1. Existence. Each Grantor is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation, has the requisite power and authority to own, lease and operate its properties and to conduct the business in which it is currently, or is currently proposed to be, engaged and is duly qualified as a foreign entity, licensed and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification, except to the extent that the failure to so qualify could not have a Material Adverse Effect.

SECTION 3.2. Authorization of Agreement; No Conflict. Each Grantor has the right, power and authority and has taken all necessary corporate and other action to authorize the execution, delivery and performance of, this Agreement. The execution, delivery and performance by each Grantor of this Agreement will not, by the passage of time, the giving of notice or otherwise, violate any provision of such Grantor's organizational documents, any Contractual Obligation or any Requirement of Law applicable to such Grantor and will not result in the creation or imposition of any Lien (or obligation to create a Lien), other than the Security Interests, upon or with respect to any property, asset or business of such Grantor.

SECTION 3.3. Enforceability. This Agreement has been duly executed and delivered by the duly authorized officers of each Grantor and this Agreement constitutes the legal, valid and binding obligation of the Grantors enforceable in accordance with its terms.

SECTION 3.4. Consents. No approval, consent, compliance, exemption, authorization or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against any Grantor or any Issuer of this Agreement, except (a) as may be required by laws affecting the offering and sale of securities generally, (b) filings with the United States Copyright Office and/or the United States Patent and Trademark Office, (c) filings under the UCC and/or other applicable law, and (d) as otherwise specified in the Purchase Agreement.

SECTION 3.5. Perfected Liens. Each financing statement naming any Grantor as a debtor is in appropriate form for filing in the appropriate filing offices of the states specified on Schedule 3.7. The Security Interests granted pursuant to this Agreement (a) constitute legal, valid and enforceable security interests in all of the Collateral in favor of the Agent as collateral security for the Obligations, and (b): upon the filing of UCC-1 financing statements in the applicable jurisdictions and, with respect to each Deposit Account and Securities Account of each Grantor, upon the execution and delivery of an account control agreement with respect to such Deposit Account or Securities Account, the Security Interests shall constitute perfected Liens (with respect to Intellectual Property, if and to the extent perfection may be achieved by the filing of UCC-1 financing statements and/or patent, trademark or copyright security agreements, as applicable, in the United States Patent and Trademark Office or the United States Copyright Office) in favor of the Agent, on behalf and for the ratable benefit of the Secured Parties, in the Collateral as collateral security for the Obligations, which Liens will be prior to all other Liens on the Collateral of such Grantor, subject only to Permitted Liens, and which are enforceable as such against all creditors of such Grantor and any Person purporting to purchase such Collateral from such Grantor.

SECTION 3.6. Title, No Other Liens. Except for the Security Interests, each Grantor owns each item of the Collateral free and clear of any and all Liens or claims other than Permitted Liens. No financing statement under the UCC of any state which names a Grantor as debtor or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as have been filed in favor of the Agent pursuant to this Agreement or in connection with Permitted Liens.

SECTION 3.7. State of Organization; Location of Inventory, Equipment and Fixtures; other Information

(a) The exact legal name of each Grantor is set forth on Schedule 3.7 (as such schedule may be updated from time to time pursuant to Section 4.3).

(b) Each Grantor is a Registered Organization organized under the laws of the state identified on Schedule 3.7 under such Grantor's name (as such schedule may be updated from time to time pursuant to Section 4.3). The taxpayer identification number and Registered Organization number of each Grantor is set forth on Schedule 3.7 under such Grantor's name (as such schedule may be updated from time to time pursuant to Section 4.3).

(c) The mailing address, principal place of business, chief executive office and office where each Grantor keeps its books and records relating to the Accounts, Documents, General Intangibles, Instruments and Investment Property in which it has any interest is located at the locations specified on Schedule 3.7 under such Grantor's name. No Grantor has any other places of business except those separately set forth on Schedule 3.7 under such Grantor's name. No Grantor does business nor has any Grantor done business during the past five years under any trade name or fictitious business name except as disclosed on Schedule 3.7 under such Grantor's name. Except as disclosed on Schedule 3.7, such Grantor has not acquired assets from any Person, other than assets acquired in the ordinary course of the Grantor's business, during the past five years.

SECTION 3.8. Other Collateral. No Grantor holds (a) any Chattel Paper in the ordinary course of its business, (b) any Commercial Tort Claims, (c) any Instruments or is named a payee of any promissory note or other evidence of indebtedness or (d) any Farm Products or Proceeds of Farm Products. In the event any Grantor shall obtain rights in any such Collateral, Grantors shall promptly give Agent written notice thereof and shall supplement the Perfection Certificate to include such Collateral.

SECTION 3.9. Intellectual Property. None of the Intellectual Property is owned by a person other than a Grantor, except for non exclusive licenses granted by a Grantor to its customers in the ordinary course of business and outbound licenses. To the best of the Grantors' knowledge, each of the Copyrights, Trademarks and Patents is valid and enforceable, and no part of the Intellectual Property Collateral has been judged invalid or unenforceable, in whole or in part, and no claim has been made to any Grantor that any part of the Intellectual Property violates the rights of any third party except to the extent such claim could not reasonably be expected to cause a Material Adverse Effect.

SECTION 3.10. Investment Property; Partnership/LLC Interests.

(a) All Investment Property and all Partnership/LLC Interests issued by any Issuer to any Grantor (i) have been duly and validly issued and, if applicable, are fully paid and nonassessable, (ii) are beneficially owned as of record by such Grantor and (ii) constitute all the issued and outstanding shares of all classes of the capital stock of such Issuer issued to such Grantor.

ARTICLE 4

COVENANTS

Until the Obligations shall have been paid in full, unless consent has been obtained in the manner provided for inSection 7.1, each Grantor covenants and agrees that:

SECTION 4.1. Maintenance of Perfected Security Interest; Further Information.

(a) Each Grantor shall maintain the Security Interest created by this Agreement as a first priority perfected Security Interest (subject only to Permitted Liens) and shall defend such Security Interest against the claims and demands of all Persons whomsoever (other than Permitted Liens).

(b) Each Grantor will furnish to the Agent from time to time statements and schedules further identifying and describing the assets and property of such Grantor and such other reports in connection therewith as the Agent may reasonably request, all in reasonable detail.

SECTION 4.2. Maintenance of Insurance.

(a) The Grantors will maintain, with financially sound and reputable companies, insurance policies (i) insuring the Collateral against loss by fire, explosion, theft and such other casualties as may be reasonably satisfactory to the Agent in amounts comparable to amounts of insurance coverage obtained by similar businesses of similar size acting prudently and (ii) insuring each Grantor and the Agent (for the benefit of the Secured Parties) against liability for personal injury and property damage relating to the Collateral, such policies to be in such form and amounts and having such coverage as shall be comparable to forms, amounts and coverage, respectively, obtained by similar businesses of similar size acting prudently.

(b) All insurance referred to in subsection (a) above shall (i) name the Agent as loss payee (to the extent covering risk of loss or damage to tangible property) and as an additional insured as its interests may appear (to the extent covering any other risk) and (ii) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least twenty (20) days after receipt by the Agent of written notice thereof.

SECTION 4.3. Changes in Locations; Changes in Name or Structure. No Grantor will, except upon thirty (30) days' prior written notice to the Agent and delivery to the Agent of (a) all additional financing statements (executed if necessary for any particular filing jurisdiction) and other instruments and documents reasonably requested by the Agent to maintain the validity, perfection and priority of the Security Interests and (b) if applicable, a written supplement to the Schedules of this Agreement:

(i) change its jurisdiction of organization from that identified onSchedule 3.7; or

(ii) change its name, identity, taxpayer identification number, organizational identification number (if any), type of organization or corporate or organizational structure to such an extent that any financing statement filed by the Agent in connection with this Agreement would become misleading.

SECTION 4.4. Required Notifications. Each Grantor shall promptly notify the Agent, in writing, of: (a) any Lien (other than the Security Interests or Permitted Liens) on any of the Collateral which would adversely affect the ability of the Agent to exercise any of its remedies hereunder, (b) the occurrence of any other event which could reasonably be expected to have a Material Adverse Effect on the aggregate value of the Collateral or on the Security Interests, and (c) the acquisition or ownership by such Grantor of any (i) Commercial Tort Claim having a value in excess of $100,000, or (ii) Investment Property in an amount in excess of $100,000 after the date hereof.

SECTION 4.5. Filing Covenants. Pursuant to Section 9-509 of the UCC and any other Requirement of Law, each Grantor authorizes the Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as the Agent determines appropriate to perfect the Security Interests of the Agent under this Agreement. Such financing statements may describe the Collateral in the same manner as described herein or may contain an indication or description of Collateral that describes such property in any other manner as the Agent may determine, in its sole discretion, is necessary, advisable or prudent to ensure the perfection of the Security Interest in the Collateral granted herein, including, without limitation, describing such property as "all assets" or "all personal property." Each Grantor hereby authorizes, ratifies and confirms all financing statements and other filing or recording documents or instruments filed by Agent prior to the date of this Agreement.

