UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2019

or

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

For the transition period from________ to_________.

Commission File Number: 001-38389

Motus GI Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**81-4042793**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
1301 East Broward Boulevard, 3rd Floor Ft. Lauderdale, FL	**33301**
(Address of principal executive offices)	**(Zip code)**

(954) 541 8000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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

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

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchanged on Which Registered
Common Stock, $0.0001 par value per share	MOTS	The Nasdaq Capital Market

As of November 6, 2019, 28,796,017 shares of the registrant's common stock, $0.0001 par value, were issued and outstanding.

MOTUS GI HOLDINGS, INC.

Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2019

TABLE OF CONTENTS

		Page
	PART I	
	FINANCIAL INFORMATION	
1.	Unaudited Condensed Consolidated Financial Statements	1
	Condensed Consolidated Balance Sheets as of September 30, 2019 (unaudited) and December 31, 2018	1
	Condensed Consolidated Statements of Comprehensive Loss for the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)	2
	Condensed Consolidated Statement of Changes in Shareholders' Equity for the Nine Months Ended September 30, 2019 (unaudited)	3
	Condensed Consolidated Statement of Changes in Shareholders' Equity for the Nine Months Ended September 30, 2018 (unaudited)	4
	Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2019 and 2018 (unaudited)	5
	Notes to the Unaudited Interim Condensed Consolidated Financial Statements	6
2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	24
3.	Quantitative and Qualitative Disclosures about Market Risk	31
4.	Controls and Procedures	31
	PART II	
	OTHER INFORMATION	
1.	Legal Proceedings	33
1A.	Risk Factors	33
2.	Unregistered Sales of Equity Securities and Use of Proceeds	33
3.	Defaults Upon Senior Securities	33
4.	Mine Safety Disclosures	33
5.	Other Information	33
6.	Exhibits	34

PART I — FINANCIAL INFORMATION
Item 1. Financial Statements.

Motus GI Holdings, Inc.
Condensed Consolidated Balance Sheets
(In thousands, except share and per share amounts)

	September 30, 2019 (unaudited)	December 31, 2018 (*)
ASSETS		
Current assets		
Cash and cash equivalents	$ 15,717	$ 18,050
Investments	10,657	3,043
Accounts receivable	-	5
Inventory	771	23
Prepaid expenses and other current assets	537	930
Total current assets	27,682	22,051
Fixed assets, net	1,015	846
Right-of-use assets	1,056	-
Other non-current assets	13	57
Total assets	$ 29,766	$ 22,954
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 2,733	$ 2,140
Operating lease liabilities - current	320	-
Other current liabilities	494	253
Total current liabilities	3,547	2,393
Contingent royalty obligation	1,885	1,953
Operating lease liabilities - non-current	748	-
Other non-current liabilities	-	91
Total liabilities	6,180	4,437
Shareholders' equity		
Preferred Stock $0.0001 par value; 8,000,000 shares authorized; zero shares issued and outstanding	-	-
Preferred Series A Stock $0.0001 par value; 2,000,000 shares authorized; zero shares issued and outstanding	-	-
Common Stock $0.0001 par value; 50,000,000 shares authorized; 28,796,017 and 21,440,148 shares issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	3	2
Additional paid-in capital	102,110	79,893
Accumulated deficit	(78,527)	(61,378)
Total shareholders' equity	23,586	18,517
Total liabilities and shareholders' equity	$ 29,766	$ 22,954

(*) Derived from audited consolidated financial statements

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

Motus GI Holdings, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(In thousands, except share and per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Revenue	$ 3	$ -	$ 8	$ 38
Cost of revenue	62	-	65	56
Gross loss	(59)	-	(57)	(18)
Operating expenses:				
Research and development	2,173	1,770	6,706	4,357
Sales and marketing	1,160	1,215	3,473	2,945
General and administrative	2,028	2,145	7,189	6,021
Total operating expenses	5,361	5,130	17,368	13,323
Operating loss	(5,420)	(5,130)	(17,425)	(13,341)
Warrant expense	-	-	-	(3,156)
Gain (loss) on change in estimated fair value of contingent royalty obligation	127	(85)	68	(244)
Finance income, net	95	44	214	73
Foreign currency gain (loss)	3	1	(6)	(22)
Loss before income taxes	(5,195)	(5,170)	(17,149)	(16,690)
Income tax expense	-	-	-	-
Net loss	$ (5,195)	$ (5,170)	$ (17,149)	$ (16,690)
Basic and diluted loss per common share	$ (0.18)	$ (0.33)	$ (0.72)	$ (1.13)
Weighted average number of common shares outstanding, basic and diluted	28,716,213	15,680,750	23,896,843	14,782,285

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

Motus GI Holdings, Inc.
Condensed Consolidated Statement of Changes in Shareholders' Equity
Nine Months Ended September 30, 2019
(In thousands, except share and per share amounts)
(unaudited)

	Common Stock		Additional paid-in	Accumulated	Total shareholders'
	Shares	Amount	capital	deficit	equity
Balance at January 1, 2019	21,440,148	$ 2	$ 79,893	$ (61,378)	$ 18,517
Issuance of common shares upon exercise of options	416	-	2	-	2
Issuance of common shares upon vesting of restricted stock units	10,313	-	-	-	-
Share based compensation	-	-	837	-	837
Net loss	-	-	-	(6,273)	(6,273)
Balance at March 31, 2019	21,450,877	2	80,732	(67,651)	13,083
Share based compensation	-	-	690	-	690
Net loss	-	-	-	(5,681)	(5,681)
Balance at June 30, 2019	21,450,877	2	81,422	(73,332)	8,092
Issuance of common shares upon public offering, net of offering costs of $1,759	6,666,667	1	18,240	-	18,241
Issuance of common shares upon exercise of overallotments, net of offering costs of $156	648,333	-	1,789	-	1,789
Issuance of common shares upon vesting of restricted stock units	30,140	-	-	-	-
Share based compensation	-	-	659	-	659
Net loss	-	-	-	(5,195)	(5,195)
Balance at September 30, 2019	28,796,017	$ 3	$ 102,110	$ (78,527)	$ 23,586

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

Motus GI Holdings, Inc.
Condensed Consolidated Statement of Changes in Shareholders' Equity
Nine Months Ended September 30, 2018
(In thousands, except share and per share amounts)
(unaudited)

	Preferred Series A Stock		Common Stock		Additional paid-in	Accumulated	Total shareholders'
	Shares	Amount	Shares	Amount	capital	deficit	equity
Balance at January 1, 2018	1,581,128	$ -	10,493,233	$ 1	$ 44,643	$ (39,121)	$ 5,523
Issuance of common shares upon initial public offering, net of offering costs of $2,546	-	-	3,500,000	1	14,953	-	14,954
Conversion of preferred shares to commons shares in connection with initial public offering	(1,581,128)	-	1,581,128	-	-	-	-
Issuance of common shares upon exercise of overallotments	-	-	56,000	-	258	-	258
Issuance of common shares upon cashless exercise of options	-	-	394	-	-	-	-
Share based compensation	-	-	15,000	-	602	-	602
Warrant expense	-	-	-	-	3,156	-	3,156
Net loss	-	-	-	-	-	(7,323)	(7,323)
Balance at March 31, 2018	-	-	15,645,755	2	63,612	(46,444)	17,170
Share based compensation	-	-	-	-	498	-	498
Net loss	-	-	-	-	-	(4,197)	(4,197)
Balance at June 30, 2018	-	-	15,645,755	2	64,110	(50,641)	13,471
Issuance of common shares upon exercise of options			14,396		48		48
Share based compensation	-	-	30,000	-	1,093	-	1,093
Net loss	-	-	-	-	-	(5,170)	(5,170)
Balance at September 30, 2018	-	$ -	15,690,151	$ 2	$ 65,251	$ (55,811)	$ 9,442

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

Motus GI Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands, except share and per share amounts)
(unaudited)

	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (17,149)	$ (16,690)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	157	106
(Gain) loss on change in estimated fair value of contingent royalty obligation	(68)	244
Share based compensation	2,530	1,735
Unrealized gain on investments	(5)	-
Amortization of bond premium	-	15
Inventory write-down	76	574
Fixed asset impairment	35	-
Non-cash operating lease expense	185	-
Warrant expense	-	3,156
Changes in operating assets and liabilities:		
Accounts receivable	5	(18)
Inventory	(732)	(614)
Prepaid expenses and other current assets	(43)	(74)
Accounts payable and accrued expenses	593	1,141
Operating lease liabilities - current and non-current	(182)	-
Other current and non-current liabilities	203	(108)
Net cash used in operating activities	(14,395)	(10,533)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(361)	(194)
Proceeds from long-term deposits	-	11
Repayment of shareholder loan receivable	-	126
Purchase of held-to-maturity securities	-	(4,863)
Purchase of available-for-sale securities	(9,609)	(5,026)
Proceeds from sale of available-for-sale securities	2,000	2,000
Proceeds from maturity of held-to-maturity securities	-	3,130
Net cash used in investing activities	(7,970)	(4,816)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Gross proceeds from public offering	20,000	17,500
Proceeds from exercise of over-allotment options	1,945	-
Proceeds from exercise of options	2	306
Financing fees	(1,915)	(2,509)
Net cash provided by financing activities	20,032	15,297
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,333)	(52)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	18,050	6,939
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 15,717	$ 6,887
SUPPLEMENTAL CASH FLOW INFORMATION:		
CASH PAID FOR:		
Interest	$ -	$ -
Income taxes	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Reclassification of deferred financing costs from current assets to additional paid-in capital	$ -	$ 602
Cashless exercise of options	$ -	$ 2
Deferred financing fees included in accounts payable and accrued expenses	$ -	$ 59

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

Note 1 – Description of Business

Motus GI Holdings, Inc. (the "Company") was incorporated in Delaware, U.S.A. in September 2016. The Company and its subsidiaries, Motus, Ltd. and Motus, Inc., are collectively referred to as "Motus GI" or the "Company".

