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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended **June 30, 2017**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. **000-53078**

**Bone Biologics Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or formation)

**42-1743430**

(I.R.S. employer  
identification number)

**2 Burlington Woods Drive, Ste 100, Burlington, MA 01803**

(Address of principal executive offices and Zip Code)

**(781) 552-4452**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 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  No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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

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

Yes  No

As of August 4, 2017, there were 38,828,607 shares of the issuer's common stock, \$0.001 par value, outstanding.

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**Bone Biologics Corporation**  
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## NOTE ON FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Form 10-Q”) contains forward-looking statements. Such forward-looking statements include those that express plans, anticipation, intent, contingency, goals, targets or future development and/or otherwise are not statements of historical fact. These forward-looking statements are based on our current expectations and projections about future events and they are subject to risks and uncertainties known and unknown that could cause actual results and developments to differ materially from those expressed or implied in such statements. These forward-looking statements are subject to a number of risks, uncertainties and assumptions. For a more detailed listing of some of the risks and uncertainties facing the Company, please see our Current Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the Securities and Exchange Commission (“SEC”) on March 30, 2017.

All statements other than historical facts contained in this report, including statements regarding our future financial position, capital expenditures, cash flows, business strategy and plans and objectives of management for future operations are forward-looking statements. The words “anticipated,” “believe,” “expect,” “plan,” “intend,” “seek,” “estimate,” “project,” “could,” “may,” and similar expressions are intended to identify forward-looking statements. These statements include, among others, information regarding future operations, future capital expenditures, and future net cash flow. Such statements reflect our management’s current views with respect to future events and financial performance and involve risks and uncertainties, including, without limitation, our ability to raise additional capital to fund our operations, obtaining Food and Drug Administration (“FDA”) and other regulatory authorization to market our drug and biological products, successful completion of our clinical trials, our ability to achieve regulatory authorization to market our lead product NELL-1, our reliance on third party manufacturers for our drug products, market acceptance of our products, our dependence on licenses for certain of our products, our reliance on the expected growth in demand for our products, exposure to product liability and defect claims, development of a public trading market for our securities, and various other matters, many of which are beyond our control.

Should one or more of these risks or uncertainties occur, or should underlying assumptions prove to be incorrect, actual results may vary materially and adversely from those anticipated, believed, estimated or otherwise indicated. Consequently, all of the forward-looking statements made in this Annual Report are qualified by these cautionary statements and accordingly there can be no assurances made with respect to the actual results or developments. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Unless expressly indicated or the context requires otherwise, the terms “Company,” “we,” “us,” and “our” in this document refer to Bone Biologics Corporation, a Delaware corporation, and, its wholly owned subsidiary as defined under the heading “Management’s Discussion and Analysis” in this Form 10-Q.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

Bone Biologics Corporation

Condensed Consolidated Balance Sheets

	<u>June 30, 2017</u> (unaudited)	<u>December 31, 2016</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 783,014	\$ 620,375
Prepaid expenses	85,181	80,523
Prepaid expenses – Related Party	271,945	271,945
Total current assets	<u>1,140,140</u>	<u>972,843</u>
Property and equipment, net	194	242
Total assets	<u>\$ 1,140,334</u>	<u>\$ 973,085</u>
<b>Liabilities and Stockholders' Deficit</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 432,330	\$ 260,149
Current notes payable, net of debt discount of \$1,090,910 and \$-0-, respectively	2,109,090	1,200,000
Deferred compensation	141,667	41,667
Shares to be issued	1,823,077	1,823,077
Total current liabilities	<u>4,506,164</u>	<u>3,324,893</u>
Note payable, net of debt discount of \$2,116,059 and \$2,717,752, respectively	<u>6,883,941</u>	<u>6,282,248</u>
Total liabilities	<u>11,390,105</u>	<u>9,607,141</u>
<b>Commitments and Contingencies</b>		
<b>Stockholders' deficit</b>		
Preferred Stock, \$0.001 par value per share; 20,000,000 shares authorized; none issued or outstanding at June 30, 2017 and December 31, 2016	-	-
Common stock, \$0.001 par value per share; 100,000,000 shares authorized; 38,828,607 shares issued and outstanding at June 30, 2017 and December 31, 2016	38,829	38,829
Additional paid-in capital	38,865,042	38,271,173
Accumulated deficit	<u>(49,153,642)</u>	<u>(46,944,058)</u>
Total stockholders' deficit	<u>(10,249,771)</u>	<u>(8,634,056)</u>
Total liabilities and stockholders' deficit	<u>\$ 1,140,334</u>	<u>\$ 973,085</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**Bone Biologics Corporation**

**Condensed Consolidated Statements of Operations**

	<b>Three Months Ended June 30, 2017</b>	<b>Three Months Ended June 30, 2016</b>	<b>Six Months Ended June 30, 2017</b>	<b>Six Months Ended June 30, 2016</b>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ -
<b>Cost of revenues</b>	-	-	-	-
<b>Gross profit</b>	-	-	-	-
<b>Operating expenses</b>				
Research and development	(3,093,863)	2,318,735	(1,902,450)	6,996,936
General and administrative	1,118,900	1,969,863	2,087,661	3,851,889
<b>Total operating expenses</b>	(1,974,963)	4,288,598	185,211	10,848,825
<b>Income (Loss) from operations</b>	1,974,963	(4,288,598)	(185,211)	(10,848,825)
<b>Other expenses</b>				
Other expense	-	-	-	(4,862)
Interest expense, net	(1,108,742)	(511,588)	(2,022,774)	(922,797)
<b>Total other expenses</b>	(1,108,742)	(511,588)	(2,022,774)	(927,659)
<b>Income (Loss) before provision for income taxes</b>	866,221	(4,800,186)	(2,207,985)	(11,776,484)
<b>Provision for income taxes</b>	1,600	-	1,600	1,600
<b>Net Income (Loss)</b>	\$ 864,621	\$ (4,800,186)	\$ (2,209,585)	\$ (11,778,084)
<b>Weighted average shares outstanding – basic</b>	38,828,607	38,151,902	38,828,607	36,419,414
<b>Weighted average shares outstanding – diluted</b>	40,747,260	38,151,902	38,828,607	36,419,414
<b>Net Income (Loss) per share – basic</b>	\$ 0.02	\$ (0.13)	\$ (0.06)	\$ (0.32)
<b>Net Income (Loss) per share – diluted</b>	\$ 0.02	\$ (0.13)	\$ (0.06)	\$ (0.32)

*See accompanying notes to unaudited condensed consolidated financial statements.*

**Bone Biologics Corporation**

**Condensed Consolidated Statements of Cash Flows**

	<b>Six Months Ended June 30, 2017 (unaudited)</b>	<b>Six Months Ended June 30, 2016 (unaudited)</b>
<b>Operating activities</b>		
Net loss	\$ (2,209,585)	\$ (11,778,084)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	48	620
Amortization of prepaid expenses – related party	-	39,093
Debt discount amortization	1,392,103	415,653
Debt issuance costs amortization	153,680	147,151
Stock-based compensation	1,038,239	1,939,157
Options issued to consultants	(2,444,369)	2,874,147
Warrants issued to consultants	-	100,930
Interest expense deducted from loan proceeds	-	1,889
Loss on disposal of assets	-	4,862
Shares issued for Sygnal license	-	1,435,000
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(4,658)	(29,203)
Accounts payable and accrued expenses	172,181	294,890
Deferred issuance costs	(35,000)	
Deferred compensation	100,000	-
Net cash (used in) operating activities	<u>(1,837,361)</u>	<u>(4,553,895)</u>
<b>Financing activities</b>		
Proceeds from exercise of warrants		1,250,000
Proceeds from issuance of common stock		2,500,000
Proceeds from issuance of notes payable	2,000,000	1,883,111
Net cash provided by financing activities	<u>2,000,000</u>	<u>5,633,111</u>
Net increase in cash	162,639	1,079,216
Cash, beginning of period	620,375	1,115,109
Cash, end of period	<u>\$ 783,014</u>	<u>\$ 2,194,325</u>
<b>Supplemental non-cash information</b>		
Interest paid	\$ 436,192	\$ 360,306
Taxes paid	<u>\$ 1,600</u>	<u>\$ 1,600</u>

*See accompanying notes to unaudited condensed consolidated financial statements.*

**Bone Biologics Corporation**  
**Notes to Unaudited Condensed Consolidated Financial Statements**

**1. The Company**

Bone Biologics Corporation (the “Company”) was incorporated under the laws of the State of Delaware on October 18, 2007 as AFH Acquisition X, Inc. Pursuant to a Merger Agreement, dated September 19, 2014, by and among the Company, its wholly-owned subsidiary, Bone Biologics Acquisition Corp., a Delaware corporation (“Merger Sub”), and Bone Biologics, Inc. Merger Sub merged with and into Bone Biologics Inc., with Bone Biologics Inc. remaining as the surviving corporation in the merger. Upon the consummation of the merger, the separate existence of Merger Sub ceased. On September 22, 2014, the Company officially changed its name to “Bone Biologics Corporation” to more accurately reflect the nature of its business and Bone Biologics, Inc. became a wholly owned subsidiary of the Company. Bone Biologics, Inc. was incorporated in California on June 9, 2004. In connection with the merger, the 5,000,000 outstanding shares of common stock of the Company, par value \$0.001 per share (“Common Stock”), prior to the merger were consolidated into 3,853,600 shares of Common Stock and the remaining shares were cancelled.