SECTION 4.6. Accounts.

(a) Other than in the ordinary course of business consistent with its past practice or as such Grantor deems appropriate under the circumstances in its reasonable business judgment, no Grantor will (i) grant any extension of the time of payment of any Account, (ii) compromise or settle any Account for less than the full amount thereof, (iii) release, wholly or partially, any Account Debtor, (iv) allow any credit or discount whatsoever on any Account or (v) amend, supplement or modify any Account in any manner that could reasonably be likely to adversely affect the value thereof.

SECTION 4.7. Intellectual Property.

(a) Grantors shall register or cause to be registered (to the extent not already registered) with the United States Patent and Trademark Office or the United States Copyright Office, as the case may be, those registrable intellectual property rights now owned or hereafter developed or acquired by Grantors, to the extent that Grantors, in their reasonable business judgment, deems it appropriate to so protect such intellectual property rights.

(b) Grantors shall promptly give Agent written notice of any applications or registrations of intellectual property rights filed with the United States Patent and Trademark Office, including the date of such filing and the registration or application numbers, if any, and shall supplement the Perfection Certificate to reflect such filings.

(c) Grantors shall (i) give Agent not less than thirty (30) days prior written notice of the filing of any applications or registrations with the United States Copyright Office, including the title of such intellectual property rights to be registered, as such title will appear on such applications or registrations, and the date such applications or registrations will be filed; (ii) prior to the filing of any such applications or registrations, execute such documents as Agent may reasonably request for Agent to maintain its perfection in such intellectual property rights to be registered by a Grantor; (iii) upon the request of Agent, either deliver to Grantor or file such documents simultaneously with the filing of any such applications or registrations; (iv) upon filing any such applications or registrations, promptly provide Agent with a copy of such applications or registrations together with any exhibits, evidence of the filing of any documents requested by Agent to be filed for Agent to maintain the perfection and priority of its security interest in such intellectual property rights, and the date of such filing.

(d) Grantors shall execute and deliver such additional instruments and documents from time to time as Agent shall reasonably request to perfect and maintain the perfection and priority of Agent's security interest in the Intellectual Property.

(e) Grantors shall use commercially reasonably efforts to (i) protect, defend and maintain the validity and enforceability of the Trademarks, Patents, Copyrights, and trade secrets, (ii) detect infringements of the Trademarks, Patents and Copyrights and promptly advise Bank in writing of material infringements detected and (iii) not allow any material Trademarks, Patents or Copyrights to be abandoned, forfeited or dedicated to the public without the written consent of Agent, which shall not be unreasonably withheld.

(f) Agent may audit a Grantor's Intellectual Property to confirm compliance with this Section, provided such audit may not occur more often than twice per year, unless an Event of Default has occurred and is continuing. Agent shall have the right, but not the obligation, to take, at Grantors' sole expense, any actions that a Grantor is required under this Section to take but which a Grantor fails to take, after fifteen (15) days' notice to Grantors. Grantors shall reimburse and indemnify Bank for all reasonable costs and reasonable expenses incurred in the reasonable exercise of its rights under this Section.

SECTION 4.8. Investment Property; Partnership/LLC Interests.

(a) Without the prior written consent of the Agent, no Grantor will (i) vote to enable, or take any other action to permit, any applicable Issuer to issue to such Grantor any Investment Property or Partnership/LLC Interests, except for such additional Investment Property or Partnership/LLC Interests that will be subject to the Security Interest granted herein in favor of the Agent, or (ii) enter into any agreement or undertaking restricting the right or ability of such Grantor or the Agent to sell, assign or transfer any Investment Property or Partnership/LLC Interests or Proceeds thereof. The Grantors will defend the right, title and interest of the Agent in and to any Investment Property and Partnership/LLC Interests against the claims and demands of all Persons whomsoever, other than a Person holding a Permitted Lien on such Investment Property or Partnership/LLC Interests.

(b) If any Grantor shall become entitled to receive or shall receive (i) any Certificated Securities (including, without limitation, any certificate representing a stock dividend or a distribution in connection with any reclassification, increase or reduction of capital or any certificate issued in connection with any reorganization), option or rights in respect of the ownership interests of any Issuer, whether in addition to, in substitution of, as a conversion of, or in exchange for, any Investment Property, or otherwise in respect thereof, or (ii) upon the occurrence and during the continuation of an Event of Default, any sums paid upon or in respect of any Investment Property upon the liquidation or dissolution of any Issuer, such Grantor shall accept the same as the agent of the Agent, hold the same in trust for the Agent, segregated from other funds of the Grantor, and promptly deliver the same to the Agent in accordance with the terms hereof.

SECTION 4.9. Further Assurances. Upon the request of the Agent and at the sole expense of the Grantors, each Grantor will promptly and duly execute and deliver, and have recorded, such further instruments, agreements and documents and take such further actions as the Agent may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, (i) the collateral assignment of any material Contractual Obligation, (ii) the collateral assignment of Government Contracts and notices of assignment, in form and substance satisfactory to the Agent, duly executed by any Grantors party to such Government Contract in compliance with any applicable laws, and (iii) all applications, certificates, agreements, instruments, registration statements, and all other documents and papers the Agent may reasonably request and as may be required by law in connection with the obtaining of any consent, approval, registration, qualification, or authorization of any Person deemed necessary or appropriate for the effective exercise of any rights under this Agreement. Further, upon the request of the Agent and at the sole expense of the Grantors, each Grantor will take such reasonable actions and deliver all such agreements as are requested by the Agent to provide the Agent with Control of all Deposit Accounts, Investment Property, Securities Accounts, Letter of Credit Rights and Electronic Chattel Paper owned or held by such Grantor.

ARTICLE 5

REMEDIAL PROVISIONS

SECTION 5.1. General Remedies. If an Event of Default shall occur and be continuing, the Agent, in addition to all other rights and remedies granted to it in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the UCC or any other applicable law. Without limiting the generality of the foregoing, the Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Agent or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Agent may disclaim any warranties in connection with any sale or other disposition of the Collateral, including, without limitation, any warranties of title, possession, quiet enjoyment and the like. The Agent shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at the Agent's request, to assemble the Collateral and make it available to the Agent at places which the Agent shall reasonably select, whether at such Grantor's premises or elsewhere. To the extent permitted by applicable law, the Grantor waives all claims, damages and demands it may acquire against the Agent arising out of the exercise by it of any rights hereunder except to the extent any such claims, damages, or demands result solely from the gross negligence or willful misconduct of the Agent. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least ten (10) days before such sale or other disposition. Effective upon the occurrence and during the continuance of an Event of Default, the Agent is hereby granted a license or other right to use, without charge, each Grantor's labels, Patents, Copyrights, rights of use of any name, trade secrets, tradenames, Trademarks and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in advertising for sale and selling any Collateral, and each Grantor's rights under all licenses and all franchise agreements shall inure to the Agent's benefit.

SECTION 5.2. Specific Remedies.

(a) The Agent hereby authorizes each Grantor to collect such Grantor's Accounts, under the Agent's direction and control; provided that, subject to applicable Requirements of Law, the Agent may curtail or terminate such authority at any time after the occurrence and during the continuance of an Event of Default.

(b) Upon the occurrence and during the continuance of an Event of Default, subject to applicable Requirements of Law:

(i) the Agent may communicate with Account Debtors of any Account subject to a Security Interest, and upon the request of the Agent, each Grantor shall notify (such notice to be in form and substance satisfactory to the Agent) its Account Debtors and parties to the material Contractual Obligations subject to a Security Interest that such Accounts and material Contractual Obligations have been assigned to the Agent;

(ii) each Grantor shall forward to the Agent, on the last Business Day of each week, deposit slips related to all cash, money, checks or any other similar items of payment received by the Grantor during such week, and, if requested by the Agent, copies of such checks or any other similar items of payment, together with a statement showing the application of all payments on the Collateral during such week and a collection report with regard thereto, in form and substance satisfactory to the Agent;