The Company has developed the Pure-Vu System (the "Pure-Vu System"), a medical device that has received 510(k) clearance from the U.S. Food and Drug Administration (the "FDA"). In June 2019, the 510(k) premarket notification for the second-generation of the Pure-Vu System was reviewed and cleared by the FDA. The first-generation of the Pure-Vu System has received CE Mark approval in the European Economic Area, and the Company intends to seek CE Mark approval for the second-generation of its Pure-Vu System. The Pure-Vu System is indicated to help facilitate the cleaning of a poorly prepared colon during the colonoscopy procedure. The device integrates with standard and slim colonoscopes to enable safe and rapid cleansing during the procedure while preserving established procedural workflow and techniques by irrigating the colon and evacuating the irrigation fluid (water), feces and other bodily fluids and matter. The Company began commercialization in October 2019, with the first commercial placements of its second generation Pure-Vu System as part of its initial U.S. market launch targeting early adopter hospitals. The Company does not expect to generate significant revenue from product sales until the Company expands its commercialization efforts for the Pure-Vu System, which is subject to significant uncertainty.

Note 2 – Basis of Presentation and Going Concern

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the 2018 10-K filed with the SEC on March 26, 2019. The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information, the instructions for Form 10-Q and the rules and regulations of the SEC. Accordingly, since they are interim statements, the accompanying condensed consolidated financial statements do not include all of the information and notes required by GAAP for annual financial statements, but reflect all adjustments consisting of normal, recurring adjustments, that are necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. Interim results are not necessarily indicative of the results that may be expected for any future periods. The December 31, 2018 balance sheet information was derived from the audited financial statements as of that date.

To date, the Company has generated minimal revenues, experienced negative cash flows and has incurred substantial operating losses from its activities. Management expects the Company to continue to generate substantial operating losses and to continue to fund its operations primarily through utilization of its current financial resources, future product sales, and through additional raises of capital.

The Company has financed its operations primarily through sales of equity-related securities. At September 30, 2019, the Company had an accumulated deficit of $78,527, total current assets of $27,682 and total current liabilities of $3,547 resulting in working capital of $24,135. For the three and nine months ended September 30, 2019, the Company incurred a net loss of $5,195 and $17,149, respectively. At September 30, 2019, the Company had cash and cash equivalents, and investments of $26,374.

Such conditions raise substantial doubts about the Company's ability to continue as a going concern. Management's plan includes revenue generation through the sale of products and raising funds from outside investors. However, there is no assurance that such sale of products will occur or that outside funding will be available to the Company, will be obtained on favorable terms or will provide the Company with sufficient capital to meet its objectives. These condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets, carrying amounts or the amount and classification of liabilities that may be required should the Company be unable to continue as a going concern.

Note 3 – Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying condensed consolidated financial statements follows:

Basis of presentation and principles of consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with GAAP and include the accounts of the Company and its wholly owned subsidiaries, Motus Ltd., an Israel corporation, which has operations in Tirat Carmel, Israel, and Motus Inc., a Delaware corporation, which has operations in the U.S. All inter-company accounts and transactions have been eliminated in consolidation.

Use of estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional currency and foreign currency translation

The functional currency of the Company, inclusive of foreign subsidiaries, is the U.S dollar ("dollar") since the dollar is the currency of the primary economic environment in which the Company has operated and expects to continue to operate in the foreseeable future. Transactions and balances denominated in dollars are presented at their original amounts. Transactions and balances denominated in foreign currencies have been re-measured to dollars in accordance with the provisions of Accounting Standards Codification ("ASC") 830-10, "Foreign Currency Translation". All transaction gains and losses from re-measurement of monetary balance sheet items denominated in non-dollar currencies are reflected in the unaudited condensed consolidated statement of comprehensive loss as foreign currency (loss) gain, as appropriate.

Cash and cash equivalents

The Company considers all highly liquid investment securities with an original maturity of three months or less to be cash equivalents. Due to the short-term maturity of such investments, the carrying amounts are a reasonable estimate of fair value. Cash and cash equivalents include cash on-hand and highly-rated U.S. government backed money market fund investments.

Investments

The Company accounts for investments held as "available-for-sale" in accordance with ASC 320, "Investments - Debt and Equity Securities". The Company has one investment in a mutual fund and classifies this investment as a current asset and carries it at fair value. Unrealized gains and losses are recorded in finance income, net on the condensed consolidated statement of comprehensive loss. Realized gains or losses on mutual fund transactions are reported in the condensed consolidated statement of comprehensive loss. The mutual fund is maintained at one financial institution.

Management evaluates whether available-for-sale securities are other-than-temporarily impaired ("OTTI") on a quarterly basis. If management determines that a security is OTTI, the impairment recognized in earnings is measured as the entire difference between the amortized cost and the then-current fair value. During the three and nine months ended September 30, 2019 and 2018, no investment OTTI losses were realized.

The Company's investment policy is focused on the preservation of capital, liquidity and return. From time to time, the Company may sell certain securities, but the objectives are generally not to generate profits on short-term differences in price.

(In thousands, except share and per share amounts)

Revenue recognition

The first generation *Pure-Vu System* – The Company developed a first generation medical device system (a "Workstation") and single use disposable sleeve (a "Disposable") designed to improve a colonoscopy procedure. In market development accounts, the Company places its Workstations in a healthcare professional's office at no charge. The Disposables are used in conjunction with the Workstation. The Company typically enters into agreements for an evaluation period that have terms of two and three months and can be extended for successive periods by written agreement by both the Company and the customer. The Company initially provides the customer with a free demonstration pack of Disposables so that the customer can evaluate both the Workstation and Disposables. After the evaluation period, the Company may charge a fee for the first generation Disposables shipped once the free demonstration pack is used. The Company recognizes revenue for the fees charged over the term of the arrangement, which equates to usage.

For the purposes of GAAP only, this type of arrangement for the first generation system is treated as a short-term operating lease, and thus is outside the scope of ASC 606 and is accounted for in accordance with ASC 842, Leases. Effective January 1, 2019, there was no material impact upon the adoption of ASC 842 related to these arrangements. While this arrangement is not an operating lease contractually, this arrangement is viewed as an operating lease for accounting purposes since in this arrangement the Company provides the customer the rights to use the Workstation and Disposables, which are interdependent, and the customer controls physical access to the Workstation while controlling the utility and output during the term of the arrangement.

During the three and nine months ended September 30, 2019, the Company recognized revenue of $3 and $8, respectively, and, during the three and nine months ended September 30, 2018, the Company recognized revenue of $0 and $38, respectively, from the sale of first generation Disposables which equates to the usage period of the Disposables over the term of the agreement.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are recorded and carried at the original invoiced amount less an allowance for any potential uncollectible amounts. The Company makes estimates for the allowance for doubtful accounts based upon its assessment of various factors, including historical experience, the age of the accounts receivable balances, credit quality of our customers, current economic conditions, and other factors that may affect customers' ability to pay. As of September 30, 2019 and December 31, 2018, the allowance for doubtful accounts was $0.

Inventory

Inventory is stated at lower of cost or net realizable value using the weighted average cost method and is evaluated at least annually for impairment. Write-downs for potentially obsolete or excess inventory are made based on management's analysis of inventory levels, historical obsolescence and future sales forecasts. For the three and nine months ended September 30, 2019, an inventory write-down charge of $57 and $76, respectively, was recorded; and, for both the three and nine months ended September 30, 2018, an inventory write-down charge of $574 was recorded.