Additionally, all of the issued and outstanding shares of Bone Biologics Inc.’s \$0.0001 par value common stock converted into a combined 19,897,587 shares of the Company’s Common Stock (including 2,151,926 shares issuable upon the exercise of outstanding warrants and 5,648,658 shares issuable upon the conversion of debt).

We are a medical device company that is currently focused on bone regeneration in spinal fusion using the recombinant human protein, known as NELL-1/DBX®. The NELL-1/DBX® combination product is an osteostimulative recombinant protein that provides target specific control over bone regeneration. The protein, as part of the UCB-1 technology platform has been licensed exclusively for worldwide applications to us through a technology transfer from UCLA. UCLA and the Company received guidance from the FDA that NELL-1/DBX® will be classified as a combination product with a device lead.

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, which we refer to as the JOBS Act. We would cease to be an emerging growth company upon the earliest of: (i) the last day of the first fiscal year in which our annual gross revenues are \$1.07 billion or more; (ii) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded \$700.0 million as of the end of the second quarter of that fiscal year; or (iii) the date on which we have, during the previous three-year period, issued more than \$1.07 billion in non-convertible debt securities. An emerging growth company may take advantage of specified reduced reporting and other burdens that are otherwise applicable generally to public companies. We have elected to take advantage of these reduced disclosure obligations, and may elect to take advantage of other reduced reporting obligations in the future.

The JOBS Act permits an emerging growth company like us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We are choosing to irrevocably “opt out” of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted.

The Company is a development stage entity. The production and marketing of the Company’s products and its ongoing research and development activities will be subject to extensive regulation by numerous governmental authorities in the United States. Prior to marketing in the United States, any combination product developed by the Company must undergo rigorous preclinical (animal) and clinical (human) testing and an extensive regulatory approval process implemented by the FDA under the Food, Drug and Cosmetic Act. There can be no assurance that the Company will not encounter problems in clinical trials that will cause the Company or the FDA to delay or suspend clinical trials.

The Company’s success will depend in part on its ability to obtain patents and product license rights, maintain trade secrets, and operate without infringing on the proprietary rights of others, both in the United States and other countries. There can be no assurance that patents issued to or licensed by the Company will not be challenged, invalidated, or circumvented, or that the rights granted thereunder will provide proprietary protection or competitive advantages to the Company.

***Going Concern and Liquidity***

The Company has no significant operating history and, since inception to June 30, 2017, has generated a net loss of approximately \$49 million. The Company will continue to incur significant expenses for development activities for their lead product NELL-1. Operating expenditures for the next twelve months are estimated at \$5.5 million. The accompanying consolidated financial statements for the six months ended June 30, 2017 have been prepared assuming the Company will continue as a going concern. The Company intends to raise additional debt and/or equity financing to fund future operations and to provide additional working capital. However, there is no assurance that such financing will be consummated or obtained in sufficient amounts necessary to meet the Company’s needs. If cash resources are insufficient to satisfy the Company’s on-going cash requirements, the Company will be required to scale back or discontinue its product development programs, or obtain funds if available (although there can be no certainties) through strategic alliances that may require the Company to relinquish rights to its technology, substantially reduce or discontinue its operations entirely.

Pursuant to the October 2016 and February 2017 Note Purchase Agreements (Note 6), the Company may only use the proceeds from the issuance of the convertible notes to focus on prioritizing operations on essential research and development activities. Also pursuant to the October 2016 Note Purchase Agreement, the Company's management has agreed to defer 20% of earned compensation and the Board of Directors has authorized a change in director compensation to defer 50% of the directors' cash compensation until at least \$5,000,000 has been received in cumulative funding from non-current stockholders.

The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the possible inability of the Company to continue as a going concern.

## **2. Summary of Significant Accounting Policies**

We have prepared the unaudited interim condensed consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally present in the annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2016. The results of the three and six month periods ended June 30, 2017 are not necessarily indicative of the results to be expected for the full year ending December 31, 2017.

### ***Basis of Presentation***

The accompanying condensed consolidated financial statements and related notes included activities of the Company and have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

### ***Use of Estimates***

The preparation of the accompanying condensed consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Significant estimates include warrants and income tax valuation allowances. Actual results could differ from those estimates.

### ***Fair Value of Financial Instruments***

The Company's consolidated financial instruments are accounts payable and notes payable. The recorded values of accounts payable approximate their values based on their short-term nature. Notes payable are recorded at their issue value or if warrants are attached at their issue value less the value of the warrant.

The Company defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs that may be used to measure fair value, of which the first two are considered observable and the last is considered unobservable:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 assumptions: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities including liabilities resulting from embedded derivatives associated with certain warrants to purchase common stock.

### ***Property and Equipment***

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets, ranging from three to seven years. Expenditures for additions and improvements are capitalized, while repairs and maintenance costs are expensed as incurred. The cost and related accumulated depreciation of property and equipment sold or otherwise disposed of are removed from the accounts and any gain or loss is recorded in the year of disposal.

### ***Impairment of Long-Lived Assets***

The long-lived assets held and used by the Company are reviewed for impairment no less frequently than annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability is performed. Management has determined that there was no impairment in the value of long-lived assets during the six months ended June 30, 2017.

### ***Research and Development Costs***

Research and development costs include, but are not limited to, patents and license expenses, payroll and other personnel expenses, consultants, expenses incurred under agreements with contract research and manufacturing organizations and animal clinical investigative sites and the cost to manufacture clinical trial materials. Costs related to research, design and development of products are charged to research and development expense as incurred.

### ***Patents and Licenses***

In March 2006, the Company entered into an exclusive license agreement (“Exclusive License Agreement”), with UCLA for the worldwide application of the NELL-1 protein through a technology transfer. See Note 5 for commitments related to the Exclusive License Agreement. Patent expenses include costs to acquire the license of NELL-1, which was de minimis, and costs to file patent applications related to NELL-1.

The Company expenses the costs incurred to file patent applications, all costs related to abandoned patent applications and maintenance costs, and these costs are included in research and development expenses. Costs associated with licenses acquired to be able to use products from third parties prior to receipt of regulatory approval to market the related products are also expensed. The Company’s licensed technologies may have alternative future uses in that they are enabling (or platform) technologies that can be the basis for multiple products that would each target a specific indication. Costs of acquisition of licenses are expensed.

### ***Prepaid expenses – related party***

Prepaid expenses – related party represent the fair value of warrants issued to AFH Holding & Advisory, LLC (“AFH”), a shareholder, for services pursuant to certain letter agreement dated May 4, 2014. Prepaid costs will be amortized as the required services are performed. As of June 30, 2017 and December 31, 2016 prepaid expenses – related party totaled \$271,945.

### ***Concentration of Credit Risk and Other Risks and Uncertainties***

Cash balances are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has never experienced any losses related to these balances. Federal insurance coverage is \$250,000 per depositor at each financial institution. A substantial majority of the Company’s cash balances exceed federally insured limits.

### ***Debt Issuance Costs***

Debt issuance costs represent costs incurred in connection with the issuance of the convertible notes payable and private equity financing. Debt issuance costs related to the issuance of debt are being amortized over the term of the financing instrument using the effective interest method, while debt issuance costs from equity financings are netted against the gross proceeds received from the equity financings.

### ***Stock Based Compensation***

ASC 718, *Compensation – Stock Compensation*, prescribes accounting and reporting standards for all share-based payment transactions in which employee services are acquired. Transactions include incurring liabilities, or issuing or offering to issue shares, options, and other equity instruments such as employee stock ownership plans and stock appreciation rights. Share-based payments to employees, including grants of employee stock options, are recognized as compensation expense in the consolidated financial statements based on their fair values. That expense is recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period).

The Company accounts for stock-based compensation issued to non-employees and consultants in accordance with the provisions of ASC 505-50, *Equity – based Payments to Non-Employees*. Measurement of share-based payment transactions with non-employees is based on the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued. The fair value of the share-based payment transaction is determined at the earlier of performance commitment date or performance completion date.

Pursuant to ASU No. 2016-09 – *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, the Company accounts for forfeitures when they occur.

### ***Income Taxes***

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due and deferred taxes resulting from timing differences in recording of transactions for tax purposes and financial reporting purposes.

The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are received or settled. Valuation allowances are established when necessary to reduce deferred tax assets to amounts expected to be realized.

The accounting provisions related to uncertain income tax positions require the Company to determine whether any tax position in all open years meets a more likely than not threshold of being sustained upon examination by the applicable taxing authority. The Company did not have any changes to its liability for uncertain tax positions as at June 30, 2017 and December 31, 2016.

The Company's policy is to recognize interest and/or penalties related to income tax matters in income tax expense. No such amounts are accrued as of June 30, 2017 and December 31, 2016.

### ***Loss per Common Share***

The Company utilizes FASB ASC Topic No. 260, *Earnings per Share*. Basic loss per share is computed by dividing loss available to common shareholders by the weighted-average number of common shares outstanding. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted loss per common share reflects the potential dilution that could occur if convertible debentures, options and warrants were to be exercised or converted or otherwise resulted in the issuance of common stock that then shared in the earnings of the entity.

Since the effects of outstanding options, warrants, and the conversion of convertible debt are anti-dilutive in during the three months ended June 30, 2016 and the six months periods ended June 30, 2017 and 2016, shares of common stock underlying these instruments have been excluded from the computation of loss per common share.