(iii) the Agent shall have the right to receive any and all cash dividends, payments or distributions made in respect of any Investment Property or Partnership/LLC Interests other Proceeds paid in respect of any Investment Property or Partnership/LLC Interests, and any or all of any Investment Property or Partnership/LLC Interests shall be registered in the name of the Agent or its nominee, and the Agent or its nominee may thereafter exercise (A) all voting, corporate and other rights pertaining to such Investment Property or Partnership/LLC Interests at any meeting of shareholders, partners or members of the relevant Issuers and (B) any and all rights of conversion, exchange and subscription and any other rights, privileges or options pertaining to such Investment Property or Partnership/LLC Interests as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all of the Investment Property or Partnership/LLC Interests upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the corporate, partnership or company structure of any Issuer or upon the exercise by any Grantor or the Agent of any right, privilege or option pertaining to such Investment Property or Partnership/LLC Interests, and in connection therewith, the right to deposit and deliver any and all of the Investment Property or Partnership/LLC Interests with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as the Agent may determine), all without liability except to account for property actually received by it; but the Agent shall have no duty to any Grantor to exercise any such right, privilege or option and the Agent shall not be responsible for any failure to do so or delay in so doing. In furtherance thereof, each Grantor hereby authorizes and instructs each Issuer with respect to any Collateral consisting of Investment Property or Partnership/LLC Interests to (i) comply with any instruction received by it from the Agent in writing that (A) states that an Event of Default has occurred and is continuing and (B) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from such Grantor, and each Grantor agrees that each Issuer shall be fully protected in so complying following receipt of such notice and prior to notice that such Event of Default is no longer continuing, and (ii) except as otherwise expressly permitted hereby and subject to the provisions of the Subordination Agreement, pay any dividends, distributions or other payments with respect to any Investment Property or Partnership/LLC Interests directly to the Agent; and

(iv) the Agent shall be entitled to (but shall not be required to): (A) proceed to perform any and all obligations of the applicable Grantor under any material Contractual Obligation and exercise all rights of such Grantor thereunder as fully as such Grantor itself could, (B) do all other acts which the Agent may deem necessary or proper to protect its Security Interest granted hereunder, provided such acts are not inconsistent with or in violation of the terms of the Purchase Agreement, of the other Transaction Documents or any Requirement of Law, and (C) sell, assign or otherwise transfer any material Contractual Obligation in accordance with the Purchase Agreement, the other Transaction Documents and any Requirement of Law, subject, however, to the prior approval of each other party to such material Contractual Obligation, to the extent required under the material Contractual Obligation.

(c) Unless an Event of Default shall have occurred and be continuing and the Agent shall have given notice to the relevant Grantor of the Agent's intent to exercise its corresponding rights pursuant to Section 5.2(b), each Grantor shall be permitted to receive all cash dividends, payments or other distributions made in respect of any Investment Property and Partnership/LLC Interests, in each case paid in the normal course of business of the relevant Issuer and consistent with past practice, to the extent permitted in the Purchase Agreement and the other Transaction Documents, and to exercise all voting and other corporate, company and partnership rights with respect to any Investment Property and Partnership/LLC Interests; provided that, no vote shall be cast or other corporate, company and partnership right exercised or other action taken which, in the Agent's reasonable judgment, would impair the Collateral in any material respect or which would result in an Event of Default under any provision of the Purchase Agreement, any Note, this Agreement or any other Transaction Document.

SECTION 5.3. Application of Proceeds. At such intervals as may be agreed upon by the Company and the Agent, or, if an Event of Default shall have occurred and be continuing, at any time at the Agent's election, the Agent may apply all or any part of the Collateral or any Proceeds of the Collateral in payment in whole or in part of the Obligations (after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Agent hereunder, including, without limitation, reasonable attorneys' fees and disbursements) in accordance with the Purchase Agreement. Only after (i) the payment by the Agent of any other amount required by any provision of law, including, without limitation, Section 9-610 and Section 9-615 of the UCC and (ii) the payment in full of the Obligations, shall the Agent account for the surplus, if any, to any Grantor, or to whomever may be lawfully entitled to receive the same (if such Person is not a Grantor).

SECTION 5.4. Waiver, Deficiency. Each Grantor hereby waives, to the extent permitted by any Requirement of Law, all rights of redemption, appraisement, valuation, stay, extension or moratorium now or hereafter in force under any Requirement of Law in order to prevent or delay the enforcement of this Agreement or the absolute sale of the Collateral or any portion thereof. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay its Obligations and the fees and disbursements of any attorneys employed by the Agent to collect such deficiency.

ARTICLE 6

THE AGENT

SECTION 6.1. Agent's Appointment as Attorney-In-Fact.

(a) During the continuance of an Event of Default, each Grantor hereby irrevocably constitutes and appoints the Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Agent the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any or all of the following upon the occurrence and during the continuation of an Event of Default, subject to applicable Requirements of Law:

(i) in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Account or material Contractual Obligation subject to a Security Interest or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Agent for the purpose of collecting any and all such moneys due under any Account or material Contractual Obligation subject to a Security Interest or with respect to any other Collateral whenever payable;

(ii) in the case of any of Grantor's Intellectual Property, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Agent may request to evidence the Agent's security interest in such Intellectual Property and the goodwill and General Intangibles of such Grantor relating thereto or represented thereby;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iv) execute, in connection with any sale provided for in this Agreement, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(v) (A) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Agent or as the Agent shall direct; (B) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (C) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (D) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (E) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (F) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Agent may deem appropriate; (G) assign any Copyright, Patent or Trademark (along with the goodwill of the business to which any such Copyright, Patent or Trademark pertains), for such term or terms, on such conditions, and in such manner, as the Agent shall in its sole discretion determine; and (H) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Agent were the absolute owner thereof for all purposes, and do, at the Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Agent deems necessary to protect, preserve or realize upon the Collateral and the Agent's Security Interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

(b) If any Grantor fails to perform or comply with any of its agreements contained herein, the Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement in accordance with the provisions of Section 6.1(a).

(c) The expenses of the Agent incurred in connection with actions taken pursuant to the terms of this Agreement, together with interest thereon at a rate per annum equal to five percent (5%), from the date of payment by the Agent to the date reimbursed by relevant Grantor, shall be payable by such Grantor to the Agent on demand.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof in accordance with Section 6.1(a). All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the Security Interests created hereby are released.

SECTION 6.2. Duty of Agent With Respect to the Collateral.

(a) The Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the UCC or otherwise, shall be to deal with it in the same manner as the Agent deals with similar property for its own account. Neither the Agent nor any of its respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Agent hereunder are solely to protect the Agent's interests in the Collateral and shall not impose any duty upon the Agent to exercise any such powers. The Agent shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own willful misconduct.

(b) Nothing set forth in this Agreement or any other Transaction Document, nor the exercise by the Agent of any of the rights or remedies hereunder, shall relieve any Grantor from the performance of any term, covenant, condition or agreement on such Grantor's part to be performed or observed in respect of any of the Collateral or from any liability to any person in respect of any of the Collateral or shall impose any obligation on the Agent or any other Secured Party to perform or observe any such term, covenant, condition or agreement on such Grantor's part to be so performed or observed or shall impose any liability on the Agent or any other Secured Party for any act or omission on the part of such Grantor relating thereto or for any breach of any representation or warranty on the part of such Grantor contained in this Agreement, the Purchase Agreement or the other Transaction Documents, or in respect of the Collateral or made in connection herewith or therewith. Anything herein to the contrary notwithstanding, neither the Agent nor any other Secured Party shall have any obligation or liability under any contracts, agreements and other documents included in the Collateral by reason of this Agreement, nor shall the Agent or any other Secured Party be obligated to perform any of the obligations or duties of any Grantor thereunder or to take any action to collect or enforce any such contract, agreement or other document included in the Collateral. The obligations of each Grantor contained in this Section 6.2 shall survive the termination hereof and the discharge of such Grantor's other obligations under this Agreement, the Purchase Agreement and the other Transaction Documents.

ARTICLE 7

MISCELLANEOUS

SECTION 7.1. Amendments in Writing. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the Grantors and the Agent.

SECTION 7.2. Notices. All notices, requests and demands to or upon the Agent or any Grantor hereunder shall be effected in the manner provided for in the Purchase Agreement.

SECTION 7.3. No Waiver by Course of Conduct, Cumulative Remedies. The Agent shall not by any act (except by a written instrument pursuant to Section 7.1), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Event of Default. No failure to exercise, nor any delay in exercising on the part of the Agent, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Agent of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Agent would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

SECTION 7.4. Enforcement Expenses, Indemnification.

(a) Each Grantor hereby agrees to indemnify and hold harmless the Agent, each other Secured Party and their Affiliates of any of the foregoing Persons (each such Person being called an "**Indemnitee**") from any losses, damages, liabilities, claims and related expenses (including the reasonable fees and expenses of any counsel for any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any Person (including any Grantor), other than such Indemnitee and its Affiliates, arising out of, in connection with or resulting from this Agreement (including, without limitation, enforcement of this Agreement) or any failure of any Obligations to be the legal, valid, and binding obligations of any Grantor enforceable against such Grantor in accordance with their terms, whether brought by a third party or by such Grantor, and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (i) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the willful misconduct or gross negligence of any Indemnitee or (ii) result from a claim brought by any Grantor against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Transaction Document, if such Grantor has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(b) Each Grantor agrees to pay or reimburse the Agent for all its costs and expenses (including reasonable attorneys' fees) incurred in collecting against such Grantor its Obligations or otherwise enforcing or preserving any rights under this Agreement and the other Transaction Documents to which such Grantor is a party, including the fees and other charges of counsel.