Inventory at September 30, 2019 and December 31, 2018 consisted of the following:

	September 30, 2019	December 31, 2018
Raw materials	$ 238	$ -
Work-in-process	160	-
Finished goods	373	23
Ending inventory	$ 771	$ 23

(In thousands, except share and per share amounts)

Leases

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. On January 1, 2019, the Company adopted the new lease standard using the optional transition method under which comparative financial information will not be restated and continue to apply the provisions of the previous lease standard in its annual disclosures for the comparative periods. In addition, the new lease standard provides a number of optional practical expedients in transition. The Company elected the package of practical expedients. As such, the Company did not have to reassess whether expired or existing contracts are or contain a lease; did not have to reassess the lease classifications or reassess the initial direct costs associated with expired or existing leases.

The new lease standard also provides practical expedients for an entity's ongoing accounting. The Company elected the short-term lease recognition exemption under which the Company will not recognize right-of-use ("ROU") assets or lease liabilities, and this includes not recognizing ROU assets or lease liabilities for existing short-term leases. The Company elected the practical expedient to not separate lease and non-lease components for certain classes of assets (facilities).

On January 1, 2019, the Company recognized ROU assets of $1,065 and lease liabilities of $1,074 and no adjustment was made to the Company's accumulated deficit. The adoption of the new lease standard did not impact the Company's condensed consolidated statement of comprehensive loss or its condensed consolidated statement of cash flows.

The Company determines if an arrangement is a lease at inception. For the Company's operating leases, the ROU asset represents the Company's right to use an underlying asset for the lease term and operating lease liabilities represent an obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Since all of the lease agreements do not provide an implicit rate, the Company estimated an incremental borrowing rate in determining the present value of the lease payments. Operating lease expense is recognized on a straight-line basis over the lease term, subject to any changes in the lease or expectations regarding the terms. Variable lease costs such as operating costs and property taxes are expensed as incurred.

Fixed assets, net

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated based on the straight-line method, at annual rates reflecting the estimated useful lives of the related assets, as follows:

Office equipment	5-15 years
Computers and software	3-5 years
Machinery	5-10 years
Lab and medical equipment	3-7 years
Leasehold improvements	Shorter of lease term or useful life

(In thousands, except share and per share amounts)

Fixed assets, summarized by major category, consist of the following for the years ended:

	September 30, 2019	December 31, 2018
Office equipment	$ 148	$ 144
Computers and software	320	284
Machinery	460	329
Lab and medical equipment	471	391
Leasehold improvements	180	105
Total	1,579	1,253
Less: accumulated depreciation and amortization	(564)	(407)
Fixed assets, net	$ 1,015	$ 846

Depreciation and amortization expense for the three and nine months ended September 30, 2019 is $58 and $157, respectively. Depreciation and amortization expense for the three and nine months ended September 30, 2018 is $44 and $106, respectively. For the three and nine months ended September 30, 2019, a fixed asset impairment charge of $35 was recorded as general and administrative expense to write down lab and medical equipment related to the first-generation Pure-Vu System.

Stock Based Compensation

2016 Equity Incentive Plan

In December 2016, the Company adopted the Motus GI Holdings, Inc. 2016 Equity Incentive Plan (the “2016 Plan”). Pursuant to the 2016 Plan, the Company’s board of directors may grant options to purchase shares of the Company’s common stock, stock appreciation rights, restricted stock, stock units, performance shares, performance units, incentive bonus awards, other cash-based awards and other stock-based awards to employees, officers, directors, consultants and advisors. Pursuant to the terms of an annual evergreen provision in the 2016 Plan, the number of shares of common stock available for issuance under the 2016 Plan shall increase annually by six percent (6%) of the total number of shares of common stock outstanding on December 31st of the preceding calendar year; provided, however, that the board of directors may act prior to the first day of any calendar year to provide that there shall be no increase such calendar year, or that the increase shall be a lesser number of shares of our common stock than would otherwise occur. On January 1, 2019, pursuant to an annual evergreen provision, the number of shares of common stock reserved for future grants was increased by 1,286,409 shares. Under the 2016 Plan, the maximum number of shares of the Company’s common stock authorized for issuance is 3,927,659. As of September 30, 2019, there were 92,202 shares of common stock available for future grant under the 2016 Plan.

Adoption of Accounting Standards Update 2018-07

The Company has adopted Accounting Standards Update 2018-07 (“ASU 2018-07”), “Improvement to Nonemployee Share-based Payment Accounting”, which expands the scope of ASC 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The new guidance will be applied prospectively to all new awards granted after the date of adoption. In addition, the new guidance will be applied to all existing equity-classified awards for which a measurement date has not been established under ASC 505-50 by the adoption date by remeasuring at fair value as of the adoption date, and recording a cumulative effect adjustment to opening accumulated deficit on January 1, 2019.

For the Company’s equity-classified awards for which a measurement date has not been established under ASC 505-50, the fair value on January 1, 2019, the adoption date, approximated the value assigned on December 31, 2018, therefore no cumulative adjustment to opening accumulated deficit was required.

Under the revised guidance, the accounting for awards issued to non-employees will be similar to the model for employee awards, except that ASU 2018-07:

- allows the Company to elect on an award-by-award basis to use the contractual term as the expected term assumption in the option pricing model, and
- the cost of the grant is recognized in the same period(s) and in the same manner as if the grantor had paid cash.

Employee and Non-Employee Stock Based Compensation

The Company applies ASC 718-10, "Share-Based Payment," which requires the measurement and recognition of compensation expenses for all share-based payment awards made to employees and directors including employee stock options under the Company's stock plans and equity awards issued to non-employees based on estimated fair values.

ASC 718-10 requires companies to estimate the fair value of equity-based option awards on the date of grant using an option-pricing model. The fair value of the award is recognized as an expense on a straight-line basis over the requisite service periods in the Company's condensed consolidated statement of comprehensive loss. The Company recognizes share-based award forfeitures as they occur.

The Company estimates the fair value of granted option equity awards using a Black-Scholes options pricing model. The option-pricing model requires a number of assumptions, of which the most significant are share price, expected volatility and the expected option term (the time from the grant date until the options are exercised or expire). Expected volatility is estimated based on volatility of similar companies in the technology sector. The Company has historically not paid dividends and has no foreseeable plans to issue dividends. The risk-free interest rate is based on the yield from governmental zero-coupon bonds with an equivalent term. The expected option term is calculated for options granted to employees and directors using the "simplified" method. Grants to non-employees are based on the contractual term. Changes in the determination of each of the inputs can affect the fair value of the options granted and the results of operations of the Company.

Restricted Stock Units

The Company issues restricted stock units under its 2016 Equity Incentive Plan. The fair value of the restricted stock units is based on the closing stock price on the date of grant and is expensed as operating expense over the period during which the units vest. Each restricted stock unit entitles the grantee to one share of common stock to be received upon vesting up to four years after the grant date. Recipients of restricted stock units have no voting rights until the vesting of the award.

Basic and diluted net loss per share

Basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. Diluted loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year, plus the number of common shares that would have been outstanding if all potentially dilutive ordinary shares had been issued, using the treasury stock method, in accordance with ASC 260-10 "Earnings per Share". Potentially dilutive common shares were excluded from the calculation of diluted loss per share for all periods presented due to their anti-dilutive effect due to losses in each period.

Research and development expenses, net

Research and development expenses are charged to the unaudited condensed consolidated statement of comprehensive loss as incurred.

Patent costs

Costs incurred in connection with acquiring patent rights and the protection of proprietary technologies are expensed as incurred.

Liabilities due to termination of employment agreements

Under Israeli employment laws, employees of Motus Ltd. are included under Article 14 of the Severance Compensation Act, 1963 ("Article 14") for a portion of their salaries. According to Article 14, these employees are entitled to monthly deposits made by Motus Ltd. on their behalf with insurance companies.

Payments in accordance with Article 14 release Motus Ltd. from any future severance payments (under the Israeli Severance Compensation Act, 1963) with respect of those employees. The aforementioned deposits are not recorded as an asset in the Company's balance sheet, and there is no liability recorded as the Company does not have a future obligation to make any additional payments.

Income taxes

The Company provides for income taxes using the asset and liability approach. Deferred tax assets and liabilities are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the tax rates in effect when these differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. As of September 30, 2019 and December 31, 2018, the Company had a full valuation allowance against its deferred tax assets.

For the three and nine months ended September 30, 2019 and 2018, the Company recorded zero income tax expense. No tax benefit has been recorded in relation to the pre-tax loss for the three and nine months ended September 30, 2019 and 2018, due to a full valuation allowance to offset any deferred tax asset related to net operating loss carry forwards attributable to the losses.

Fair value of financial instruments

The Company accounts for financial instruments in accordance with ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"). ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in non-active markets or in active markets for similar assets or liabilities, observable inputs other than quoted prices, and inputs that are not directly observable but are corroborated by observable market data;

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

There were no changes in the fair value hierarchy leveling during the nine months ended September 30, 2019 and during the year ended December 31, 2018.