The following sets forth the number of shares of common stock underlying outstanding options, warrants, and convertible debt as of June 30, 2017 and 2016:

	<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>
Warrants	10,390,820	10,451,740
Stock options	8,591,017	12,656,067
Convertible promissory notes	8,896,203	5,696,203
	<u>27,878,040</u>	<u>28,804,010</u>

### ***New Accounting Standards***

The Company has reviewed all recently issued, but not yet adopted, accounting standards in order to determine their effects, if any, on its results of operation, financial position or cash flows. Based on that review, the Company believes that none of these pronouncements will have a significant effect on its consolidated financial statements.

In August 2016, the FASB issued authoritative guidance under ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 is intended to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the Consolidated Statement of Cash Flows by providing guidance on eight specific cash flow issues. ASU 2016-15 is effective retrospectively on January 1, 2018, with early adoption permitted. We have not yet determined the effect of the ASU on our Consolidated Financial Statements nor have we selected a transition date.

In January 2017, the FASB issued authoritative guidance under ASU 2017-01, *Business Combinations – Clarifying the Definition of a Business*, which clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The standard introduces a screen for determining when assets acquired are not a business and clarifies that a business must include, at a minimum, an input and a substantive process that contribute to an output to be considered a business. This standard is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period. The Company does not expect this new guidance to have a material impact on its consolidated financial statements.

### **3. Property and Equipment**

Property and equipment consist of the following at:

	<b>June 30, 2017</b>	December 31, 2016
Furniture and equipment	\$ 503	\$ 503
Less accumulated depreciation	(309)	(261)
	<u>\$ 194</u>	<u>\$ 242</u>

Depreciation expense for the six months ended June 30, 2017 and 2016 was \$48 and \$620, respectively. During the six months ended June 30, 2016, we recorded a loss on disposal of assets of \$4,862.

### **4. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses consist of the following:

	<b>June 30, 2017</b>	December 31, 2016
Interest expense	\$ 114,750	\$ 22,383
Accounts payable	114,355	226,516
Accrued bonus	171,000	-
Deferred Directors' fees	32,225	11,250
	<u>\$ 432,330</u>	<u>\$ 260,149</u>

## 5. Commitments and Contingencies

### *UCLA Exclusive License Agreement*

On March 15, 2006, the Company entered into an exclusive license agreement (the “Initial Agreement”) with the Regents of the University of California Los Angeles (“UCLA”). The Initial Agreement has been amended through ten sets of amendments (as so amended, the “The UCLA License Agreement”).

The UCLA License Agreement provides us with an exclusive license to several of UCLA patents covering, among other things, enhanced NELL-1 bone mineralization. The grant of the UCLA License Agreement is subject to any license obligations to the U.S. government, and the term of the license lasts until the last-to-expire UCLA patent licensed under the UCLA License Agreement expires. Under the UCLA License Agreement, we are permitted to make, have made, use, sell, offer for sale and import any products covered by the UCLA License Agreement patents in a certain Field of Use which is currently defined as special function by local administration and expressly excludes osteoporosis and cartilage indications or systemic administration in all indications. Pursuant to a Tenth Amendment, we have been granted the exclusive right to negotiate an expansion of the Field of Use to include treatment of osteoporosis (the “Option”). The term of the Option is for one year commencing June 1, 2016. We may exercise the option by providing notice after completion of certain milestones. Effective May 22, 2017, the Company has met all milestones required to exercise the Option to expand the Field of Use to include treatment of osteoporosis and had begun good faith discussions with UCLA for the terms of an agreement.

After December 22, 2016, we may notify UCLA of our interest in requesting an expansion of the Field of Use to include additional available indications, including cartilage indications or systemic administration in the Field of Use. The parties will engage in good faith discussions of such requests.

We have agreed to pay an annual maintenance fee to UCLA of \$10,000 as well as to pay certain royalties to UCLA under the UCLA License Agreement at the rate of 3.0% of net sales of licensed products. We must pay the royalties to UCLA on a quarterly basis. Upon a first commercial sale, we also must pay between \$50,000 and \$250,000, depending on the calendar year that is after the first commercial sale. If we are required to pay any third party any royalties as a result of us making use of UCLA patents, then we may reduce the royalty owed to UCLA by 0.333% for every percentage point paid to a third party. If we grant sublicense rights to a third party to use the UCLA patent, then we will pay to UCLA 10% to 20% of the sublicensing income we receive from such sublicense.

We are obligated to make the following milestone payments to UCLA for each Licensed Product or Licensed Method:

- \$100,000 upon enrollment of the first subject in a Feasibility Study;
- \$250,000 upon enrollment of the first subject in a Pivotal Study;
- \$500,000 upon Pre-Market Approval of a Licensed Product or Licensed Method; and
- \$1,000,000 upon the First Commercial Sale of a Licensed Product or Licensed Method.

We are also obligated to pay UCLA a cash milestone payment within thirty (30) days of a Liquidity Event (including a Change of Control Transaction and a payment election by UCLA exercisable after December 22, 2016, such payment to equal the greater of:

- \$500,000; or
- 2% of all proceeds in connection with a Change of Control Transaction.

We are obligated to diligently proceed with developing and commercializing licensed products under UCLA patents set forth in the UCLA License Agreement. UCLA has the right to either terminate the license or reduce the license to a non-exclusive license if we do not meet certain diligence milestone deadlines set forth in the UCLA License Agreement.

We must reimburse or pre-pay UCLA for patent prosecution and maintenance costs incurred during the term of the UCLA License Agreement. We have the right to bring infringement actions against third party infringers of the UCLA License Agreement, UCLA may join voluntarily, at its own expense, or, at our expense, be joined involuntarily to the action. We are required to indemnify UCLA against any third party claims arising out of our exercise of the rights under the UCLA License Agreement or any sublicense.

### ***Contingencies***

The Company is subject to claims and assessments from time to time in the ordinary course of business. The Company's management does not believe that any such matters, individually or in the aggregate, will have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

### ***Indemnification***

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties and provide for general indemnifications. The Company's exposure under these agreements is unknown because it involves claims that may be made against the Company in the future, but have not yet been made. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations. However, the Company may record charges in the future as a result of these indemnification obligations.

In accordance with its amended and restated certificate of incorporation and amended and restated bylaws, the Company has indemnification obligations to its officers and directors for certain events or occurrences, subject to certain limits, while they are serving at the Company's request in such capacity. There have been no claims to date and the Company has a director and officer insurance policy that enables it to recover a portion of any amounts paid for future potential claims.

## **6. Notes Payable**

### ***Convertible Notes Payable***

The convertible promissory notes are considered hybrid instruments, which consist of a debt host instrument together with a conversion feature, thus giving the holder of a convertible note an option to convert into an equity instrument providing the holder a residual interest in the Company. The holder of a convertible promissory note also has the option to present its convertible promissory note to the Company and demand payment under the terms of the note after the maturity date or upon the occurrence of certain events such as the failure of the Company to make a payment on the note when due, bankruptcy or certain other liquidation events. The Company concluded that the convertible promissory notes would be accounted for as a typical debt instrument with related interest expense recorded in the Company's statements of operations. The Company's Third Convertible Secured Term Note and October 2016 and February 2017 Convertible Promissory Notes contain a conversion feature is determined to be "beneficial" and the fair value of the conversion feature is recorded as financing costs Company's statements of operations.

### ***First Secured Convertible Note and Warrant***

On October 24, 2014, the Company issued a convertible promissory note in the amount of \$5,000,000 to Hankey Capital, LLC ("Hankey Capital"). The Convertible Note matures on December 31, 2019 and bears interest at an annual rate of interest of the "prime rate" plus 4.0%, with a minimum rate of 8.5% per annum until maturity, with interest payable monthly in arrears. Prior to the Maturity Date, Hankey Capital has a right, in its sole discretion, to convert the Convertible Note into shares of the Company's Common Stock, at a conversion rate of \$1.58 per share.

The Convertible Note is secured by certain collateral shares of Common Stock issued by the Company in the name of Hankey Capital, in such amount so as to maintain a loan to value ratio of no greater than 50% (the "Collateral"). 6,329,114 shares were issued upon closing the lending. The number of shares in the Collateral shall be adjusted on a yearly basis. The shares representing the Collateral contain a restrictive legend. The Company shall seek to register the Collateral shares initially delivered on the date of the Convertible Note pursuant to the Registration Rights Agreement described below. Upon the effectiveness of such Registration Statement, the Company will remove the restrictive legends from the Collateral shares so long as Hankey Capital agrees in any event not to sell any Collateral shares if Hankey Capital is notified that the Registration Statement is no longer effective. Hankey Capital may hold the Collateral in any brokerage account of its choosing, but shall not transfer, sell or otherwise dispose of any Collateral, except during the existence of an Event of Default, as defined in the Convertible Note. The Convertible Note is further secured by collateral assignments of all the Company's license agreements. The principal amount of the loan is pre-payable in whole or in part at any time, without premium or penalty. Upon any voluntary partial prepayment of outstanding principal, Hankey Capital will return Collateral shares to the Company in the amount necessary, if any, to maintain the loan to value ratio at no less than 50%. Upon a full payment of the outstanding principal, all Collateral shares shall be returned and cancelled. Hankey Capital will also return Collateral shares under the same terms in case of partial or full conversion of the Convertible Note. The Company paid a commitment fee in the amount of 3.0% of the original principal amount of the loan (\$150,000) to Hankey Capital. On October 24, 2014, the Company also issued a warrant to Hankey Capital for 3,955,697 shares of Common Stock at an exercise price per share of \$1.58. The Warrant was amended as of February 10, 2016 to extend the expiration date to October 24, 2019. The Note and Warrant contain provisions limiting the exercise/conversion thereof.