(c) To the fullest extent permitted by applicable law, each Grantor shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Transaction Document or any agreement or instrument contemplated hereby or the transactions contemplated hereby or thereby. No Indemnitee referred to in this Section 7.4 shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Transaction Documents or the transactions contemplated hereby or thereby, except for their own willful misconduct or gross negligence and other than to account for the monies actually received by Agent in accordance with the terms of this Agreement.

(d) Notwithstanding the termination of this Agreement, the indemnities to which the Agent and the other Secured Parties are entitled under the provisions of this Section 7.4 and any other provision of this Agreement and the other Transaction Documents shall continue in full force and effect and shall protect the Agent and the other Secured Parties against events arising after termination of this Agreement as well as before.

(e) All amounts due under this Section shall be payable promptly after demand therefor, shall constitute Obligations and shall bear interest until paid at five percent (5%) per annum at which interest would then be payable on any past due payment under the Notes.

SECTION 7.5. Set-Off. Upon the occurrence and during the continuation of an Event of Default, in addition to all other rights and remedies that may then be available to any Secured Party, each such Secured Party is hereby authorized at any time and from time to time, without prior notice to such Grantor (any such notice being expressly waived by each Grantor) to setoff and apply any and all indebtedness at any time owing by such Secured Party to or for the credit or the account of any Grantor against all amounts which may be owed to such Secured Party by such Grantor in connection with this Agreement or any other Transaction Document.

SECTION 7.6. Successors and Assigns. This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of each Grantor (and shall bind all Persons who become bound as a Grantor to this Security Agreement), the Agent and the other Purchasers and their respective successors and assigns; provided that no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Agent (given in accordance with Section 7.1).

SECTION 7.7. Signatures; Counterparts. Facsimile or electronic transmissions of any executed original document and/or retransmission of any executed facsimile or electronic transmission shall be deemed to be the same as the delivery of an executed original. At the request of any party hereto, the other parties hereto shall confirm such transmissions by executing duplicate original documents and delivering the same to the requesting party or parties. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SECTION 7.8. Severability. If any one or more of the provisions contained in this Agreement, or the application thereof in any circumstance, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired, unless the provisions held invalid, illegal or unenforceable shall substantially impair the benefits of the remaining provisions of this Agreement. The parties hereto further agree to replace such invalid, illegal or unenforceable provision of this Agreement with a valid, legal and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such invalid, illegal or unenforceable provision.

SECTION 7.9. Section Heading. The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

SECTION 7.10. Integration. This Agreement, together with the exhibits and schedules hereto and the other Transaction Documents, is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein or therein. This Agreement, together with the exhibits and schedules hereto, and the other Transaction Documents supersede all prior agreements and understandings between the parties with respect to such subject matter.

SECTION 7.11. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, CONSTRUED IN ACCORDANCE WITH, AND ENFORCED UNDER, THE LAWS OF THE STATE OF FLORIDA, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW OF SUCH STATE.

SECTION 7.12. Jurisdiction, Jury Trial Waiver, Etc.

(a) EACH PARTY TO THIS AGREEMENT HEREBY IRREVOCABLY AGREES THAT ANY LEGAL ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS OR ANY AGREEMENTS OR TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY MAY BE BROUGHT IN THE COURTS OF THE STATE OF FLORIDA OR OF THE UNITED STATES OF AMERICA LOCATED IN TAMPA, FLORIDA AND HEREBY EXPRESSLY SUBMITS TO THE PERSONAL JURISDICTION AND VENUE OF SUCH COURTS FOR THE PURPOSES THEREOF AND EXPRESSLY WAIVES ANY CLAIM OF IMPROPER VENUE AND ANY CLAIM THAT ANY SUCH COURT IS AN INCONVENIENT FORUM. EACH PARTY HEREBY IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO ITS ADDRESS SET FORTH IN THE PURCHASE AGREEMENT, SUCH SERVICE TO BECOME EFFECTIVE 10 DAYS AFTER SUCH MAILING.

(b) TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH GRANTOR HEREBY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS OR ANY OF THE OTHER TRANSACTION DOCUMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS. EACH GRANTOR (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE AGENT HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE AGENT WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS AND (ii) ACKNOWLEDGES THAT THE AGENT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, AND THE OTHER TRANSACTION DOCUMENTS TO WHICH IT IS PARTY BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS CONTAINED HEREIN.

SECTION 7.13. Acknowledgements.

(a) Each Grantor hereby acknowledges that:

(i) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Transaction Documents to which it is a party;

(ii) it has received a copy of the Purchase Agreement and has reviewed and understands the same;

(iii) neither the Agent nor any other Secured Party has any fiduciary relationship with or duty to the Grantor arising out of or in connection with this Agreement or any of the other Transaction Documents, and the relationship between the Grantors, on the one hand, and the Agent and the other Secured Parties, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(iv) no joint venture is created hereby or by the other Transaction Documents or otherwise exists by virtue of the transactions contemplated hereby or thereby among the Secured Parties or among the Grantors and the Secured Parties.

SECTION 7.14. Additional Grantors. The Grantors shall cause each subsidiary formed or acquired after the date hereof, to become a party to this Agreement and shall execute such other documents as the Agent may request.

SECTION 7.15. Releases. At such time as the Obligations shall have been paid in full in cash, and any commitment to make an Advance has been terminated, the Collateral shall be released from the Liens created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Agent, the other Secured Parties and each Grantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors. At the request and sole expense of the Grantor following any such termination, the Agent shall deliver to any Grantor any Collateral held by the Agent hereunder, and execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

SECTION 7.16. No Conflicts with Enforcement; Release. The parties acknowledge that some or all of the Secured Parties and their respective affiliates are among the Company's shareholders, and that these relationships will not in any way affect the Agent's or other Secured Parties' rights under this Agreement and as a creditor with respect to the Obligations. The Company and each Secured Party acknowledge that the Company received proceeds of the extension of credit under the Purchase Agreement and the Notes in arm's length transaction approved by the Company's Board of Directors and required shareholders, if any, and each Secured Party, with the advice of separate counsel. Each party to this Agreement acknowledges that it has received substantial benefits from funds furnished to the Company by the Secured Parties and transactions occurring on the date of this Agreement, including the Company receiving funds that it needed to operate. Each party remises, releases and discharges each Secured Party for any claim for any lender liability, equitable subordination, or other claim, loss, damage, or remedy, including without limitation any such claim arising from the transactions contemplated by the Transaction Documents or the Company's operations and governance, and further acknowledge that the Company will not be entitled to concessions, extensions or otherwise because of Secured Parties' or their affiliate's relationship to the Company. The Secured Parties may enforce the terms and provisions of any Transaction Document without regard to the fact that the Secured Parties or their affiliates are shareholders of the Company.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be executed under seal by their duly authorized officers, all as of the day and year first written above.

Grantor:

H-CYTE, INC.,
a Nevada corporation

By: _____
Name: William E. Horne
Title: Chief Executive Officer

Signature Page to Security Agreement

Grantor:

H-CYTE MANAGEMENT LLC,
a Delaware limited liability company

By: _____
Name:
Title:

Signature Page to Security Agreement

Grantor:

LUNG INSTITUTE TAMPA, LLC,
a Delaware limited liability company

By: _____
Name:
Title:

Signature Page to Security Agreement

Grantor:

COGNITIVE HEALTH INSTITUTE TAMPA, LLC,
a Delaware limited liability company

By: _____
Name:
Title:

Signature Page to Security Agreement

Grantor:

MEDOVEX CORP.,
a Nevada corporation

By: _____
Name:
Title:

Signature Page to Security Agreement

Agent:

FHWC BRIDGE, LLC,
a Delaware limited liability company

By: _____
Name: Todd R. Wagner
Title: Manager

SCHEDULE 3.7

Names, States of Organization, Places of Business, Chief Executive Offices, Location of Inventory, Equipment and Fixtures

H-Cyte, Inc.
201 E. Kennedy Blvd, Suite 700
Tampa, FL 33602

H-Cyte Management LLC
201 E. Kennedy Blvd, Suite 700
Tampa, FL 33602

Lung Institute Tampa, LLC
201 E. Kennedy Blvd, Suite 700
Tampa, FL 33602

Cognitive Health Institute Tampa, LLC
201 E. Kennedy Blvd, Suite 700
Tampa, FL 33602

Medovex Corp.
201 E. Kennedy Blvd, Suite 700
Tampa, FL 33602

Exhibit 10.5

INTELLECTUAL PROPERTY SECURITY AGREEMENT

THIS INTELLECTUAL PROPERTY SECURITY AGREEMENT (as amended, restated, supplemented or otherwise modified from time to time, the "Agreement") is made and entered into as of April 17, 2020 by and between **H-CYTE, INC.**, a Nevada corporation f/k/a Medovex Corp. (the "Grantor"), having an address at 201 E. Kennedy Blvd., Suite 700, Tampa, FL 33602, in favor of **FWHC BRIDGE, LLC**, a Delaware limited liability company, as collateral agent for the ratable benefit of itself and the other Purchasers under the Purchase Agreement, having an address at 1306 W. Kennedy Blvd., Tampa, Florida 33606 (the "Secured Party").