(In thousands, except share and per share amounts)

The following table summarizes the fair value of our financial assets and liabilities that were accounted for at fair value on a recurring basis, by level within the fair value hierarchy, as of September 30, 2019 and December 31, 2018:

	September 30, 2019			
	Level 1	**Level 2**	**Level 3**	**Fair Value**
Assets				
Investments	$ 10,657	$ -	$ -	$ 10,657
Liabilities				
Contingent royalty obligation	$ -	$ -	$ 1,885	$ 1,885

	December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Fair Value**
Assets				
Investments	$ 3,043	$ -	$ -	$ 3,043
Liabilities				
Contingent royalty obligation	$ -	$ -	$ 1,953	$ 1,953

Financial instruments with carrying values approximating fair value include cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable and accrued expenses, and certain other current liabilities, due to their short-term nature.

Contingent Royalty Obligation

In estimating the fair value of the Company's contingent royalty obligation (see Note 6), the Company used the discounted cash flow method as of September 30, 2019 and December 31, 2018. Based on the fair value hierarchy, the Company classified contingent royalty obligation within Level 3 because valuation inputs are based on projected revenues discounted to a present value.

The following table sets forth a summary of changes in the estimated fair value of the Company's Level 3 contingent royalty obligation for the nine months ended September 30, 2019:

	Fair Value Measurements of Contingent Royalty Obligation (Level 3)
Balance at December 31, 2018	$ 1,953
Change in estimated fair value of contingent royalty obligation	(68)
Balance at September 30, 2019	$ 1,885

The contingent royalty obligation is re-measured at each balance sheet date using the following assumptions: 1) discount rate of 21% and 20% as of September 30, 2019 and December 31, 2018, respectively, and 2) rate of royalty payment of 3% as of both September 30, 2019 and December 31, 2018.

For the nine months ended September 30, 2019, the Company's estimated discount rate increased from 20% to 21% due to changes in market conditions.

In accordance with ASC-820-10-50-2(g), the Company performed a sensitivity analysis of the liability, which was classified as a Level 3 financial instrument. The Company recalculated the fair value of the liability by applying a +/- 2% change to the input variable in the discounted cash flow model; the discount rate. A 2% decrease in the discount rate would increase the liability by approximately $175 and a 2% increase in the discount rate would decrease the liability by approximately $157.

(In thousands, except share and per share amounts)

Recently issued accounting standards

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses" to improve information on credit losses for financial assets and net investment in leases that are not accounted for at fair value through net income. ASU 2016-13 replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses. In April 2019 and May 2019, the FASB issued ASU No. 2019-04, "Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments" and ASU No. 2019-05, "Financial Instruments-Credit Losses (Topic 326): Targeted Transition Relief" which provided additional implementation guidance on the previously issued ASU. Management has not yet completed its assessment of the impact of the new standards on the Company's financial statements. The Company is currently evaluating the effect the adoption of these ASUs will have on its condensed consolidated financial statements. These ASUs are effective for the Company in the first quarter of 2020.

In August 2018, the FASB issued ASU 2018-13, "Changes to Disclosure Requirements for Fair Value Measurements", which will improve the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. ASU 2018-13 removes, modifies, and adds certain disclosure requirements, and is effective for the Company in the first quarter of 2020. The Company is evaluating the impact this standard will have on the Company's condensed consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, "Internal-Use Software (Subtopic 350-40)—Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service". ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license), by requiring a customer in a cloud computing arrangement that is a service contract to capitalize certain implementation costs as if the arrangement was an internal-use software project. ASU 2018-15 will be effective on January 1, 2020. The Company is currently evaluating the impact of this new standard.

Note 4 – Investments

Investments as of September 30, 2019 and December 31, 2018 consist of available-for-sale securities which are carried at fair value. Interest and dividends on investments are included in finance income, net.

The following table summarizes, by major security type, the Company's investments as of September 30, 2019 and December 31, 2018:

	September 30, 2019	
	Amortized Cost	**Carrying Value**
Mutual fund, available-for-sale	$ 10,652	$ 10,657
Total	$ 10,652	$ 10,657

	December 31, 2018	
	Amortized Cost	**Carrying Value**
Mutual fund, available-for-sale	$ 3,043	$ 3,043
Total	$ 3,043	$ 3,043

Note 5 – Leases

The Company leases an office in Fort Lauderdale, Florida under an operating lease. The term expires November 2024. The annual base rent is subject to annual increases of 2.75%.

(In thousands, except share and per share amounts)

The Company leases an office in Israel under an operating lease that expires on December 31, 2019. On July 4, 2019, the Company exercised its option to extend the lease expiration to December 31, 2022. The right-of-use asset and lease liability were adjusted to include the renewal period in the amount of $176. The base rent is subject to a 4% increase beginning on January 1, 2020.

The Company leases vehicles under operating leases that expire at various dates through 2022.

Many of these leases provide for payment by the Company, as the lessee, of taxes, insurance premiums, costs of maintenance and other costs which are expenses as incurred. Certain operating leases include escalation clauses and some of which may include options to extend the leases for up to 3 years.

Operating cash flow supplemental information for the nine months ended September 30, 2019:

An initial right-of-use asset of $1,065 was recognized as a non-cash asset and operating lease liabilities of $1,074 was recognized as a non-cash liability addition with the adoption of the new lease standard. An initial right-of-use asset and liability in the amount of $176 was recognized as a non-cash asset and operating lease liability upon the exercise of its option to extend the Israel lease. Cash paid for amounts included in the present value of operating lease liabilities was $261 during the nine months ended September 30, 2019.

Other Information:

Weighted average remaining lease term – operating leases, in years	4.31
Weighted average discount rate – operating leases	7.69%

Future minimum lease payments under non-cancellable operating leases as of September 30, 2019 were as follows:

Twelve Months Ended December 31,	**Amount**
2019 (remaining three months)	$ 86
2020	319
2021	266
2022	253
2023	184
Thereafter	141
Total future minimum lease payments	1,249
Imputed interest	(181)
Total liability	$ 1,068

The Company's lease expense was $127 and $356 for the three and nine months ended September 30, 2019, respectively, included in general and administrative expenses. The Company's lease expense was $122 and $368 for the three and nine months ended September 30, 2018, respectively, included in general and administrative expenses.

Note 6 – Commitments and Contingencies

Royalty on Coated Products

On January 30, 2018, the Company entered into a license and supply agreement with a third party whereby it was granted a worldwide license to sell its products coated with an agent that is the intellectual property of the third party for providing a lubricious surface to the Company's products (a "Coated Product" or "Coated Products"). The third party is entitled to a royalty in the amount of:

a. 2% of the first $25 million in annual net sales of Coated Products; and

b. 1.5% once annual net sales exceed $25 million of Coated Products.

The above two tiers reset annually on January 1st of each calendar year.

Minimum royalties shall be paid for each Coated Product sold by the Company as follows:

a. January 1, 2020 to December 31, 2020 - $5 per calendar quarter;

b. January 1, 2021 to December 31, 2021 - $10 per calendar quarter;

c. January 1, 2022 and beyond - $15 per calendar quarter.

Additionally, the Company shall make one-time milestone payments as follows:

a. $12.5 due 6 months after the first commercial sale of a Coated Product.

b. $12.5 due 12 months after the first commercial sale of a Coated Product.

c. $25 due 18 months after the first commercial sale of a Coated Product.

The Company provided the third party a notice of termination of the license and supply agreement, which is effective ninety days from September 30, 2019. The Company shipped its first commercial Coated Product in the second quarter of 2019. For the three and nine months ended September 30, 2019, the Company has recorded a de minimus amount in relation to the royalty on coated products as cost of revenue. For the three and nine months ended September 30, 2019, the Company recorded $37 as a reduction to general and administrative expense for the reversal of the estimated accrual for additional one-time milestone payments. As of September 30, 2019, the Company has recorded $13 as other current liabilities to accrue the one-time milestone payment.

For the three and nine months ended September 30, 2018, the Company has recorded $0 and $50, respectively, as general and administrative expense to accrue the one-time milestone payments in anticipation of the first commercial sale of a coated product. As of December 31, 2018, the Company has recorded $25 as other current liabilities and $25 as other non-current liabilities to accrue the one-time milestone payments.

Royalties to the IIA

The Company has received grants from the Government of the State of Israel through the Israeli National Authority for Technical Innovation (the “IIA”) for the financing of a portion of its research and development expenditures. The total amount that was received and recorded between the periods ending December 31, 2011 through 2016 was $1,332. The total amount received during the three and nine months ended September 30, 2019 and 2018 was $0. The Company has a contingent obligation to the IIA for the total amount received along with the accumulated LIBOR interest to date in the amount of approximately $1,394 and $1,383 as of September 30, 2019 and December 31, 2018, respectively. This obligation is repaid in the form of royalties on revenues generated in any fashion with a rate that is currently at 4% (which may be increased under certain circumstances). The Company may be obligated to pay up to 100% (which may be increased under certain circumstances) of the U.S. dollar-linked value of the grants received, plus interest at the rate of 12-month LIBOR.