### ***Second Secured Convertible Note and Warrant***

On May 4, 2015, the Company issued a convertible promissory note in the amount of \$2,000,000 to Hankey Capital. The Second Convertible Note matures on December 31, 2019 and bears interest at an annual rate of interest of the "prime rate" plus 4.0%, with a minimum rate of 8.5% per annum until maturity, with interest payable monthly in arrears. Prior to the Maturity Date, Hankey Capital has a right, in its sole discretion, to convert the Convertible Note into shares of the Company's Common Stock, at a conversion rate of \$1.58 per share. The Convertible Note is secured by certain collateral shares of Common Stock issued by the Company in the name of Hankey Capital, in such amount so as to maintain a loan to value ratio of no greater than 50%. The number of shares in the Collateral shall be adjusted on a yearly basis. The Convertible Note is further secured by collateral assignments of all the Company's license agreements. The principal amount of the loan is pre-payable in whole or in part at any time, without premium or penalty. Upon any voluntary partial prepayment of outstanding principal, Hankey Capital shall return Collateral shares to the Company in the amount necessary, if any, to maintain the loan to value ratio at no less than 50%. Upon a full payment of the outstanding principal, all the collateral shares shall be returned and cancelled. Hankey Capital shall also return the collateral shares under the same terms in case of partial or full conversion of the Convertible Note. In connection with the Convertible Note, on May 4, 2015 the Company issued 2,531,646 common shares as collateral. The Company paid a commitment fee in the amount of \$60,000 (3% of the original principal amount of the loan) to Hankey Capital. On May 4, 2015, the Company also issued a warrant to Hankey Capital for 1,898,734 shares of Common Stock at an exercise price per share of \$1.58. The Warrant was amended as of February 10, 2016 to extend the expiration date to May 4, 2020. The Note and Warrant contain provisions limiting the exercise/conversion thereof.

### ***Third Convertible Secured Term Note and Warrant***

On February 24, 2016, the Company issued a convertible promissory note in the amount of \$2,000,000 to Hankey Capital. The Third Convertible Note matures on February 23, 2019 (the "Maturity Date") and bears interest at an annual rate of interest at the "prime rate" (as quoted in the "Money Rates" section of The Wall Street Journal) plus 4.0%, with a minimum rate of 8.5% per annum until maturity, with interest payable monthly in arrears. Prior to the Maturity Date, Hankey Capital has a right, in its sole discretion, to convert the Convertible Note into shares of the Company's common stock (the "Conversion Shares"), at a conversion rate equal to \$1.58 per share. The Convertible Note is secured by certain collateral shares of Common Stock issued by the Company in the name of Hankey Capital, in such amount so as to maintain a loan to value ratio of no greater than 50%. The number of Collateral Shares will be adjusted on a yearly basis. The Convertible Note is further secured by all of the Company's personal property, including collateral assignments of all the Company's license agreements and the Option Agreement. The principal amount of the loan is prepayable in whole or in part at any time, without premium or penalty. Upon any voluntary partial prepayment of outstanding principal, Hankey Capital will return Collateral Shares to the Company in the amount necessary, if any, to maintain the loan to value ratio at no less than 50%. Upon a full payment of the outstanding principal, all Collateral Shares will be returned and cancelled. Hankey Capital will also return Collateral Shares under the same terms in case of partial or full conversion of the Convertible Note. In connection with the Convertible Note, on February 24, 2016 the Company issued 2,531,646 common shares as collateral, paid a commitment fee in the amount of \$40,000 (2% of the original principal amount of the Loan) and a warrant to Hankey Capital for 1,463,415 shares of Common Stock at an exercise price per share of \$2.05. The Warrant will expire on February 23, 2021. The Note and Warrant contain provisions limiting the exercise/conversion thereof.

In connection with the financing with Hankey Capital, Hankey Capital exercised warrants to purchase an aggregate of 791,139 shares resulting in gross proceeds to the Company of \$1,250,000, and the parties agreed to extend the maturity date of the first two convertible secured notes to December 31, 2019 and fix the conversion rate to \$1.58. The Company also agreed to extend the term of all outstanding warrants to five years from issuance.

### ***Convertible Promissory Notes***

On October 14, 2016, pursuant to a Note Purchase Agreement, the Company issued to each of MTF and Hankey Capital a convertible promissory note in the amount of \$600,000 (each a "Convertible Note"). The Convertible Note matures on December 31, 2017 (the "Maturity Date") and bears interest at an annual rate of interest of 8.5% per annum until maturity. Prior to the Maturity Date, each of MTF and Hankey Capital has a right, in its sole discretion, to convert their Convertible Note into shares of the Company's common stock (the "Conversion Shares"), at a conversion rate equal to \$1.00 per share. In the event of a financing resulting in gross proceeds of at least \$5,000,000, the holders of the Convertible Notes will be required to convert their Convertible Notes into the same securities issued in such financing at the same price per share. In addition, if the Convertible Notes are not paid by the Maturity Date, they will be automatically converted in shares of Common Stock at a conversion price of \$1.00 per share. Hankey Capital's Convertible Note is secured by all of the Company's assets. The Company has granted piggyback registration rights with respect to the Conversion Shares.

Pursuant to the October 2016 and February 2017 Note Purchase Agreements, the Company may only use the proceeds from the issuance of those convertible notes to focus on prioritizing operations on essential research and development activities. Also pursuant to the October 2016 Note Purchase Agreement, the Company's management has agreed to defer 20% of earned compensation and the Board of Directors has authorized a change in director compensation to defer 50% of the directors' cash compensation until at least \$5,000,000 has been received in cumulative funding from non-current stockholders.

On January 23, 2017 the Company, MTF and Hankey Capital, executed an amendment (the "Amendment") to the Convertible Notes. The Amendment extends the maturity date of each of the Convertible Notes to December 31, 2017 from December 31, 2016. By extending the maturity date, the date that the Convertible Notes automatically convert into shares of the Company's Common Stock was also extended to December 31, 2017. The Amendment was effective retroactive to December 31, 2016.

On February 10, 2017 pursuant to a Note Purchase Agreement, the Company issued to each of MTF and Hankey Capital a convertible promissory note in the amount of \$1,000,000 (each a "Convertible Note"). The Convertible Note matures on December 31, 2017 (the "Maturity Date") and bears interest at an annual rate of interest of 8.5% until maturity. Prior to the Maturity Date, each of MTF and Hankey Capital has a right, in its sole discretion, to convert their Convertible Note into shares of the Company's common stock (the "Conversion Shares"), at a conversion rate equal to \$1.00 per share. In the event of a financing resulting in gross proceeds of at least \$5,000,000, the holders of the Convertible Notes will be required to convert their Convertible Notes into the same securities issued in such financing at the same price per share. Also, if the Convertible Notes are not paid by the Maturity Date, they will be automatically converted in shares of Common Stock at a conversion price of \$1.00 per share. Hankey Capital's Convertible Note is secured by all of the Company's assets. The Company has granted piggyback registration rights with respect to the Conversion Shares.

The total debt discount costs related to our outstanding debt for the six months ended June 30, 2017 and 2016, was \$1,392,103 and \$415,653, respectively was amortized to interest expense. The unamortized debt discount at June 30, 2017 was \$2,975,606. The cost is expected to be recognized over a period of 1.52 years. The unamortized debt discount at December 31, 2016 was \$2,367,708.

The total debt issuance costs related to our outstanding debt for the six months ended June 30, 2017 and 2016, was \$153,680 and \$147,151, respectively was amortized to interest expense. The unamortized debt issuance costs at June 30, 2017 was \$231,363. The cost is expected to be recognized over a period of 1.52 years. The unamortized debt issuance costs at December 31, 2016 was \$350,044.

Note Type	Issue Date	Maturity Date	Interest Rate	June 30, 2017	December 31, 2016
<i>First Secured Convertible Note</i>	10/24/14	12/31/19	8.5%	5,000,000	5,000,000
<i>Second Secured Convertible Note</i>	5/4/15	12/31/19	8.5%	2,000,000	2,000,000
<i>Third Secured Convertible Note</i>	2/24/16	2/23/19	8.5%	2,000,000	2,000,000
<i>Convertible Promissory Notes</i>	10/14/16	12/31/17	8.5%	1,200,000	1,200,000
<i>Convertible Promissory Notes</i>	2/10/17	12/31/17	8.5%	2,000,000	-
				<u>12,200,000</u>	<u>10,200,000</u>
Less: Current notes payable, net				2,109,090	1,200,000
Less: Debt discount				2,975,606	2,367,708
Less: Debt issuance costs				231,363	350,044
Net Notes payable				<u>\$ 6,883,941</u>	<u>\$ 6,282,248</u>

## 7. Stockholders' Equity

### *Preferred Stock*

The Company's amended and restated certificate of incorporation authorizes the Company to issue a total of 20,000,000 shares of preferred stock. No shares have been issued.