WHEREAS, pursuant to that certain Secured Convertible Note and Warrant Purchase Agreement, dated as of the date hereof, between Grantor and Secured Party (as amended, supplemented, restated or otherwise modified from time to time, the "Purchase Agreement"), the Secured Party has agreed to advance funds to the Grantor upon the terms and subject to the conditions set forth therein;

WHEREAS, the Grantor has executed and delivered a Security Agreement, dated as of the date hereof, in favor of the Secured Party (as amended, supplemented, restated or otherwise modified from time to time, the "Security Agreement"); and

WHEREAS, pursuant to the Security Agreement, the Grantor has granted to the Secured Party a security interest in, inter alia, certain intellectual property, including the intellectual property set forth on Exhibit A hereto.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Grantor agrees as follows:

1. Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided or provided by reference in the Security Agreement, as applicable.

2. Grant of Security Interest for Obligations. The Grantor hereby grants a security interest in, all of such Grantor's right, title and interest in, to and under the intellectual property constituting Collateral (including, without limitation, those items listed on Exhibit A hereto and all goodwill related thereto) (collectively, the "IP Collateral"), to the Secured Party, as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations.

3. Purpose. This Agreement has been executed and delivered by the Grantor for the purpose of recording the grant of security interest herein with the United States Patent and Trademark Office. The security interest granted hereby has been granted to the Secured Party in connection with the Security Agreement and is expressly subject to the terms and conditions thereof. The Security Agreement (and all rights and remedies of the Secured Party thereunder) shall remain in full force and effect in accordance with its terms.

4. Acknowledgment. The Grantor does hereby further acknowledge and affirm that the rights and remedies of the Secured Party with respect to the security interest in the IP Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which (including the remedies provided for therein) are incorporated by reference herein as if fully set forth herein. In the event of any conflict between this Agreement and the Security Agreement, the terms of the Security Agreement shall govern.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Grantor has caused this Agreement to be duly executed and delivered as of the date first above written.

GRANTOR:

H-CYTE, INC.,
a Nevada corporation

By: _____
Name: William E. Horne
Title: Chief Executive Officer

Signature Page to Intellectual Property Security Agreement

Exhibit A

IP COLLATERAL

Patents

Patent	Serial / Registration Number	Filing/ Registration Date	Owner	Filing Location
Surgical portal driver	D870,887	12/24/2019	Medovex Corp.	USPTO
Surgical tools for spinal facet therapy to alleviate pain and related methods	10,398,494	9/3/2019	Medovex Corp.	USPTO
Surgical portal driver	D854,150	7/16/2019	Medovex Corp.	USPTO
Surgical tools for spinal facet therapy to alleviate pain and related methods	9,980,771	5/29/2018	Medovex Corp.	USPTO
Surgical portal driver	D810,290	2/13/2018	Medovex Corp.	USPTO
Minimally invasive methods for spinal facet therapy to alleviate pain and associated surgical tools, kits and instructional media	9,883,882	2/6/2018	Medovex Corp.	USPTO
Surgical Tools with Positional Components	10,595,919	3/24/2020	Medovex Corp.	USPTO
Surgical Tools for Spinal Facet Therapy to Alleviate Pain and Related Methods	10,588,688	3/17/2020	Medovex Corp.	USPTO
Transformable Intravenous Pole and Boom Combination and Method Thereof	9,707,334	7/18/2017	Medovex Corp.	USPTO
Surgical Tools for Spinal Facet Therapy to Alleviate Pain	16/520,738	7/24/2019	Medovex Corp.	USPTO
Minimally Invasive Methods for Spinal Facet Therapy to Alleviate Pain	15/850,662	12/21/2017	Medovex Corp.	USPTO
Minimally Invasive Methods for Spinal Facet Therapy to Alleviate Pain	15/850,630	12/21/2017	Medovex Corp.	USPTO

Trademarks

Mark	Trademark / Application	Serial / Registration Number	Filing / Registration Date	Owner	Filing Location
ANTI-INFLAMMATORY INITIATIVE	Trademark	5887324	10/15/2019	H-Cyte, Inc.	USPTO
H-CYTE	Application	88459878	6/5/2019	Medovex Corp.	USPTO
BREATHE EASIER	Trademark	5981349	2/11/2020	Medovex Corp.	USPTO
	Application	88576562	8/13/2019	Medovex Corp.	USPTO
LUNG RESTORATION TREATMENT PLUS	Trademark	5952853	1/7/2020	Medovex Corp.	USPTO
	Trademark	5948228	12/31/2019	Medovex Corp.	USPTO
L-CYTE	Application	88459880	6/5/2019	Medovex Corp.	USPTO
LUNGCYTE	Application	88459879	11/12/2019	Medovex Corp.	USPTO
LUNG MAINTENANCE TREATMENT	Trademark	5905492	11/5/2019	Medovex Corp.	USPTO
LUNG HEALTH INSTITUTE	Trademark	5893510	10/22/2019	Medovex Corp.	USPTO
ROTACAPSULATION	Application	87371750	3/15/2017	Medovex Corp.	USPTO
PULMONARY TRAP	Trademark	5567463	9/18/2018	Medovex Corp.	USPTO
	Trademark	5335750	11/14/2017	Medovex Corp.	USPTO
	Trademark	5317440	10/24/2017	Medovex Corp.	USPTO
MEDOVEX	Trademark	5286813	9/12/2017	Medovex Corp.	USPTO
MEDOVEX CORPORATION	Trademark	5286578	9/12/2017	Medovex Corp.	USPTO
DENERVEX	Trademark	5271510	8/22/2017	Medovex Corp.	USPTO
	Trademark	4484509	2/18/2014	Medovex Corp.	USPTO

Copyrights

None.

Exhibit 10.6

ABSOLUTE GUARANTY OF PAYMENT AND PERFORMANCE

THIS ABSOLUTE GUARANTY OF PAYMENT AND PERFORMANCE (hereinafter referred to as the "**Guaranty**"), made to be effective as of April 17, 2020, by each of H-Cyte Management LLC, a Delaware limited liability company, Lung Institute Tampa, LLC, a Delaware limited liability company, Cognitive Health Institute Tampa, LLC, a Delaware limited liability company, and Medovex Corp., a Nevada corporation (collectively, "**Guarantor**") for the benefit of the Purchasers (as defined in the Purchase Agreement).

BACKGROUND

Pursuant to the terms of a certain Secured Convertible Note and Warrant Purchase Agreement (the "**Purchase Agreement**") by and among the Purchasers signatory thereto and H-Cyte, Inc., a Nevada corporation ("**Borrower**"), the Purchasers have made certain extensions of credit to Borrower (the "**Loans**"), as evidenced by Secured Convertible Promissory Notes of even date herewith, in the aggregate original principal amount of $3,235,570 (the "**Notes**"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Purchase Agreement.

Guarantor is a direct or indirect subsidiary of Borrower and, as a result, will benefit from the making of the Loans to Borrower by the Purchasers.

As a condition to making the Loans, the Purchasers are requiring Guarantor to execute and deliver this Guaranty to the Purchasers. Guarantor acknowledges that the Purchasers will rely on this Guaranty in making the Loans to Borrower.

AGREEMENTS

Guarantor agrees as follows:

1. Background. The foregoing background is true and correct and is incorporated by reference for all purposes as if fully set forth in this Guaranty.

2. Guaranty of Obligation. Guarantor irrevocably and unconditionally guarantees to Purchasers the prompt payment and performance when due of the Guaranteed Debt (as defined below).

3. Definition of Guaranteed Debt. As used in this Agreement, the term "**Guaranteed Debt**" means the obligations of the Borrower under the Purchase Agreement and the other Transaction Documents and the costs and expenses of Purchasers (including court costs and reasonable attorneys' fees) incurred by the Purchasers in the enforcing or preserving of their rights under the Transaction Documents, including this Guaranty.