Repayment of the grants is contingent upon the successful completion of the Company’s R&D programs and generating sales. The Company has no obligation to repay these grants if the R&D program fails, is unsuccessful, or aborted, or if no sales are generated. The Company has recorded an immaterial expense and liability during the three and nine months ended September 30, 2019 and 2018 as sales occur.

Royalty Payment Rights on Royalty Payment Rights Certificates

The Company filed a Certificate of Designation of Preferences, Rights and Limitations (the “Certificate of Designation”), establishing the rights and preferences of the holders of the Series A Convertible Preferred Stock, including certain directors and officers of the Company (the “Royalty Payment Rights”). As set forth in the Certificate of Designation, the Royalty Payment Rights initially entitled the holders in aggregate, to a royalty in an amount of:

- 3% of net sales subject to a maximum in any calendar year equal to the total dollar amount of Units closed on in the Company’s 2017 private placement (the “2017 Private Placement”); and

- 5% of licensing proceeds subject to a maximum in any calendar year equal to the total dollar amount of Units closed on in the 2017 Private Placement.

In addition, in connection with completion of the 2017 Private Placement, the Company issued the placement agent royalty payment rights certificates (the "Placement Agent Royalty Payment Rights Certificates") which grants the placement agent, and its designees, the right to receive, in the aggregate, 10% of the amount of payments paid to the holders of the Series A Convertible Preferred Stock, or the holders of the Royalty Payment Rights Certificates (the "Royalty Payment Rights Certificates"), upon the conversion of the Series A Convertible Preferred Stock into shares of the Company's common stock. The Placement Agent Royalty Payment Rights Certificates are on substantially similar terms as the Royalty Payment Rights of the Series A Convertible Preferred Stock.

The Royalty Payment Rights Certificate obligation and Placement Agent Royalty Payment Rights Certificate obligation (the "Contingent Royalty Obligation") was recorded as a liability at fair value as "Contingent royalty obligation" in the consolidated balance sheets at September 30, 2019 and December 31, 2018 (see Contingent Royalty Obligation below). The fair value at inception was allocated to the royalty rights and the residual value was allocated to the preferred shares and recorded as equity.

The Company amended its Certificate of Designation to modify the Royalty Payment Rights when the Company consummated its Initial Public Offering ("IPO") on February 16, 2018, at which time the Company converted the Series A Convertible Preferred Stock into shares of the Company's common stock and issued the Royalty Payment Rights Certificates. Pursuant to the terms of the Royalty Payment Rights Certificates, if and when the Company generates sales of the current and potential future versions of the Pure-Vu System, including disposables, parts, and services, or if the Company receives any proceeds from the licensing of the current and potential future versions of the Pure-Vu System, then the Company will pay to the holders of the Royalty Payment Rights Certificates a royalty (the "Royalty Amount") equal to, in the aggregate, in royalty payments in any calendar year for all products:

- 3% of Net Sales* for commercialized product directly; and

- 5% of any Licensing Proceeds** for rights to commercialize the product if sublicensed by the Company to a third-party.

* Notwithstanding the foregoing, with respect to Net Sales based Royalty Amounts, (a) no Net Sales based Royalty Amount shall begin to accrue or become payable until the Company has first generated, in the aggregate, since its inception, Net Sales equal to $20,000 (the "Initial Net Sales Milestone"), and royalties shall only be computed on, and due with respect to, Net Sales generated in excess of the Initial Net Sales Milestone, and (b) the total Net Sales based Royalty Amount due and payable in any calendar year shall be subject to a royalty cap amount per calendar year of $30,000. "Net Sales" is defined in the Royalty Payment Rights Certificates. The Company has not reached the Initial Net Sales Milestone as of September 30, 2019.

** Notwithstanding the foregoing, with respect to Licensing Proceeds based Royalty Amounts, (a) no Licensing Proceeds based Royalty Amount shall begin to accrue or become payable until the Company has first generated, in the aggregate, since its inception, Licensing Proceeds equal to $3,500 (the "Initial Licensing Proceeds Milestone"), and royalties shall only be computed on, and due with respect to, Licensing Proceeds in excess of the Initial Licensing Proceeds Milestone and (b) the total Licensing Proceeds based Royalty Amount due and payable in any calendar year shall be subject to a royalty cap amount per calendar year of $30,000. "Licensing" Proceeds is defined in the Royalty Payment Rights Certificate. The Company has not reached the Initial Licensing Proceeds Milestone as of September 30, 2019.

The Royalty Amount will be payable up to the later of (i) the latest expiration date of the Company's patents issued as of December 22, 2016, or (ii) the latest expiration date of any pending patents as of December 22, 2016 that have since been issued or may be issued in the future (which is currently April 2035). Following the expiration of all such patents, the holders of the Royalty Payment Rights Certificates and the holders of the Placement Agent Royalty Payment Rights Certificates will no longer be entitled to any further royalties for any period following the latest to occur of such patent expiration.

On February 16, 2018, the date of the closing of the IPO, (1) the amendment to the Certificate of Designation became effective, (2) all outstanding shares of Series A Convertible Preferred Stock were converted into shares of the Company's common stock pursuant to a mandatory conversion, and (3) the Royalty Payment Rights Certificates were issued to the former holders of the Series A Convertible Preferred Stock.

Contingent Royalty Obligation

The Contingent Royalty Obligation was recorded as a non-current liability at fair value in the consolidated balance sheets at September 30, 2019 and December 31, 2018 in the amount of $1,885 and $1,953, respectively. For the three and nine months ended September 30, 2019, the Company recorded a gain on change in fair value of Contingent Royalty Obligation in the amount of $127 and $68, respectively. For the three and nine months ended September 30, 2018, the Company recorded a loss on change in fair value of Contingent Royalty Obligation in the amount of $85 and $244, respectively.

Manufacturing Component Purchase Obligations

The Company utilizes two outsourcing partners to manufacture its Workstation and Disposable, and to perform final assembly and testing of finished products. These outsourcing partners acquire components and build product based on demand information supplied by the Company. As of September 30, 2019, the Company expects to pay $55 under manufacturing-related supplier arrangements within the next year, substantially all of which is noncancelable.

Other Commitments

The Company has a severance contingency for severance payments to its CEO, COO, and CFO in the aggregate of approximately $1,319, in the event that they are terminated without cause or leave due to good reason, as outlined in their employee agreements. Management estimates that the likelihood of payment is remote; therefore, no liability was reflected in these condensed consolidated financial statements.

Note 7 – Related Party Transactions

Shareholder Loan

The Company entered into a shareholder loan on May 15, 2017 for a principal balance of $122 at a stated interest rate of 3.4%. For the three and nine months ended September 30, 2018, the Company recorded $3 and $4, respectively, as finance income related to the shareholder loan. The loan principal and accrued interest was repaid in full as of December 31, 2018.

Sales and Marketing Services Arrangement with FreeHold Surgical, Inc.

Beginning in the fourth quarter of 2017, the Company began to make payments to FreeHold Surgical, Inc ("FreeHold"), an entity in which one of our Directors serves as a Director and President, for services rendered beginning August 2017. On October 31, 2018, the Company gave thirty-day notice to FreeHold for termination of its services agreement effective November 30, 2018. As of December 31, 2018, the Company had $0 recorded as accounts payable to FreeHold. For the three and nine months ended September 30, 2018, the Company recorded $25 and $100, respectively, as general and administrative expense related to this arrangement.

Note 8 – Shareholders' Equity

Issuance of Common Stock

On March 5, 2019, the Company issued 10,313 shares of its common stock related to the vested portion of the restricted stock unit award granted on October 1, 2018 to the Chief Executive Officer (the "CEO") for 165,000 shares of common stock.

On July 1, 2019 the Company closed an underwritten public offering in which it sold 6,666,667 shares of the Company's common stock at a public offering price of $3.00 per share. In connection with the closing of the offering, the Company received net proceeds of $18,241 after deducting underwriting discounts and commissions of $1,500 and other offering expenses of $259. In addition, the Company granted the representative of the several underwriters in the offering (the "Representative") a 30-day option (the "Over-Allotment Option") to purchase up to an aggregate 1,000,000 additional shares of the Company's common stock at an exercise price of $3.00 per share.

On July 10, 2019, the Company closed the sale of an additional 648,333 shares of its common stock at a price of $3.00 per share, pursuant to the partial exercise of the Over-Allotment Option. In connection with the closing of the partial exercise of the Over-Allotment Option, the Company received additional net proceeds of $1,789 after deducting underwriting discounts and commissions of $156.

On August 20, 2019, the Company issued 30,140 shares of its common stock to the CEO and executives related to the vested portion of the restricted stock unit awards granted on October 1, 2018 to the CEO for 165,000 shares of common stock and on February 13, 2019 to executives for 76,112 shares of common stock.