### *Common Stock*

The Company's amended and restated certificate of incorporation authorizes the Company to issue a total of 100,000,000 shares of common stock. As of June 30, 2017 and December 31, 2016, the Company had an aggregate of 38,828,607 shares of common stock outstanding.

In connection with the Secured Convertible Notes to Hankey Capital, the Company issued 11,392,406 common shares as collateral. (See Note 6)

Each share of common stock has the right to one vote. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to the prior rights of holders of all classes of stock outstanding having priority rights as to dividends. No dividends have been declared by the Board.

## Common Stock Warrants

As of June 30, 2017, the Company had outstanding unexercised Common Stock Warrants as follows:

Date Issued	Exercise Price	Number of Shares	Expiration date
2009	\$ 0.44	118,383	March 16, 2019
2010	\$ 0.44	254,997	February 4, 2020
April 2013	\$ 1.00	50,000	April 28, 2020
September 2013	\$ 1.00	50,000	September 4, 2020
September 2013	\$ 1.00	25,000	September 20, 2020
November 2013	\$ 1.00	75,000	November 14, 2020
July 2014	\$ 1.50	166,667	May 30, 2018
July 2014	\$ 1.50	166,667	September 30, 2018
July 2014	\$ 1.00	500,000	September 30, 2018
July 2014	\$ 1.00	46,667	July 2, 2018
July 2014	\$ 0.00	12,625	July 10, 2018
September 2014	\$ 1.62	625,000	August 31, 2021
September 2014	\$ 1.00	699,671	September 18, 2021
September 2014	\$ 1.00	89,588	September 29, 2021
October 2014	\$ 1.00	126,582	October 23, 2017
October 2014	\$ 1.58	3,164,558	October 23, 2019
February 2015	\$ 1.58	699,037	February 14, 2018
May 2015	\$ 1.58	1,898,734	May 4, 2020
October 2015	\$ 1.58	158,229	October 27, 2018
February 2016	\$ 2.05	1,463,415	February 23, 2021
Total warrants at June 30, 2017		<u>10,390,820</u>	<u>2.71 years</u>

No common stock warrants were exercised or expired during the six months ended June 30, 2017. An aggregate of 791,139 common stock warrants were exercised during the six months ended June 30, 2016. No common stock warrants expired during the six months ended June 30, 2016.

## 8. Stock-based Compensation

### 2015 Equity Incentive Plan

The Company has 14,000,000 shares of Common Stock authorized and reserved for issuance under our 2015 Equity Incentive Plan for option awards. This reserve may be increased by the Board each year by up to the number of shares of stock equal to 5% of the number of shares of stock issued and outstanding on the immediately preceding December 31. Appropriate adjustments will be made in the number of authorized shares and other numerical limits in our 2015 Equity Incentive Plan and in outstanding awards to prevent dilution or enlargement of participants' rights in the event of a stock split or other change in our capital structure. Shares subject to awards granted under our 2015 Equity Incentive Plan which expire, are repurchased or are cancelled or forfeited will again become available for issuance under our 2015 Equity Incentive Plan. The shares available will not be reduced by awards settled in cash. Shares withheld to satisfy tax withholding obligations will not again become available for grant. The gross number of shares issued upon the exercise of stock appreciation rights or options exercised by means of a net exercise or by tender of previously owned shares will be deducted from the shares available under our 2015 Equity Incentive Plan.

Awards may be granted under our 2015 Equity Incentive Plan to our employees, including officers, director or consultants, and our present or future affiliated entities. While we may grant incentive stock options only to employees, we may grant non-statutory stock options, stock appreciation rights, restricted stock purchase rights or bonuses, restricted stock units, performance shares, performance units and cash-based awards or other stock based awards to any eligible participant.

The 2015 Equity Incentive Plan will be administered by our compensation committee. Subject to the provisions of our 2015 Equity Incentive Plan, the compensation committee determines, in its discretion, the persons to whom, and the times at which, awards are granted, as well as the size, terms and conditions of each award. All awards are evidenced by a written agreement between us and the holder of the award. The compensation committee has the authority to construe and interpret the terms of our 2015 Equity Incentive Plan and awards granted under our 2015 Equity Incentive Plan.

During the six months ended June 30, 2017 and 2016, the Company had stock-based compensation expenses of \$1,038,239 and \$1,939,157, respectively, related to issuances to the Company's employees and directors, included in our reported net loss. During the six months ended June 30, 2017 and 2016, the Company had stock-based compensation expenses of \$(2,444,369) and \$2,874,147, respectively, related to issuances to consultants.

A summary of stock option activity for the six months ended June 30, 2017, is presented below:

Subject to Exercise	Number of Shares Remaining Options	Weighted Average Exercise Price	Weighted Average Life (Years)	Aggregate Value
<b>Outstanding as of January 1, 2016</b>	6,294,226	\$ 1.59	10.00	-
<b>Granted – 2016</b>	6,361,841	1.66	9.95	-
<b>Forfeited – 2016</b>	-	-	-	-
<b>Exercised – 2016</b>	-	-	-	-
<b>Outstanding as of January 1, 2017</b>	12,656,067	\$ 1.62	9.21	-
<b>Granted – 2017</b>	80,341	2.05	10.00	-
<b>Forfeited – 2017</b>	(4,145,391)	1.60	8.54	-
<b>Exercised – 2017</b>	-	-	-	-
<b>Outstanding as of June 30, 2017</b>	<u>8,591,017</u>	<u>\$ 1.64</u>	<u>8.07</u>	<u>-</u>

Date Issued	Exercise Price	Number of Shares	Expiration date
September 2014	\$ 1.59	583,059	December 27, 2025
November 2014	\$ 1.59	174,918	December 27, 2025
August 2015	\$ 1.59	3,121,787	December 27, 2025
September 2015	\$ 1.59	300,000	December 27, 2025
November 2015	\$ 1.59	1,224,640	December 27, 2025
December 2015	\$ 1.59	889,822	December 27, 2025
January 2016	\$ 1.59	1,275,786	January 9, 2026
March 2016	\$ 2.05	54,000	February 24, 2021
May 2016	\$ 2.05	807,434	May 26, 2026
June 2016	\$ 2.05	99,315	May 31, 2026
January 2017	\$ 2.05	60,256	January 1, 2027
<b>Total options at June 30, 2017</b>		<u><b>8,591,017</b></u>	

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value ( *i.e.* , the difference between our closing stock price on the respective date and the exercise price, times the number of shares) that would have been received by the option holders had all option holders exercised their options. There have not been any options exercised during either the six months ended June 30, 2017 and 2016. There were 4,125,306 options cancelled in conjunction with the termination of the Founders Professional Services Agreement (Note 10). There were 20,085 options forfeited upon the resignation of one of our directors. Our policy is to account for forfeitures when they occur; therefore these forfeitures are recorded as a reversal to expense. Forfeiture reversals for the six months ended June 30, 2017 and 2016 were \$3,650,419 and \$-0-, respectively.

There were 80,341 and 6,361,841 options issued during the six months ended June 30, 2017 and 2016, respectively. Vesting of options differs based on the terms of each option. The Company has valued the options at their date of grant utilizing the Black-Scholes option pricing model. As of the issuance of these consolidated financial statements, there was not an active public market for the Company's shares. Accordingly, the fair value of the underlying options was determined based on the historical volatility data of similar companies, considering the industry, products and market capitalization of such other entities. The risk-free interest rate used in the calculations is based on the implied yield available on U.S. Treasury issues with an equivalent term approximating the expected life of the options as calculated using the simplified method. The expected life of the options used was based on the contractual life of the option granted. Stock-based compensation is a non-cash expense because we settle these obligations by issuing shares of our common stock from our authorized shares instead of settling such obligations with cash payments.

The Company utilized the Black-Scholes option pricing model. The assumptions used for the six months ended June 30, 2017 are as follows:

	June 30, 2017
Risk free interest rate	1.99%-2.306%
Expected life (in years)	5.5-9.0
Expected Volatility	135.94%-150.09%
Expected dividend yield	0%

A summary of the changes in the Company's non-vested options during the three months ended June 30, 2017, is as follows:

	Number of Non-vested Options	Weighted Average Fair Value at Grant Date	Intrinsic Value
Non-vested at January 1, 2016	5,156,710	\$ 1.29	-
Granted in 2016	6,361,841	\$ 1.93	-
Vested in year ended December 31, 2016	(1,913,491)	\$ 1.31	-
Non-vested at January 1, 2017	9,605,060	\$ 1.74	-
Granted in 2017	80,341	\$ 1.87	-
Forfeited – 2017	(4,145,391)	\$ 1.95	-
Vested in 2017	(1,395,186)	\$ 1.95	-
Non-vested at June 30, 2017	4,144,824	\$ 1.47	-
Exercisable at June 30, 2017	4,446,193	\$ 1.45	-
Outstanding at June 30, 2017	<b>8,591,017</b>	\$ 1.46	-

As of June 30, 2017, total unrecognized compensation cost related to unvested stock options was \$2,452,869. The cost is expected to be recognized over a weighted average period of 0.77 years.

2017	2018	2019
\$ 1,190,434	\$ 915,495	\$ 346,940

## 9. Income Taxes

The Company's effective tax rate is 0% for income tax for the six months ended June 30, 2017 and the Company expects that its effective tax rate for the full year 2017 will be 0%. Based on the weight of available evidence, including cumulative losses since inception and expected future losses, the Company has determined that it is more likely than not that the deferred tax asset amount will not be realized and therefore a valuation allowance has been provided on net deferred tax assets.