4. Payment by Guarantor. If all or any part of the Guaranteed Debt shall not be paid when due (after expiration of applicable grace periods), whether at maturity or earlier by acceleration or otherwise, Guarantor shall, promptly upon demand by FWHC Bridge, LLC (the "**Lead Purchaser**") on behalf of all Purchasers, and without presentment, protest, notice of protest, notice of non-payment, notice of intention to accelerate or acceleration or any other notice whatsoever, pay in lawful money of the United States of America, the amount due on the Guaranteed Debt to the Purchasers at the Lead Purchaser's principal office set forth in the preamble hereof or at such other place as the Lead Purchaser designates in writing to Guarantor. Any term or provision of this Agreement or any other Transaction Document to the contrary notwithstanding, the maximum aggregate amount for which any Guarantor shall be liable hereunder shall not exceed the maximum amount for which any Guarantor can be liable without rendering this Agreement or any other Transaction Document, as it relates to any Guarantor, subject to avoidance under applicable laws, statutes, rules and regulations relating to fraudulent conveyance or fraudulent transfer (including the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act and Section 548 of title 11 of the United States Code or any applicable provisions of comparable law) (collectively, "**Fraudulent Transfer Laws**"). Any analysis of the provisions of this Agreement for purposes of Fraudulent Transfer Laws shall take into account any right of contribution of any Guarantor and, for purposes of such analysis, give effect to any discharge of intercompany debt as a result of any payment made under this Agreement.

5. No Duty to Pursue Others. It shall not be necessary for the Purchasers (and Guarantor hereby waives any rights which Guarantor may have to require the Purchasers), in order to enforce such payment by Guarantor, first to (a) institute suit or exhaust its remedies against Borrower or any other guarantors of the Guaranteed Debt, (b) enforce the Purchasers' rights against any security which shall ever have been given to secure the Guaranteed Debt, (c) join Borrower or any others liable on the Guaranteed Debt in any action seeking to enforce this Guaranty, or (d) resort to any other means of obtaining payment of the Guaranteed Debt. The Purchasers shall not be required to mitigate damages or take any other action to reduce, collect or enforce the Guaranteed Debt. Guarantor acknowledges that the Purchasers have been induced by this Guaranty to make the Loans hereinabove described, and this Guaranty shall, without further reference or assignment, pass to, and be relied upon and enforced by, any successor or participant or assignee of any Purchaser in and to any liabilities or obligations of Borrower.

6. Waiver of Notices. Guarantor agrees to the provisions of the Transaction Documents, and waives notice of (a) any loans or advances made by the Purchasers to Borrower, (b) acceptance of this Guaranty, (c) any amendment or extension of the Note or of any other instrument or document pertaining to all or any part of the Guaranteed Debt, or (d) any other action at any time taken or omitted by a Purchaser, and, generally, all demands and notices of every kind in connection with this Guaranty and any documents or agreements evidencing, securing or relating to any of the Guaranteed Debt and the obligations hereby guaranteed.

7. Nature of Guaranty. This Guaranty is an irrevocable, absolute, continuing guaranty of payment and not a guaranty of collection.

8. Guarantor's Representations. Guarantor makes the following representations:

(a) Review of Transaction Documents. The Guarantor has received and reviewed the Purchase Agreement, the Notes and the other Transaction Documents.

(b) Non-contravention. The execution, delivery and performance by Guarantor of this Guaranty does not contravene or result in a default under (i) any contractual restriction binding on or affecting the Guarantor, (ii) any court decree or order binding on or affecting the Guarantor or (iii) any requirement of applicable law binding on or affecting the Guarantor.

(c) Approvals. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or other person (other than those that have been duly obtained or made and which are in full force and effect) is required for the consummation of this Guaranty or the due execution, delivery or performance by Guarantor of this Guaranty.

(d) Validity. This Guaranty has been duly executed and delivered and constitutes the legal, valid and binding obligations of Guarantor, enforceable against the Guarantor in accordance with its terms (except, in any case, as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or similar laws from time to time in effect affecting creditors' rights generally and by general principles of equity).

(e) Pending Litigation. There is no litigation or other proceeding (including any government audit inspection, indictment, hearing, charge, proceeding or other investigation) pending or, to the knowledge of Guarantor, threatened against or affecting Guarantor, or the assets of Guarantor, and there is no litigation or other proceeding which questions the validity of this Guaranty or of any action taken or to be taken pursuant to or in connection with the provisions of this Guaranty.

(f) Financial Information. Guarantor is solvent and the execution of this Guaranty does not and will not render the Guarantor insolvent. Any financial statements of Guarantor furnished by Guarantor to the Purchasers do not, nor does this Guaranty, contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein not misleading.

(g) Taxes. Guarantor has filed, or caused to be filed, all tax returns required by law to be filed by Guarantor and has paid all taxes shown to be due and payable by Guarantor on said returns or on any assessments made against it. Guarantor has not been given or been requested to give a waiver of statute of limitations relating to the payment of Federal, state or local taxes.

9. Tax Returns. Guarantor shall deliver a complete copy of their federal tax returns, including all schedules, to the Lead Purchaser within thirty (30) days after filing same. Further, Guarantor hereby consents to the Lead Purchaser obtaining credit reports examining the credit history of Guarantor from time to time while the Loans remain outstanding.

10. Payment of Expenses. In the event that Guarantor should breach or fail timely to perform any provisions of this Guaranty, Guarantor shall, immediately upon demand by the Lead Purchaser, pay the Lead Purchaser all costs and expenses (including court costs and reasonable attorneys' fees) incurred by the Lead Purchaser in the enforcement hereof or the preservation of the Purchasers' rights hereunder.

11. Effect of Bankruptcy. In the event that, pursuant to any insolvency, bankruptcy, reorganization, receivership or other debtor relief law, or any judgment, order or decision thereunder, a Purchaser must rescind or restore any payment, or any part thereof, received by such Purchaser in satisfaction of the Guaranteed Debt, any prior release or discharge from the terms of this Guaranty given to Guarantor by such Purchaser shall be without effect, and this Guaranty shall remain in full force and effect. It is the intention of Borrower and Guarantor that Guarantor's obligations hereunder shall not be discharged except by Guarantor's performance of such obligations and then only to the extent of such performance.

12. Joint Obligations. Guarantor and any other guarantors, whether under this Guaranty or another guaranty in favor of the Purchasers and entered into in connection with the Loans, shall be jointly and severally liable for payment of the Guaranteed Debt. This Guaranty may be enforced against one guarantor separately or against more than one or all guarantors jointly.

13. Events and Circumstances Not Reducing or Discharging Guarantor's Obligations. Guarantor hereby consents and agrees to each of the following, and agrees that Guarantor's obligations under this Guaranty shall not be released, diminished, impaired, reduced or adversely affected by any of the following, and Guarantor hereby waives any common law, equitable, statutory or other rights (including without limitation rights to notice) which Guarantor might otherwise have as a result of or in connection with any of the following:

(a) Modifications, etc. Any renewal, extension, increase, modification, alteration or rearrangement of all or any part of the Guaranteed Debt, or of any Transaction Document.

(b) Adjustment, etc. Any adjustment, indulgence, forbearance or compromise that might be granted or given by the Purchasers to Borrower.

(c) Invalidity of Guaranteed Debt. The invalidity, illegality or unenforceability of all or any part of the Guaranteed Debt, or any document or agreement executed in connection with the Guaranteed Debt, for any reason whatsoever.

(d) Release of Obligors. Any full or partial release of the liability of Borrower, any co-guarantors or of any other person liable on the Guaranteed Debt.

(e) Other Security. The taking or accepting of any other security, collateral or guaranty, or other assurance of payment, for all or any part of the Guaranteed Debt.

(f) Release or Sale of Collateral, etc Any release, surrender, exchange, subordination, deterioration, waste, loss or impairment of any collateral at any time securing payment of the Guaranteed Debt or any failure to sell any collateral in a commercially reasonable manner or as otherwise required by law.

(g) Care and Diligence. The failure of the Lead Purchaser or any other party to exercise diligence or reasonable care in the preservation, protection, enforcement, sale or other handling or treatment of all or any part of any collateral at any time securing payment of the Guaranteed Debt.

(h) Status of Liens. The fact that any collateral, security, security interest or lien contemplated or intended to be given, created or granted as security for the repayment of the Guaranteed Debt shall not be properly perfected or created, or shall prove to be unenforceable or subordinate to any other security interest or lien.

(i) Offset. Any existing or future right of offset, claim or defense of Borrower against the Purchasers, or any other party (other than a defense of payment of the Guaranteed Debt), whether such right of offset, claim or defense arises in connection with the Guaranteed Debt (or the transactions creating the Guaranteed Debt) or otherwise.

(j) Merger. The reorganization, merger or consolidation of Borrower into or with any other corporation or entity.

(k) Legal Proceedings. The commencement, existence or completion of any proceeding against the Borrower or otherwise related to the collection and enforcement of the Guaranteed Debt.