Issuance of Warrants to Purchase Common Stock

On June 6, 2018, the Company entered into a consultant agreement with a service provider which shall continue until the agreement is terminated by the Company or service provider by providing at least five business days' prior written notice. Pursuant to the agreement, the Company (a) issued a warrant on June 6, 2018 to purchase 10,000 shares of the Company's common stock, with an exercise price of $5.25 per share, at which time a measurement date was reached (b) issued a warrant on October 6, 2018 to purchase 10,000 shares of the Company's common stock, with an exercise price of $6.25 per share at which time a measurement date was reached, and (c) issued a warrant on February 6, 2019 to purchase 10,000 shares of the Company's common stock, with an exercise price of $7.25 per share (collectively, such warrants referred to as the "Consultant Warrants"). The Consultant Warrants each have a five-year term, vest immediately, and provide for cashless exercise. Warrants totaling 30,000 in relation to this agreement were valued using the Black-Scholes option pricing model under the following assumptions, (i) expected life of 5 years, (ii) volatility of 67.25%, 67.28%, and 69.23% (iii) risk-free rate of 2.51%, 2.81%, and 3.07%, and (iv) dividend rate of zero. The fair value of the 30,000 warrants was initially estimated to be $95 at the inception of the agreement. On January 1, 2019, upon adoption of ASU 2018-07, the fair value was re-measured which approximated the fair value as of December 31, 2018 of $76 which is expensed using the straight-line method over eight months. The Company recorded $0 and $10 as general and administrative expense in the accompanying condensed consolidated statement of comprehensive loss in relation to the 30,000 warrants for the three and nine months ended September 30, 2019, respectively. The Company recorded $38 and $45 as general and administrative expense in the accompanying condensed consolidated statements of comprehensive loss in relation to the consulting agreement for the three and nine months ended September 30, 2018, respectively.

On July 2, 2018, the Company entered into a consultant agreement with a service provider which continued until February 28, 2019. Pursuant to the agreement, the Company (i) issued a fully-vested and nonforfeitable warrant on July 2, 2018 (at which point a measurement date was reached) to purchase 25,000 shares of the Company's common stock, with an exercise price of $7.39 per share, and expired 12 months from the date of agreement, (ii) issued a fully-vested and nonforfeitable warrant on July 2, 2018 (at which point a measurement date was reached) to purchase 25,000 shares of the Company's common stock, with an exercise price of $7.39 per share, and expires 18 months from the date of the agreement, (iii) issued a fully-vested and nonforfeitable warrant on October 2, 2018 (at which point a measurement date was reached) to purchase 25,000 shares of the Company's common stock with an exercise price of $8.75 per share, and expires 18 months from the date of the agreement and (iv) issued a fully-vested and nonforfeitable warrant on January 2, 2019 to purchase 25,000 shares of common stock of the Company with an exercise price of $10.00 per share, and expires 24 months from the date of the agreement. The warrants issued under this agreement are callable by the Company and it will have the right to require the consultant to exercise all or any warrants still unexercised for a cash exercise or the Company may re-purchase the warrant at a price of $0.01 per warrant share if the Company's stock trades above a closing floor price ranging from $9.00 to $13.00 per share for ten (10) consecutive trading days. In accordance with FASB ASC 480, the call feature is a conditional obligation upon an event not certain to occur that becomes mandatorily redeemable if that event occurs, the condition is resolved, or that event becomes certain to occur. Because the conditional event is within control of the Company, the call feature is not recognized for accounting purposes until the Company exercises its rights under agreement. Warrants totaling 100,000 in relation to this agreement were valued using the Black-Scholes option pricing model under the following assumptions, (i) expected life of 1-2 years, (ii) volatility of 62.04% - 65.84%, (iii) risk-free rate of 2.34% - 2.66%, and (iv) dividend rate of zero. The aggregate fair value of the 100,000 warrants was initially estimated to be $146 and was re-measured on January 1, 2019, upon the adoption of ASU 2018-07, which approximated the fair value as of December 31, 2018 of $126 which was expensed using the straight-line method over eight months. The Company recorded $0 and $31 as general and administrative expense in the accompanying condensed consolidated statement of comprehensive loss for the three and nine months ended September 30, 2019, respectively. The Company recorded $55 as general and administrative expense in the accompanying condensed consolidated statements of comprehensive loss for both the three and nine months ended September 30, 2018. As of September 30, 2019 and December 31, 2018, the Company has recorded a prepaid expense in the amount of $0 and $27, respectively, related to the fully vested nonforfeitable shares of common stock and warrants issued for which services have not been rendered.

On July 3, 2018, the Company entered into an amendment to a consulting agreement dated May 27, 2017 as a continuation of investor relation and consulting services to extend the termination of the agreement to July 2019 and issued 30,000 shares of common stock which vested immediately and a warrant to purchase 90,000 shares of common stock which vested immediately. The warrants are exercisable at $8.50 per share and expire five years from the date of issuance. The 90,000 warrants were valued using the Black-Scholes option pricing model under the following assumptions, (i) expected life of 5 years, (ii) volatility of 68.31%, (iii) risk-free rate of 2.72%, and (iv) dividend rate of zero. The fair value of the 90,000 warrants and 30,000 shares of common stock was estimated to be $594 which will be expensed using the straight-line method over thirteen months, the expected term of the agreement. The Company recorded $41 and $317 as general and administrative expense in the accompanying condensed consolidated statement of comprehensive loss for the three and nine months ended September 30, 2019, respectively. The Company recorded $136 as general and administrative expense in the accompanying condensed consolidated statements of comprehensive loss for both the three and nine months ended September 30, 2018. As of September 30, 2019 and December 31, 2018, the Company has recorded a prepaid expense in the amount of $0 and $317, respectively, related to the fully vested nonforfeitable shares of common stock and warrants issued for which services have not been rendered.

On January 1, 2019, the Company entered into an amended and restated consultant agreement to restate and replace the existing consultant agreement dated October 1, 2018 with a service provider which shall continue until September 30, 2019, unless and until sooner terminated by the Company or service provider by providing at least thirty days prior written notice. Pursuant to the agreement, the Company issued a fully-vested and nonforfeitable warrant on February 13, 2019 to purchase 50,000 shares of the Company's common stock, with an exercise price of $5.00 per share, and expires March 20, 2022. The warrants were valued using the Black-Scholes option pricing model under the following assumptions, (i) expected life of 3 years, (ii) volatility of 67.43%, (iii) risk-free rate of 2.52%, and (iv) dividend rate of zero. The aggregate fair value of the 50,000 warrants was estimated to be $90 which will be expensed using the straight-line method over nine months. The Company recorded $30 and $90 as general and administrative expense in the accompanying condensed consolidated statement of comprehensive loss for the three and nine months ended September 30, 2019, respectively.

On February 13, 2019, the Company issued to an existing service provider for past services rendered a fully-vested and nonforfeitable warrant to purchase 30,000 shares of the Company's common stock, with an exercise price of $5.00 per share, and expires March 20, 2022. The warrants were valued using the Black-Scholes option pricing model under the following assumptions, (i) expected life of 3 years, (ii) volatility of 67.43%, (iii) risk-free rate of 2.52%, and (iv) dividend rate of zero. The aggregate fair value of the 30,000 warrants was estimated to be $55. The Company recorded $0 and $55 as general and administrative expense in the accompanying condensed consolidated statements of comprehensive loss for the three and nine months ended September 30, 2019.

On August 1, 2019, the Company entered into a consulting agreement which shall continue until the agreement is terminated by the Company or service provider by providing at least ten business days' prior written notice. On September 16, 2019, the Company issued a notice of termination to the service provider to terminate the consulting agreement on November 30, 2019. Pursuant to the agreement, the Company issued two warrants on August 8, 2019 to purchase an aggregate of 20,000 shares the Company's common stock, with an exercise price of $2.66 per share (the "August 2019 Consultant Warrants"), which vest for four equal tranches beginning November 1, 2019 through August 1, 2020. On November 13, 2019, the Company's board of directors accelerated the vesting of the August 2019 Consultant Warrants which will vest in their entirety on November 30, 2019. The August 2019 Consultant Warrants have a three-year term and provide for a cashless exercise. The August 2019 Consultant Warrants were valued using the Black-Scholes option pricing model under the following assumptions, (i) expected life of 3 years, (ii) volatility of 69.36%, (iii) risk-free rate of 1.71%, and (iv) dividend rate of zero. The aggregate fair value of the August 2019 Consultant Warrants was estimated to be $18 which will be expensed using the straight-line method from August 8, 2019 through November 30, 2019. The Company recorded $8 as general and administrative expense in the accompanying condensed consolidated statement of comprehensive loss for both the three and nine months ended September 30, 2019.