The Company files tax returns for U.S. Federal and the states of New Jersey and California. The Company is not currently subject to any income tax examinations. Since the Company's inception, the Company had incurred losses from operations, which generally allows all tax years to remain open.

### *Uncertain Tax Positions*

The Company recognizes the financial statement effects of a tax position when it becomes more likely than not, based upon the technical merits, that the position will be sustained upon examination.

The Company recognizes interest and/or penalties related to uncertain tax positions. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected in the period that such determination is made. The interest and penalties are recognized as other expense and not tax expense. The Company currently has no interest and penalties related to uncertain tax positions.

## 10. Related Party Transactions

### *AFH Holding & Advisory LLC*

Pursuant to a letter agreement dated February 10, 2016, the Company agreed to issue a total of 1,260,255 shares of common stock of the Company to AFH. The Letter Agreement was entered into in connection with the AFH/MTF Agreement under which AFH and its affiliated entities, individuals or assignees (“AFH Group”) were entitled to 10% of the outstanding shares of common stock of the Company (the “Share Adjustment”) after giving effect to an anticipated private placement of between \$8,000,000 and \$10,000,000 (the “PIPE”). In the Letter Agreement, the Company recognized that, at the time the AFH/MTF Agreement was entered into, it was not anticipated that certain events in addition to the PIPE would dilute directly or indirectly the interest of AFH Group as stockholders of the Company, including the Ninth Amendment to the UCLA License Agreement and the issuance of the Company’s Common Shares pursuant to the Professional Services Agreement with each of Dr. Chia Soo, Dr. Ben Wu, and Dr. Eric Ting discussed below. Accordingly, the Company agreed to issue the 1,260,255 shares in connection with the Share Adjustment.

On April 7, 2016, the Company entered into a consulting agreement with AFH pursuant to which the Company engaged AFH for a term of three months to provide certain consulting services to the Company effective April 5, 2016. Under the consulting agreement, AFH received an up-front retainer of \$100,000 and \$33,333.33 per month for three months.

On June 1, 2016, the Company agreed (i) to issue to AFH 20,186 shares of common stock of the Company as an adjustment to the October 28, 2015 invoice and (ii) to issue 23,173 shares of common stock of the Company as an adjustment to the letter agreement dated February 10, 2016. The fair value of the shares issued for services, \$100,930, was recorded as general and administrative expense.

In addition to the shares and warrants issued for services, AFH received cash totaling \$-0- and \$325,000 for services during the six months ended June 30, 2017 and 2016, respectively.

Amir Heshmatpour is the controlling party of AFH.

### *Musculoskeletal Transplant Foundation (MTF)*

On February 22, 2016, the Company entered into a share purchase agreement with MTF, pursuant to which MTF purchased from the Company an aggregate of 731,707 shares of common stock of the Company at a price per share equal to \$2.05.

On February 24, 2016 the Company entered into an Option Agreement for the Distribution and Supply of Sygnal™ demineralized bone matrix (“Sygnal”) with MTF pursuant to which:

- a. MTF grants to the Company the exclusive right and option (the “Option”) to distribute Sygnal upon the critical terms as described in the Option Agreement (the “Option Rights”). The Company will exercise the Option, if at all, by providing written notice to MTF of its intent to do so. During the term of the Option, MTF will not enter into any agreements with any third parties which include the transfer by MTF of the Option Rights.
- b. Upon the exercising of the Option, the Company will grant to MTF 700,000 shares of common stock in the Company.
- c. Within 30 days of exercising the Option, MTF will provide the Company with a written proposal of a Definitive Agreement that includes, inter alia, the Critical Terms and those other commercially reasonable terms as agreed upon by the parties. The parties will fully negotiate in good faith all of the terms of the Definitive Agreement, and any ancillary agreements thereto consistent with the Critical Terms.
- d. In the event the Company does not exercise the Option within the Term of the Option Agreement, MTF will be free to enter into any other agreement relating to the Option Rights as it deems appropriate without liability to the Company.

Sygnal is a bone void filler contouring allograft bone that has the inorganic mineral removed, leaving behind the organic “collagen” matrix.

On June 24, 2016, the Company exercised this option. As provided in the Option Agreement, the Company issued 700,000 shares of its restricted common stock in connection with the exercise of the Option. Additionally, within 30 days of exercising the Option, MTF will provide the Company with a written proposal of a Definitive Agreement that includes, *inter alia*, certain Critical Terms described in the Agreement and those other commercially reasonable terms as agreed upon by the parties. The parties will fully negotiate in good faith all of the terms of the Definitive Agreement and any ancillary agreements thereto consistent with the Critical Terms. The Company expensed the cost of this license, \$1,435,000, as research and development during the year ended December 31, 2016.

On October 14, 2016, pursuant to a Note Purchase Agreement, the Company issued to MTF a convertible promissory note in the amount of \$600,000 (See Note 6).

On February 10, 2017, pursuant to a Note Purchase Agreement, the Company issued to MTF a convertible promissory note in the amount of \$1,000,000 (See Note 6).

Bruce Stroever, our Chairman of the Board, is the President and Chief Executive Officer of MTF.

### **Founders**

The Company entered into a Letter Agreement effective October 2, 2015, with each of Dr. Chia Soo, Dr. Eric Kang Ting and Dr. Ben Wu (collectively, the “Founders”). The Founders were three of the original shareholders of the Company. Pursuant to the Letter Agreement, the Founders agree to deliver to the Company all past work product and past data related to NELL-1 (the “Data”) for use by the Company in its sole discretion, within the applicable licensing rights granted under the UCLA license and in exchange the Company agreed to the future issuance of an aggregate of 1,153,846 shares of the Company’s common stock. The Shares are to be equally distributed between the Founders upon the earlier of (i) the third anniversary of the Agreement and (ii) the occurrence of a Liquidity Event (as defined in the Letter Agreement) and is currently reported as shares to be issued.

### **Founders Professional Services Agreement**

Effective January 8, 2016, the Company entered into separate Professional Services Agreements with each of the Founders. Pursuant to each of the Agreements, each Founder has agreed to provide certain services to the Company, including providing strategic advice and strategic introductions to the Company’s management team as well as specific services set forth on an Exhibit to each Agreement. The Agreements are substantially identical. In consideration for the services to be rendered under the applicable Agreement, each Founder is granted 10-year stock options (the “Options”) to purchase 1,800,364 shares of the Company’s common stock corresponding to 4% of the Company’s outstanding common stock, on a fully diluted basis, at an exercise price of \$1.59 per share. The shares subject to the Options will vest 25% on each of the first, second and third anniversary of the effective date and 12.5% on each of the fourth and fifth anniversary of the effective date. The options fully vest on a change of control of the Company, if the Company terminates the Agreement without cause or the Founder terminates the Agreement with cause. Additionally, beginning January 1, 2017, the Company will pay each Founder an annual consulting fee of \$200,000 in cash or, at the option of the Company, in shares of its common stock valued as provided in the Agreement.

On June 1, 2016, the Company agreed to issue to each Founder a 10-year stock options to purchase 33,105 shares of the Company’s common stock at an exercise price of \$2.05 per share as an adjustment to the Professional Services Agreements with each of the Founders dated January 8, 2016.

On December 13, 2016, the Company provided written notice to each of the Founders that it was terminating the Agreements for cause, indicating that absent cure of the material breach of the Agreements, termination of the Agreements was to be effective on January 12, 2017. Despite lengthy discussions with the Founders, and multiple extensions of the termination date to accommodate such discussions, the Company was unable to resolve the outstanding issues under the Agreements, and the Company provided notice that the Agreements were terminated, effective April 8, 2017. Any shares subject to the stock options issued under the Agreements that were not vested on the date the Agreements terminated shall be forfeited on the date of termination. Our policy is to account for forfeitures when they occur; therefore these forfeitures are recorded as a reversal to expense. Forfeiture reversals related to the termination of the Agreements was \$3,629,041 in research and development expense.

Dr. Soo and Dr. Wu resigned as directors of the Company effective April 13, 2017, and Dr. Ting resigned as a member of the Company’s Scientific Advisory Board on April 13, 2017. Each of the Advisors were involved in the founding of the Company. Our licensing agreement with UCLA is independent of the Founders’ services and remains unchanged as a result of the Founders resignation.

### **11. Subsequent Events**

The Company has evaluated subsequent events through August 7, 2017, the date which the consolidated financial statements were available to be issued. There were no additional subsequent events noted that would require adjustment to or disclosure in these consolidated financial statements.

## **Item 2. Management’s Discussion and Analysis.**

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q and audited consolidated financial statements for the years ended December 31, 2016 and 2015 and the related notes included in our Annual Report on Form 10-K filed for the fiscal year ended December 31, 2016, with the SEC on March 30, 2017. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. See “Note Regarding Forward-Looking Statements” for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results and the timing of events could differ materially from those discussed in our forward-looking statements as a result of many factors.*

### **Overview**

We are a medical device company that is currently focused on bone regeneration in spinal fusion using the recombinant human protein, known as NELL-1/DBX®. The NELL-1/DBX® combination product is an osteostimulative recombinant protein that provides target specific control over bone regeneration. The protein, as part of the UCB-1 technology platform has been licensed exclusively for worldwide applications to us through a technology transfer from University of California Los Angeles (“UCLA”). UCLA and the Company received guidance from the FDA that NELL-1/DBX® will be classified as a combination product with a device lead.