(l) Limitation of Liability. Any limitation on the full personal liability of the Borrower for payment of the Guaranteed Debt or under any document or agreement executed in connection with the Guaranteed Debt.

(m) Bankruptcy Proceedings. The receivership, insolvency, bankruptcy or other proceedings affecting Borrower or any of Borrower's property, Guarantor or any other person or entity.

(n) Preference. Any payment by Borrower to a Purchaser is held to constitute a preference under bankruptcy laws, or for any reason a Purchaser is required to refund such payment or pay such amount to Borrower or someone else.

(o) Other Actions Taken or Omitted. Any other action taken or omitted to be taken with respect to the Guaranteed Debt, or the security and collateral therefor, whether or not such action or omission prejudices Guarantor or increases the likelihood that Guarantor will be required to pay the Guaranteed Debt pursuant to the terms hereof; it is the unambiguous and unequivocal intention of Guarantor that the Guarantor shall be obligated to pay the Guaranteed Debt when due, notwithstanding any occurrence, circumstance, event, action, or omission whatsoever, whether contemplated or not contemplated, and whether or not otherwise or particularly described herein, except for the full and final payment and satisfaction of the Guaranteed Debt or the express release by the Purchasers of the Guarantor's obligations hereunder.

14. Subordination of All Guarantor Claims. As used herein, the term "**Guarantor Claims**" shall mean all debts and liabilities of Borrower to Guarantor for borrowed money, whether now existing or hereafter arising. Guarantor subordinates the Guarantor Claims to the Guaranteed Debt. Guarantor shall not receive or collect, directly or indirectly, any amount upon the Guarantor Claims while the Guaranteed Debt remains outstanding.

15. Claims in Bankruptcy. In the event of receivership, bankruptcy, reorganization, arrangement, debtor's relief, or other insolvency proceedings involving Borrower as debtor, the Purchasers shall have the right to prove their claim in any such proceeding so as to establish its rights hereunder and receive directly from the receiver, trustee or other court custodian dividends and payments which would otherwise be payable upon Guarantor Claims. Guarantor hereby assigns such dividends and payments to the Purchasers.

16. Liens Subordinate. Guarantor agrees that any liens, security interests, judgment liens, charges or other encumbrances upon Borrower's assets securing payment of its claims against the Borrower shall be and remain inferior and subordinate to any liens, security interests, judgment liens, charges or other encumbrances upon Borrower's assets securing payment of the Guaranteed Debt.

17. Waiver of Subrogation. Until all indebtedness of Borrower to the Purchasers under the Transaction Documents is paid in full, Guarantor hereby waives any right, claim or action that it may now or hereafter have against Borrower arising out of, or in connection with, Guarantor's obligations under this Guaranty or the payment by Guarantor of all or any part of the Guaranteed Debt including, without limitation, any right or claim for subrogation, contribution, reimbursement, exoneration, or indemnity.

18. Waiver. No modification or waiver of any provision of this Guaranty, nor consent to departure therefrom, shall be effective unless in writing and no such consent or waiver shall extend beyond the particular case and purpose involved.

19. Notices. Any notices or other communications required or permitted to be given by this Guaranty must be given in writing and shall be deemed to have been given when personally delivered or mailed by prepaid certified or registered mail, return receipt requested, to the party to whom such notice or communication is directed, to the address of such party set forth as shown below:

TO GUARANTOR: c/o H-Cyte, Inc.
201 E. Kennedy Blvd., Suite 700
Tampa, FL 33602

TO PURCHASERS: FWHC Bridge, LLC
1306 W. Kennedy Blvd.
Tampa, FL 33606

20. Governing Law. This Guaranty shall be governed, interpreted and construed by, through and under the laws of the State of Florida, excepting, however, its laws or principles regarding conflicts of laws or choice of laws. In any litigation in connection with or to enforce this Guaranty, Guarantor irrevocably consents to and confers personal jurisdiction on the courts of the State of Florida sitting in Hillsborough County and the United States District Court for the Middle District of Florida and expressly waives any objections as to venue in any such courts. Nothing contained herein shall, however, prevent any Purchaser from bringing any action or exercising any rights within any other state or jurisdiction or from obtaining personal jurisdiction by any other means available under applicable law.

21. Invalid Provisions. If any provision of this Guaranty is held to be illegal, invalid, or unenforceable under present or future laws effective during the term of this Guaranty, such provision shall be fully severable and this Guaranty shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Guaranty.

22. Entirety and Amendments. There are not unwritten oral agreements between the parties. This Guaranty represents the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. This Guaranty may be amended only by an instrument in writing executed by an authorized officer of the party against whom such amendment is sought to be enforced.

23. Parties Bound; Assignment. This Guaranty shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives; provided, that Guarantor may not, without the prior written consent of the Lead Purchaser, assign any of its rights, powers, duties, or obligations hereunder.

24. Headings. Section headings are for convenience of reference only and shall in no way affect the interpretation of this Guaranty.

[Signature Page Follows]

IN WITNESS WHEREOF, Guarantor has executed and delivered this instrument under seal the day and year first above written.

GUARANTOR:

H-CYTE MANAGEMENT LLC

By: _____
Name:
Title:

LUNG INSTITUTE TAMPA, LLC

By: _____
Name:
Title:

COGNITIVE HEALTH INSTITUTE TAMPA, LLC

By: _____
Name:
Title:

MEDOVEX CORP.

By: _____
Name:
Title:

Exhibit 10.7

H-Cyte, Inc.
201 E. Kennedy Blvd, Suite 700
Tampa, FL 33602
March [30], 2020

William E. Horne
c/o: H-Cyte, Inc.
201 E. Kennedy Blvd, Suite 700
Tampa, FL 33602

Re: Amendment to Employment Agreement dated October 9, 2018

Dear George:

Reference is made to the Employment Agreement (the "Employment Agreement"), dated October 9, 2018, between you and Medovex Corp., now known as H-Cyte, Inc. (the "Company"). Capitalized terms used in this letter (this "Letter") and not defined have the meanings given to them in the Employment Agreement.

This Letter confirms the agreement among you and the Company that the Employment Agreement is amended to reduce your Base Salary. In furtherance of the foregoing, Section 3(a) of the Employment Agreement is amended to provide that your Base Salary is reduced to $0.00 per month (i.e., $0.00 per annum); provided that on the date that the Company receives clearance from the U.S. Food and Drug Administration to commence clinical trials for its products (the "FDA Clearance Date"), your Base Salary will be increased to a total of $18,750.00 per month (i.e. $225,000.00 per annum). Any subsequent increases to your Base Salary or any additional compensation to be paid to you in connection with your employment shall be only be as you, the Company and FWHC Holdings, LLC may agree in writing after the date of this Letter. The Company will negotiate with you in good faith over the next week to structure a bonus plan and equity compensation package in connection with your continued employment that would take effect following the FDA Clearance Date on terms that are acceptable to you, the Company and FWHC Holdings, LLC.

For avoidance of doubt, you and the Company hereby irrevocably acknowledge and agree that this reduction of your Base Salary shall not constitute Good Reason as defined in the Employment Agreement, notwithstanding anything to the contrary in the Employment Agreement. You further hereby unconditionally release, waive, forever discharge, and covenant not to sue the Company, FWHC Holdings, LLC and each of their parents, subsidiaries and affiliates, and each of their respective present and former directors, agents, attorneys, employees, partners, investors, shareholders, members, insurers, predecessors, successors, assigns, and representatives (collectively, the "Released Parties"), from any and all actual or potential claims, complaints, liabilities, obligations, promises, actions, causes of action, liabilities, agreements, damages, costs, debts, and expenses of any kind, whether known or unknown, that you have ever had or now have from the beginning of time through the date of this Letter arising out of or relating to any prior deferrals, reductions or waivers you previously made with respect to your Base Salary or any other compensation to which you may have been entitled to in connection with your employment with the Company, including without limitation any claims relating to offers to issue you shares of capital stock (or any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive shares of capital stock) in the Company in connection with any such deferral, reduction or waiver.

The Employment Agreement shall be deemed to be modified and amended in accordance with the express provisions of this Letter and the respective rights, duties and obligations of the parties under the Employment Agreement shall continue to be determined, exercised and enforced under the terms thereof subject to this Letter. In the event of inconsistency between the express terms of this Letter and the terms of the Employment Agreement, the terms of this Letter shall govern. This Letter may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party; provided that a facsimile or .pdf signature shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original. The Released Parties shall be express third party beneficiaries of this Letter.

[Remainder of page left blank intentionally]

Please sign this Letter in the space indicated below to acknowledge your agreement to the foregoing.

Sincerely,

H-CYTE, INC.