(In thousands, except share and per share amounts)

Consultant Award

On July 3, 2018, the Company engaged an executive search firm (the "Firm") to conduct a confidential search for a Chief Executive Officer (the "CEO") for the Company. The terms of the engagement were that upon a successful search, the Company would compensate the Firm one-third of the total first-year actual cash compensation for the position. The Company agreed to (a) make payments based on the CEO's base salary of $475, and (b) make a true-up payment (the "True-up Payment") at the end of the CEO's first year of employment based on the actual cash compensation earned within the CEO's first year of employment, exclusive of any Employment Buy-Out Payments.

The recruiter was successful in recruiting a new CEO for the Company. An employment agreement was finalized and entered into during the third quarter of 2018 and effective October 1, 2018. The Company deemed the Firm's services were rendered in the third quarter of 2018 as an employment agreement was finalized in September 2018. The CEO's annual base salary is $475 and is entitled to bonus and Employment Buy-Out Payments.

Firm Compensation

The Company entered into an agreement on August 30, 2019 with the Firm which superseded the True-up Payment. The Company agreed the final amount due to the Firm is to be paid as follows: (a) a cash payment of $57 which was paid on October 4, 2019, and (b) a fully-vested and nonforfeitable warrant to purchase 6,333 shares of the Company's common stock, with an exercise price of $3.00 per share (the "November 2019 Consultant Warrant"). The November 2019 Consultant Warrant, which has a three-year term, was not issued until November 13, 2019.

Consultant Liability

As of September 30, 2019 and December 31, 2018, the Company has accrued $62 and $93, respectively, in accounts payable and accrued expenses for the True-up Payment.

Warrants

A summary of the Company's warrants to purchase common stock activity is as follows:

	Shares Underlying Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
Outstanding and exercisable at December 31, 2018	2,629,468	$ 5.24	3.58	$ -
Granted	135,000	5.75		
Expired	(25,000)	7.39		
Outstanding at September 30, 2019	2,739,468	$ 5.25	2.83	$ -

As of September 30, 2019, 2,719,468 warrants were exercisable.

(In thousands, except share and per share amounts)

Stock Options

Exercise of Options

On January 31, 2019, the Company issued 416 shares of its common stock upon the exercise of 416 employee options at an exercise price of $3.78 per share. In connection with the exercise, the Company received $2 in proceeds.

A summary of the Company's stock option activity is as follows:

	Shares Underlying Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2018	2,520,101	$ 4.32	8.72	$ -
Granted	1,242,144	4.02		
Exercised	(416)	3.78		*
Forfeited/cancelled	(189,632)	4.38		
Outstanding at September 30, 2019	3,572,197	$ 4.22	8.50	$ -

* represents amount less than $1,000

The options granted during the nine months ended September 30, 2019 and 2018 were valued using the Black-Scholes option pricing model using the following weighted average assumptions:

	For the nine months ended September 30, 2019	2018
Expected term, in years	5.8	5.7
Expected volatility	78.02%	68.12%
Risk-free interest rate	2.34	2.76%
Dividend yield	-	-
Grant date fair value	$ 2.64	$ 3.07

At September 30, 2019, unamortized share based compensation for stock options was $4,163, with a weighted-average recognition period of 1.17 years.

At September 30, 2019, outstanding options to purchase 1,742,201 shares of common stock were exercisable with a weighted-average exercise price per share of $4.37.

For the three and nine months ended September 30, 2019, the Company recorded $578 and $1,811, respectively, for share based compensation expense related to stock options.

For the three and nine months ended September 30, 2018, the Company recorded $415 and $1,155, respectively, for share based compensation expense related to stock options.

Restricted Stock Units

On February 13, 2019, the Company granted 76,112 restricted stock unit awards to executives which vest over a four-year period on a quarterly basis. The aggregate fair value of the restricted stock unit awards granted was estimated to be $329 which is expensed using the straight-line method over a four-year period.

The Company recorded $73 and $208 as general and administrative expense in the accompanying condensed consolidated statement of comprehensive loss for the three and nine months ended September 30, 2019, respectively, in relation to the aggregate 241,112 restricted stock units issued to date to the CEO and executives.

(In thousands, except share and per share amounts)

A summary of the Company's restricted stock unit awards activity is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2018	165,000	$ 810
Granted	76,112	329
Vested	(40,453)	(193)
Nonvested at September 30, 2019	200,659	$ 946

At September 30, 2019, unamortized stock compensation for restricted stock units was $882, with a weighted-average recognition period of 1.68 years.

Stock Based Compensation

The following table sets forth total non-cash stock-based compensation for the issuance of common stock, options to purchase common stock, warrants to purchase common stock, and restricted stock unit award by operating statement classification for the three and nine months ended September 30, 2019 and 2018:

	Three Months ended September 30,		Nine Months ended September 30,	
	2019	2018	2019	2018
Research and development	$ 182	$ 32	$ 467	$ 135
Sales and marketing	93	58	221	97
General and administrative	455	572	1,842	1,503
Total(1)(2)	$ 730	$ 662	$ 2,530	$ 1,735

(1) As of September 30, 2019 and December 31, 2018, the Company recorded a prepaid expense in the amount of $0 and $344, respectively, for the value of vested warrants for future services to be rendered.
(2) As of September 30, 2019 and December 31, 2018, the Company recorded a warrant liability in the amount of $5 and $22, respectively, for the value of warrants to be issued for services provided.

Note 9 – Subsequent Events

The Company has analyzed its operations subsequent to September 30, 2019 and noted the following subsequent events:

On November 13, 2019 the Company's Board of Directors approved the issuance of the November 2019 Consultant Warrant to the Firm, which vests immediately to purchase 6,333 shares of the Company's common stock at an exercise price of $3.00 per share which have a three-year term.

Item 2. MANAGEMENT'S DISCUSSION AND ANLAYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with our financial statements and the related notes and the other financial information included elsewhere in this Quarterly Report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Quarterly Report, particularly those under "Risk Factors."

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report on Form 10-Q contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond our control, and which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through our use of words such as "may," "can," "anticipate," "assume," "should," "indicate," "would," "believe," "contemplate," "expect," "seek," "estimate," "continue," "plan," "point to," "project," "predict," "could," "intend," "target," "potential" and other similar words and expressions of the future.

There are a number of important factors that could cause the actual results to differ materially from those expressed in any forward-looking statement made by us. These factors include, but are not limited to:

- our limited operating history;
- our history of operating losses in each year since inception and expectation that we will continue to incur operating losses for the foreseeable future;
- our current and future capital requirements to support our development and commercialization efforts for the Pure-Vu System and our ability to satisfy our capital needs;
- our dependence on the Pure-Vu System, our sole product candidate, which is still in development;
- our ability to obtain approval from regulatory agents in different jurisdictions for the Pure-Vu System;
- our Pure-Vu System and the procedure to cleanse the colon in preparation for colonoscopy are not currently reimbursable through private or governmental third-party payors;
- our lack of a developed sales and marketing organization and our ability to commercialize the Pure-Vu System;
- our dependence on third-parties to manufacture the Pure-Vu System;
- our ability to maintain or protect the validity of our patents and other intellectual property;
- our ability to retain key executives and medical and science personnel;
- our ability to internally develop new inventions and intellectual property;
- interpretations of current laws and the passages of future laws;
- acceptance of our business model by investors;
- the accuracy of our estimates regarding expenses and capital requirements; and
- our ability to adequately support growth.

The foregoing does not represent an exhaustive list of matters that may be covered by the forward-looking statements contained herein or risk factors that we are faced with that may cause our actual results to differ from those anticipated in our forward-looking statements. Please see "Part II—Item 1A—Risk Factors" for additional risks which could adversely impact our business and financial performance.

All forward-looking statements are expressly qualified in their entirety by this cautionary notice. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this report or the date of the document incorporated by reference into this report. We have no obligation, and expressly disclaim any obligation, to update, revise or correct any of the forward-looking statements, whether as a result of new information, future events or otherwise. We have expressed our expectations, beliefs and projections in good faith and we believe they have a reasonable basis. However, we cannot assure you that our expectations, beliefs or projections will result or be achieved or accomplished.

Overview

We have developed the Pure-Vu System, a medical device that has received 510(k) clearance from the U.S. Food and Drug Administration ("FDA"). In June 2019, the 510(k) premarket notification for the second-generation of the Pure-Vu System was reviewed and cleared by the FDA. The first-generation of our Pure-Vu System has received CE Mark approval in the European Economic Area, and we intend to seek CE Mark approval for the second generation of our Pure-Vu System. The Pure-Vu System is indicated to help facilitate the cleaning of a poorly prepared colon during the colonoscopy procedure. The device integrates with standard and slim colonoscopes to enable safe and rapid cleansing during the procedure while preserving established procedural workflow and techniques by irrigating the colon and evacuating the irrigation fluid (water), feces and other bodily fluids and matter. Challenges with bowel preparation for inpatient colonoscopy represent a significant area of unmet need that directly affects clinical outcomes and increases the cost of care for a hospital in a market segment where most of the reimbursement is under a bundle payment based on a Diagnostic Related Group (a "DRG"), comprising of approximately 1.5 million annual inpatient colonoscopy procedures in the U.S. and approximately 3.8 million annual inpatient colonoscopy procedures worldwide. The Pure-Vu System does not currently have a unique reimbursement code with any private or governmental third-party payors in any country. We began commercialization in October 2019, with the first commercial placements of our second generation Pure-Vu System as part of our initial U.S. market launch targeting early adopter hospitals. We do not expect to generate significant revenue from product sales until we expand our commercialization efforts for the Pure-Vu System, which is subject to significant uncertainty.