The Company was founded by University of California professors in collaboration with an Osaka University professor and a University of Southern California surgeon in 2004 as a privately-held company with proprietary, patented technology that has been validated in sheep and non-human primate models to facilitate bone growth. Our platform technology has application in delivering improved outcomes in the surgical specialties of spinal, orthopedic, general orthopedic, plastic reconstruction, neurosurgery, interventional radiology, and sports medicine. Lead product development and clinical studies are targeted on spinal fusion surgery, one of the larger segments in the orthopedic market.

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, which we refer to as the JOBS Act. We would cease to be an emerging growth company upon the earliest of: (i) the last day of the first fiscal year in which our annual gross revenues are \$1.07 billion or more; (ii) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded \$700.0 million as of the end of the second quarter of that fiscal year; or (iii) the date on which we have, during the previous three-year period, issued more than \$1.07 billion in non-convertible debt securities. An emerging growth company may take advantage of specified reduced reporting and other burdens that are otherwise applicable generally to public companies. We have elected to take advantage of these reduced disclosure obligations, and may elect to take advantage of other reduced reporting obligations in the future.

The JOBS Act permits an emerging growth company like us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We are choosing to irrevocably “opt out” of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted.

We are a development stage entity. The production and marketing of our products and ongoing research and development activities will be subject to extensive regulation by numerous governmental authorities in the United States. Prior to marketing in the United States, any combination product developed by us must undergo rigorous preclinical (animal) and clinical (human) testing and an extensive regulatory approval process implemented by the FDA under the Food, Drug and Cosmetic Act. There can be no assurance that we will not encounter problems in clinical trials that will cause us or the FDA to delay or suspend the clinical trials.

Our success will depend in part on our ability to obtain patents and product license rights, maintain trade secrets, and operate without infringing on the proprietary rights of others, both in the United States and other countries. There can be no assurance that patents issued to or licensed by us will not be challenged, invalidated, or circumvented, or that the rights granted thereunder will provide proprietary protection or competitive advantages to us.

### ***UCLA Exclusive License Agreement***

On March 15, 2006, the Company entered into an exclusive license agreement (the “Initial Agreement”) with the Regents of the University of California Los Angeles (“UCLA”). The Initial Agreement has been amended through ten sets of amendments (as so amended, the “The UCLA License Agreement”).

The UCLA License Agreement provides us with an exclusive license to several of UCLA patents covering, among other things, enhanced NELL-1 bone mineralization. The grant of the UCLA License Agreement is subject to any license obligations to the U.S. government, and the term of the license lasts until the last-to-expire UCLA patent licensed under the UCLA License Agreement expires. Under the UCLA License Agreement, we are permitted to make, have made, use, sell, offer for sale and import any products covered by the UCLA License Agreement patents in a certain Field of Use which is currently defined as special function by local administration and expressly excludes osteoporosis and cartilage indications or systemic administration in all indications. Pursuant to a Tenth Amendment, we have been granted the exclusive right to negotiate an expansion of the Field of Use to include treatment of osteoporosis (the “Option”). The term of the Option is for one year commencing June 1, 2016. We may exercise the option by providing notice after completion of certain milestones. Effective May 22, 2017, the Company has met all milestones required to exercise the Option to expand the Field of Use to include treatment of osteoporosis and had begun good faith discussions with UCLA for the terms of an agreement.

After December 22, 2016, we may notify UCLA of our interest in requesting an expansion of the Field of Use to include additional available indications, including cartilage indications or systemic administration in the Field of Use. The parties will engage in good faith discussions of such requests.

We have agreed to pay an annual maintenance fee to UCLA of \$10,000 as well as to pay certain royalties to UCLA under the UCLA License Agreement at the rate of 3.0% of net sales of licensed products. We must pay the royalties to UCLA on a quarterly basis. Upon a first commercial sale, we also must pay between \$50,000 and \$250,000, depending on the calendar year which is after the first commercial sale. If we are required to pay any third party any royalties as a result of us making use of UCLA patents, then we may reduce the royalty owed to UCLA by 0.333% for every percentage point paid to a third party. If we grant sublicense rights to a third party to use the UCLA patent, then we will pay to UCLA 10% to 20% of the sublicensing income we receive from such sublicense.

We are obligated to make the following milestone payments to UCLA for each Licensed Product or Licensed Method:

- \$100,000 upon enrollment of the first subject in a Feasibility Study;
- \$250,000 upon enrollment of the first subject in a Pivotal Study;
- \$500,000 upon Pre-Market Approval of a Licensed Product or Licensed Method; and
- \$1,000,000 upon the First Commercial Sale of a Licensed Product or Licensed Method.

We are also obligated to pay UCLA a cash milestone payment within thirty (30) days of a Liquidity Event (including a Change of Control Transaction and a payment election by UCLA exercisable after December 22, 2016, such payment to equal the greater of:

- \$500,000; or
- 2% of all proceeds in connection with a Change of Control Transaction.

We are obligated to diligently proceed with developing and commercializing licensed products under UCLA patents set forth in the UCLA License Agreement. UCLA has the right to either terminate the license or reduce the license to a non-exclusive license if we do not meet certain diligence milestone deadlines set forth in the UCLA License Agreement.

We must reimburse or pre-pay UCLA for patent prosecution and maintenance costs incurred during the term of the UCLA License Agreement. We have the right to bring infringement actions against third party infringers of the UCLA License Agreement, UCLA may join voluntarily, at its own expense, or, at our expense, be joined involuntarily to the action. We are required to indemnify UCLA against any third party claims arising out of our exercise of the rights under the UCLA License Agreement or any sublicense.

## **Results of Operations**

Since our inception, we devoted substantially all of our efforts and funding to the development of the NELL-1 protein and raising capital. We have not yet generated revenues from our planned operations.

*Three Months ended June 30, 2017 compared to the Three Months ended June 30, 2016*

	<b>Three Months ended June 30, 2017</b>	Three Months ended June 30, 2016	% Change
Operating expenses			
Research and development	\$ (3,093,863)	\$ 2,318,735	(233.43)%
General and administrative	1,118,900	1,969,863	(43.20)%
Total operating expenses	<u>(1,974,963)</u>	<u>4,288,598</u>	<u>(146.05)%</u>
Net Income (Loss) from operations	1,974,963	(4,288,598)	(146.05)%
Interest expense, net	<u>(1,108,742)</u>	<u>(511,588)</u>	<u>116.73%</u>
Net Income (Loss) before provision for income taxes	<u>866,221</u>	<u>(4,800,186)</u>	<u>(118.05)%</u>
Provision for income taxes	1,600	-	100.00%
Net Income (Loss)	<u>\$ 864,621</u>	<u>\$ (4,800,186)</u>	<u>(118.01)%</u>

*Research and Development*

Our research and development expenses decreased from \$2,318,735 during the three months ended June 30, 2016 to \$(3,093,863) during the three months ended June 30, 2017. The \$5,412,598 decrease was primarily due to the fair value of options forfeited with the termination of the Professional Services Agreements with each of the Founders in April 2017. Our policy is to account for forfeitures when they occur; therefore these forfeitures are recorded as a reversal to expense. Forfeiture reversals related to the termination of the Agreements was \$3,629,041 in research and development expense. We will continue to incur significant expenses for development activities for NELL-1.

*General and Administrative*

Our general and administrative expenses decreased from \$1,969,863 during the three months ended June 30, 2016 to \$1,118,900 during the three months ended June 30, 2017. The \$850,963 decrease was primarily due to the amortization of the fair value of management options; decreased legal expense and consulting services incurred in 2016.

*Interest Expense*

Our net interest expense increased from \$511,588 for the three months ended June 30, 2016 to \$1,108,742 during the three months ended June 30, 2017. The increase in interest of \$597,154 was related to our new loans in October 2016 and February 2017 and amortization of the fair value of the related beneficial conversion feature.

*Six Months ended June 30, 2017 compared to the Six Months ended June 30, 2016*

	<b>Six Months ended June 30, 2017</b>	Six Months ended June 30, 2016	% Change
Operating expenses			
Research and development	\$ (1,902,450)	\$ 6,996,936	(127.19)%
General and administrative	2,087,661	3,851,889	(45.80)%
Total operating expenses	<u>185,211</u>	<u>10,848,825</u>	<u>(98.29)%</u>
Loss from operations	(185,211)	(10,848,825)	(98.29)%
Loss on disposal of assets	-	(4,862)	(100.00)%
Interest expense, net	<u>(2,022,774)</u>	<u>(922,797)</u>	<u>119.20%</u>
Total other income/expense	<u>(2,022,774)</u>	<u>(927,659)</u>	<u>118.05%</u>
Loss before provision for income taxes	<u>(2,207,985)</u>	<u>(11,776,484)</u>	<u>(81.25)%</u>
Provision for income taxes	1,600	1,600	-%
Net loss	<u>\$ (2,209,585)</u>	<u>\$ (11,778,084)</u>	<u>(81.24)%</u>

*Research and Development*

Our research and development expenses decreased from \$6,996,936 during the six months ended June 30, 2016 to \$(1,902,450) during the six months ended June 30, 2017. The \$8,899,386 decrease was primarily due to the fair value of options forfeited with the termination of the Professional Services Agreements with each of the Founders in April 2017. Our policy is to account for forfeitures when they occur; therefore these forfeitures are recorded as a reversal to expense. Forfeiture reversals related to the termination of the Agreements was \$3,629,041 in research and development expense. We will continue to incur significant expenses for development activities for NELL-1.