By: _____
Name: Michael Yurkowsky
Title: Director

Acknowledged and agreed as of the date set forth above:

_____
WILLIAM E. HORNE

Exhibit 10.8

FIRST AMENDMENT

TO

12% SENIOR SECURED CONVERTIBLE NOTE

This FIRST AMENDMENT TO 12% SENIOR SECURED CONVERTIBLE NOTE DUE SEPTEMBER 30, 2020 (this "**Amendment**") is entered into and made effective as of March 27, 2020 (the "**Effective Date**"), by and between H-CYTE, INC., a Nevada corporation (the "**Company**") and FWHC Bridge, LLC, a Delaware limited liability company (the "**Holder**"). The Company and Holder are collectively referred to herein as the "**Parties**" and each, a "**Party**".

BACKGROUND

WHEREAS, the Company previously issued that certain 12% Senior Secured Convertible Note dated as of October 1, 2019, in the original principal amount of $424,615 (the "**Note**"), to George Hawes, an individual (the "**Original Holder**");

WHEREAS, pursuant to that certain Assignment Agreement dated as of the Effective Date, by and among the Company, Original Holder and Holder, the Original Holder assigned all of his right, title and interest in and to the Note to the Holder (the "**Note Assignment**"); and

WHEREAS, in connection with the Note Assignment, the Parties desire to amend and modify the Note as provided for below.

OPERATIVE TERMS

The parties agree as follows:

1. Definitions. Capitalized terms used and not otherwise defined in this Amendment, have the meaning given to such terms in the Note.

2. Amendments to Note. Effective as of the date hereof, the Note is hereby amended as follows:

(a) Section 1 of the Note is hereby amended as follows:

(i) The defined term "Conversion Price" in Section 1 of the Note is hereby deleted in its entirety and replaced with the following:

"'Conversion Price' means the Mandatory Conversion Price."

(ii) The defined term "Conversion Shares" in Section 1 of the Note is hereby deleted in its entirety and replaced with the following:

"'Conversion Shares' shall have the meaning set forth in Section 4(a)."

(b) Section 2(a) of the Note is hereby deleted in its entirety and replaced with the following:

"Interest. Simple interest shall accrue on the outstanding principal amount from the date hereof until the date this Note is converted or paid in full at the Interest Rate. Payment of all accrued interest shall be deferred until the earlier of (a) the Maturity Date or (b) the date this Note is converted pursuant to Section 4 below."

(c) Section 2(c) of the Note is hereby is deleted in its entirety and replaced with the following:

"Late Fee. All overdue outstanding principal, together with accrued and unpaid interest thereon, to be paid hereunder shall entail a late fee at an interest rate equal to the lesser of (x) 18% per annum and (y) the maximum rate permitted by applicable law (the "Late Fees") which shall accrue daily from the date such principal and accrued and unpaid interest is due hereunder through and including the date of actual payment in full."

(d) Section 2(d) of the Note is hereby is deleted in its entirety and replaced with the following:

"Prepayment. Except as otherwise set forth in this Note, the Company may not prepay any portion of the principal amount of this Note, or any accrued and unpaid interest thereon, without the prior written consent of the Holder."

(e) Section 4(a) of the Note is hereby is hereby is deleted in its entirety and replaced with the following:

"Conversion. If any and all amounts due hereunder are not paid in full on or before the closing of a Qualified Financing, at the election of Holder, the entire principal balance of this Note, together with any accrued and unpaid interest thereon, shall convert into fully paid and non-assessable shares (rounded up to the nearest whole share) of the series of preferred stock of the Company issued pursuant to such Qualified Financing (the "Conversion Shares"), such conversion to occur promptly following the delivery by Holder of a Notice of Conversion, the form of which is attached hereto as Annex A (each, a "Notice of Conversion"). The number of Conversion Shares to be issued to Holder upon conversion of this Note pursuant to a Qualified Financing shall be equal to the quotient obtained by dividing the entire principal balance of this Note, together with any accrued and unpaid interest thereon, as of the date of conversion, by the Mandatory Conversion Price. A " Qualified Financing" shall mean sale (or series of related sales, all of which are consummated within ninety (90) days of each other) by the Company of shares of preferred stock after March 27, 2020 with the principal purpose of raising capital and with aggregate gross cash proceeds to the Company of not less than $3,600,000 (or such other amount approved in writing by Holder). The issuance of Conversion Shares pursuant to the conversion of this Note in connection with a Qualified Financing shall be upon and subject to the same terms and conditions applicable to the Conversion Shares sold in the Qualified Financing. No ink-original Notice of Conversion shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Conversion from be required. To effect conversions hereunder, the Holder shall physically surrender this Note to the Company as promptly as is reasonably practicable after Holder's receipt of the Conversion Shares. Upon conversion of this Note in full, Company shall be forever released from all its obligations and liabilities under this Note and this Note shall be deemed to be cancelled as of such time and any collateral of the Company pledged under the Security Agreement shall be released."

(f) Sections 4(b), 4(c) and 4(d)(v) of the Note are each hereby deleted in its entirety and replaced with the following:

"*Reserved*."

(g) Section 5(a) of the Note is hereby deleted in its entirety and replaced with the following:

"Stock Dividends and Stock Splits. If the Company, at any time while this Note is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on shares of Common Stock or any Common Stock Equivalents (which, for avoidance of doubt, shall not include any Conversion Shares issued by the Company upon conversion of, or payment of interest on, the Note), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares or (iv) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Company, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding any treasury shares of the Company) outstanding immediately before such event (including Common Stock issuable upon conversion of any Common Stock Equivalents) and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event (including Common Stock issuable upon conversion of any Common Stock Equivalents). Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification."

3. Entire Agreement. This Amendment records the final, complete, and exclusive understanding among the parties regarding the amendment of the Note. Except as expressly amended, modified or supplemented hereby, the provisions of the Note, as amended, are and will remain in full force and effect and, except as expressly provided herein, nothing in this Amendment will be construed as a waiver of any of the rights or obligations of the Parties under the Note.

4. Severability. In the event one or more of the provisions of this Amendment should for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Amendment, and this Amendment shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

5. Conflicts; Ratification. In the event of a conflict or inconsistency between the provisions of this Amendment and the Note, the provisions of this Amendment shall control and govern. As amended by this Amendment, the Note is ratified and remains in full force and effect in accordance with its terms.

6. Execution. This Amendment may be executed in multiple counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument, notwithstanding that all of the parties are not signatories to the original or the same counterpart. A party's receipt of a facsimile signature page or portable document format (PDF) copy of a signature page to this Amendment shall be treated as the party's receipt of an original signature page.

7. Governing Law. This Amendment shall be governed by, interpreted under, and construed and enforced in accordance with laws of the State of New York, without regard to conflict of laws principles.

8. Florida Documentary Stamp Tax. The Company will pay any documentary stamp taxes imposed by the State of Florida as a result of the execution and delivery of this Amendment to Holder.

9. Effectiveness of Amendment. This Amendment shall become effective upon execution of this Amendment by the Company and the Holder.

[Signatures begin on next page]

IN WITNESS WHEREOF, the Parties hereto have duly executed this Amendment as of the Effective Date.

Company:

H-CYTE, INC.,
a Nevada corporation

By: _____
Name: William E. Horne
Title: Chief Executive Officer

Holder:

FWHC BRIDGE, LLC,
a Delaware limited liability company

By: _____
Name: Todd R. Wagner
Title: Manager

Exhibit 21.1

Name of Entity	Jurisdiction
Debride, Inc.	Florida
STML Merger Sub, Inc.	Minnesota

Exhibit 31.1

CERTIFICATION PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William E. Horne, certify that:

1. I have reviewed this Annual Report on Form 10-K of H-CYTE, 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 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 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 material or not, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 22, 2020

/s/ William E. Horne

William E. Horne,
Principal Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeremy Daniel, certify that:

1. I have reviewed this Annual Report on Form 10-K of H-CYTE, 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 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 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 material or not, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 22, 2020

/s/ Jeremy Daniel

Jeremy Daniel,
Principal Financial and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

Each of the undersigned, William E. Horne and Jeremy Daniel, certifies pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code, that (1) this annual report on Form 10-K for the year ended December 31, 2019, of H-CYTE, Inc. (the "Company") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and (2) the information contained in this report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 22, 2020

/s/ William E. Horne
William E. Horne,
Chief Executive Officer

/s/ Jeremy Daniel
Jeremy Daniel,
Chief Financial Officer

Exhibit 32.2

Certifications Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

I, Jeremy Daniel, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of H-CYTE, INC. on Form 10-K for the fiscal year ended December 31, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K as amended fairly presents, in all material respects, the financial condition and results of operations of H-CYTE, INC.

Date: April 22, 2020

By: */s/ Jeremy Daniel*
Name: **Jeremy Daniel**
Title: ***Chief Financial Officer and Principal Accounting Officer***

This certification accompanies the Form 10-K 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 H-CYTE, INC. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.