*General and Administrative*

Our general and administrative expenses decreased from \$3,851,889 during the six months ended June 30, 2016 to \$2,087,661 during the six months ended June 30, 2017. The \$1,764,228 decrease was primarily due to the amortization of the fair value of management options; decreased legal expense and consulting services incurred in 2016.

*Interest Expense*

Our net interest expense increased from \$922,797 for the six months ended June 30, 2016 to \$2,022,774 during the six months ended June 30, 2017. The increase in interest of \$1,099,977 was related to our new loans in October 2016 and February 2017 and amortization of the fair value of the related beneficial conversion feature.

## Liquidity and Capital Resources

	<u>June 30, 2017</u> (unaudited)	<u>December 31, 2016</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 783,014	\$ 620,375
Prepaid expenses	85,181	80,523
Prepaid expenses – Related Party	271,945	271,945
Total current assets	<u>1,140,140</u>	<u>972,843</u>
Property and equipment, net	<u>194</u>	<u>242</u>
Total assets	<u>\$ 1,140,334</u>	<u>\$ 973,085</u>
<b>Liabilities and Stockholders' Deficit</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 432,330	\$ 260,149
Current notes payable, net of debt discount of \$1,090,910 and \$-0-, respectively	2,109,090	1,200,000
Deferred compensation	141,667	41,667
Shares to be issued	1,823,077	1,823,077
Total current liabilities	<u>4,506,164</u>	<u>3,324,893</u>
Note payable, net of debt discount of \$2,116,059 and \$2,717,752, respectively	<u>6,883,941</u>	<u>6,282,248</u>
Total liabilities	<u>11,390,105</u>	<u>9,607,141</u>
<b>Commitments and Contingencies</b>		
<b>Stockholders' deficit</b>		
Preferred Stock, \$0.001 par value per share; 20,000,000 shares authorized; none issued or outstanding at June 30, 2017 and December 31, 2016	-	-
Common stock, \$0.001 par value per share; 100,000,000 shares authorized; 38,828,607 shares issued and outstanding at June 30, 2017 and December 31, 2016	38,829	38,829
Additional paid-in capital	38,865,042	38,271,173
Accumulated deficit	<u>(49,153,642)</u>	<u>(46,944,058)</u>
Total stockholders' deficit	<u>(10,249,771)</u>	<u>(8,634,056)</u>
Total liabilities and stockholders' deficit	<u>\$ 1,140,334</u>	<u>\$ 973,085</u>

We have no significant operating history and, from our inception to June 30, 2017, we have generated a net loss of approximately \$49 million. The financial statements for the six months ended June 30, 2017 and 2016 were prepared assuming we will continue as a going concern. Operating expenditures for the next twelve months are estimated at \$5.5 million. The Company has principal payment requirements for the next 12 months of \$3,200,000.

The Company will continue to incur significant expenses for development activities for our lead product NELL-1. The Company's December 31, 2016 audited financial statements contained a notation by our auditors regarding the Company's ability to continue as a going concern. The accompanying condensed consolidated financial statements for the six months ended June 30, 2017 and 2016, have been prepared assuming the Company will continue as a going concern. The Company closed on \$2 million of debt financing in February 2017.

The Company intends to raise additional debt and/or equity financing to fund future operations and to provide additional working capital. However, there is no assurance that such financing will be consummated or obtained in sufficient amounts necessary to meet the Company's needs. If cash resources are insufficient to satisfy the Company's on-going cash requirements, the Company will be required to scale back or discontinue its product development programs, or obtain funds if available (although there can be no certainties) through strategic alliances that may require the Company to relinquish its rights to its technology, or discontinue its operations entirely.

As of June 30, 2017 and December 31, 2016, we had cash of \$783,014 and \$620,375, respectively.

## Cash Flows

The following is a summary of our cash flows provided by operating, investing and financing activities for the six months ended June 30, 2017 and 2016:

	<b>Six Months Ended June 30, 2017 (unaudited)</b>	<b>Six Months Ended June 30, 2016 (unaudited)</b>
<b>Operating activities</b>		
Net loss	\$ (2,209,585)	\$ (11,778,084)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	48	620
Amortization of prepaid expenses – related party	-	39,093
Debt discount amortization	1,392,103	415,653
Debt issuance costs amortization	153,680	147,151
Stock-based compensation	1,038,239	1,939,157
Options issued to consultants	(2,444,369)	2,874,147
Warrants issued to consultants	-	100,930
Interest expense deducted from loan proceeds	-	1,889
Loss on disposal of assets	-	4,862
Shares issued for Sygnal license	-	1,435,000
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(4,658)	(29,203)
Accounts payable and accrued expenses	172,181	294,890
Deferred compensation	100,000	-
Net cash (used in) operating activities	<u>(1,837,361)</u>	<u>(4,553,895)</u>
<b>Financing activities</b>		
Proceeds from exercise of warrants		1,250,000
Proceeds from issuance of common stock		2,500,000
Proceeds from issuance of notes payable	2,000,000	1,883,111
Net cash provided by financing activities	<u>2,000,000</u>	<u>5,633,111</u>
Net increase in cash	162,639	1,079,216
Cash, beginning of period	620,375	1,115,109
Cash, end of period	<u>\$ 783,014</u>	<u>\$ 2,194,325</u>
<b>Supplemental non-cash information</b>		
Interest paid	\$ 436,192	\$ 360,306
Taxes paid	<u>\$ 1,600</u>	<u>\$ 1,600</u>

### *Operating activities*

During the six months ended June 30, 2017 and 2016, cash used in operating activities was \$1,837,361 and \$4,553,895 respectively. Cash expenditures the six months ended June 30, 2017 decreased primarily due to the timing of our development activities with our Contracted Manufacturing Organization (“CMO”) and management’s cash conservation efforts including a 20% deferral of wages and the Board’s 50% deferral of cash compensation.

### *Financing activities*

During the six months ended June 30, 2017, cash provided in financing activities of \$2,000,000 resulted from the February 10, 2017 convertible notes. Cash provided during the six months ended June 30, 2016, of \$5,633,111 resulted from the \$1,883,311 proceeds, net of financing fee, of the February 24, 2016 note, exercise of \$1,250,000 of warrants and \$2,500,000 in equity financing.

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

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

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

Not applicable.

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

#### *Evaluation of Disclosure Controls and Procedures*

Under the supervision and with the participation of our management, including our Chief Financial Officer and Chief Executive Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act)) as of June 30, 2017. Based upon that evaluation, our Chief Financial Officer and Chief Executive Officer concluded that as of June 30, 2017, our disclosure controls and procedures were effective.

#### *Changes in Internal Controls.*

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### **Item 1. Legal Proceedings.**

In the normal course of our business, we may periodically become subject to various lawsuits. However, there are currently no legal actions pending against us or, to our knowledge, are any such proceedings contemplated.

### **Item 1A. Risk Factors.**

Not applicable.

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

None

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

None

### **Item 4. Mine Safety Disclosures.**

Not Applicable

### **Item 5. Other Information.**

None

**Item 6. Exhibits.**

(a) Exhibits required by Item 601 of Regulation S-K.

<b>Exhibit</b>	<b>Description</b>
10.1	Department of director, William Coffin effective May 24, 2017 (incorporated herein by reference to current report on Form 8-K, File No. 000-53078, filed May 25, 2017)
31.1	Certification of the Company's Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Report on Form 10-Q for the quarter ended June 30, 2017.*
31.1	Certification of the Company's Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Report on Form 10-Q for the quarter ended June 30, 2017.*
32.1	Certification of the Company's Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of the Company's Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

\* Filed Herewith

**SIGNATURES**

In accordance with 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.

**BONE BIOLOGICS CORPORATION**

Dated: August 8, 2017

By: /s/ Stephen R. LaNeve

Name: Stephen R. LaNeve

Title: Chief Executive Officer

**Certification of Principal Executive Officer**  
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**  
**and Securities and Exchange Commission Release 34-46427**

I, Stephen R. LaNeve, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bone Biologics Corporation
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. As the registrant's Principal Financial Officer, I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and I have:
  - a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in 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 the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2017

*/s/ Stephen R. LaNeve*

Stephen R. LaNeve

Principal Executive Officer

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**Certification of Principal Financial Officer**  
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**  
**and Securities and Exchange Commission Release 34-46427**

I, Deina H. Walsh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bone Biologics Corporation
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. As the registrant's Principal Financial Officer, I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and I have:
  - a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in 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 the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2017

*/s/ Deina H. Walsh*

Deina H. Walsh

Principal Financial Officer

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**Certification of Principal Executive Officer**  
**Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to**  
**Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Report of Bone Biologics Corporation (the "Company") on Form 10-Q for the period ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Schuler, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

*/s/ Stephen R. LaNeve*

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Stephen R. LaNeve  
Principal Executive Officer

August 8, 2017

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**Certification of Principal Financial Officer**  
**Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to**  
**Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Report of Bone Biologics Corporation (the "Company") on Form 10-Q for the period ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Deina H. Walsh, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

*/s/ Deina H. Walsh*

Deina H. Walsh  
Principal Financial Officer

August 8, 2017

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