Public Offering

On July 1, 2019 we closed an underwritten public offering in which we sold 6,666,667 shares of our common stock at a public offering price of $3.00 per share. In connection with the closing of the offering, we received net proceeds of approximately $18.2 million after deducting underwriting discounts and commissions of approximately $1.5 million and other offering expenses of approximately $0.3 million. In addition, we granted the representative of the several underwriters in the offering (the "Representative") a 30-day option (the "Over-Allotment Option") to purchase up to an aggregate 1,000,000 additional shares of our common stock at an exercise price of $3.00 per share. In connection with the closing of the partial exercise of the Over-Allotment Option, on July 10, 2019 we sold 648,333 shares of our common stock at an exercise price of $3.00 per share and received additional net proceeds of approximately $1.8 million after deducting underwriting discounts and commissions of approximately $0.2 million.

Financial Operations Overview

We are a development stage company and have not generated any significant revenues from the sale of products. We have never been profitable and our accumulated deficit as of September 30, 2019 was approximately $78.5 million. Our net loss for the nine months ended September 30, 2019 and 2018 was approximately $17.1 million and approximately $16.7 million, respectively. We expect to incur significant expenses and increasing operating losses for the foreseeable future. We expect our expenses to increase significantly in connection with our ongoing activities to commercialize and market the Pure-Vu System. Furthermore, we expect to incur additional costs associated with operating as a public company. Accordingly, we will need additional financing to support our continuing operations. We will seek to fund our operations through public or private equity or debt financings or other sources, which may include collaborations with third parties. Adequate additional financing may not be available to us on acceptable terms, or at all. Our failure to raise capital as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy. We will need to generate significant revenues to achieve profitability, and we may never do so.

We expect to continue to incur significant expenses and increasing operating losses for at least the next several years. We expect our expenses will increase substantially in connection with our ongoing activities, as we:

- begin commercialization in October 2019, with the first commercial placements of our Pure-Vu System as part of our initial U.S. market launch targeting early adopter hospitals;
- scale manufacturing with our contracted partners for both the workstation and disposable portions of the Pure-Vu System;
- develop future generations of the Pure-Vu System to improve user interface, optimize handling and reduce the cost structure;
- raise sufficient funds in the capital market to effectuate our business plan, including commercialization activities related to our Pure-Vu System and our research and development activities, including clinical and regulatory development and the continued development and enhancement of our Pure-Vu System; and
- operate as a public company.

Critical Accounting Policies and Estimates

Our accounting policies are essential to understanding and interpreting the financial results reported on the condensed consolidated financial statements. The significant accounting policies used in the preparation of our condensed consolidated financial statements are summarized in Note 3 to the consolidated financial statements and notes thereto found in our Annual Report on Form 10-K for the year ended December 31, 2018. Certain of those policies are considered to be particularly important to the presentation of our financial results because they require us to make difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain.

During the nine months ended September 30, 2019, there were no material changes to matters discussed under the heading "Critical Accounting Policies and Estimates" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2018 except for the following:

Leases

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. On January 1, 2019, we adopted the new lease standard using the optional transition method under which comparative financial information will not be restated and continue to apply the provisions of the previous lease standard in our annual disclosures for the comparative periods. In addition, the new lease standard provides a number of optional practical expedients in transition. We elected the package of practical expedients. As such, we did not have to reassess whether expired or existing contracts are or contain a lease; did not have to reassess the lease classifications or reassess the initial direct costs associated with expired or existing leases.

The new lease standard also provides practical expedients for an entity's ongoing accounting. We elected the short-term lease recognition exemption under which we will not recognize right-of-use ("ROU") assets or lease liabilities, and this includes not recognizing ROU assets or lease liabilities for existing short-term leases. We elected the practical expedient to not separate lease and non-lease components for certain classes of assets (facilities).

On January 1, 2019, we recognized ROU assets of approximately $1.1 million and lease liabilities of approximately $1.1 million and no adjustment was made to our accumulated deficit. The adoption of the new lease standard did not impact our condensed consolidated statement of comprehensive loss or our condensed consolidated statement of cash flows.

We determine if an arrangement is a lease at inception. For our operating leases, the ROU asset represents our right to use an underlying asset for the lease term and operating lease liabilities represent an obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Since all of the lease agreements do not provide an implicit rate, we estimated an incremental borrowing rate in determining the present value of the lease payments. Operating lease expense is recognized on a straight-line basis over the lease term, subject to any changes in the lease or expectations regarding the terms. Variable lease costs such as operating costs and property taxes are expensed as incurred.

Stock Based Compensation

Adoption of Accounting Standards Update 2018-07

We have adopted Accounting Standards Update 2018-07 (ASU 2018-07), "Improvement to Nonemployee Share-based Payment Accounting", which expands the scope of ASC 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The new guidance will be applied prospectively to all new awards granted after the date of adoption. In addition, the new guidance will be applied to all existing equity-classified awards for which a measurement date has not been established under ASC 505-50 by the adoption date by remeasuring at fair value as of the adoption date, and recording a cumulative effect adjustment to opening accumulated deficit on January 1, 2019.

For our equity-classified awards for which a measurement date has not been established under ASC 505-50, the fair value on January 1, 2019, the adoption date, approximated the value assigned on December 31, 2018, therefore no cumulative adjustment to opening accumulated deficit is required.

Under the revised guidance, the accounting for awards issued to nonemployees will be similar to the model for employee awards, except that ASU 2018-07:

- allows us to elect on an award-by-award basis to use the contractual term as the expected term assumption in the option pricing model, and
- the cost of the grant is recognized in the same period(s) and in the same manner as if the grantor had paid cash.

Employee and Non-Employee Stock Based Compensation

We apply ASC 718-10, "Share-Based Payment," which requires the measurement and recognition of compensation expenses for all share-based payment awards made to employees and directors including employee stock options under the Company's stock plans and equity awards issued to non-employees based on estimated fair values.

ASC 718-10 requires companies to estimate the fair value of equity-based option awards on the date of grant using an option-pricing model. The fair value of the award is recognized as an expense on a straight-line basis over the requisite service periods in our condensed consolidated statement of comprehensive loss. We recognize share-based award forfeitures as they occur.

We estimate the fair value of granted option equity awards using a Black-Scholes options pricing model. The option-pricing model requires a number of assumptions, of which the most significant are share price, expected volatility and the expected option term (the time from the grant date until the options are exercised or expire). Expected volatility is estimated based on volatility of similar companies in the technology sector. We have historically not paid dividends and have no foreseeable plans to issue dividends. The risk-free interest rate is based on the yield from governmental zero-coupon bonds with an equivalent term. The expected option term is calculated for options granted to employees and directors using the "simplified" method. Grants to non-employees are based on the contractual term. Changes in the determination of each of the inputs can affect the fair value of the options granted and the results of our operations.

Restricted Stock Units

We issue restricted stock units under our 2016 Equity Incentive Plan. The fair value of the restricted stock units is based on the closing stock price on the date of grant and is expensed as operating expense over the period during which the units vest. Each restricted stock unit entitles the grantee to one share of common stock to be received upon vesting up to four years after the grant date. Recipients of restricted stock units have no voting rights until the vesting of the award.

Results of Operations

Comparison of Three Months Ended September 30, 2019 and 2018

Revenue

Through September 30, 2019, as part of our limited launch, we have generated minimal revenue from the sales of products. We do not expect to generate significant revenue from product sales until we expand our commercialization efforts for the Pure-Vu System, which is subject to significant uncertainty.

Revenue was approximately $3 thousand and approximately $0 for the three months ended September 30, 2019 and 2018, respectively. The increase was attributable to the sale of first generation system disposable units. Our sales initiatives are now focused on the second generation system.

Cost of Revenue

Cost of revenue for the three months ended September 30, 2019 totaled approximately $62 thousand, an increase of approximately $62 thousand over the approximately $0 recorded for the three months ended September 30, 2018. The increase was primarily attributable to the expensing of obsolete raw materials related to the first generation Pure-Vu System in the amount of approximately $57 thousand, the cost of our second generation system disposable evaluation units in the amount of approximately $3 thousand, and the cost of selling our first generation system disposable units in the amount of approximately $2 thousand.

Research and Development

Research and development expenses include cash and non-cash expenses relating to the advancement of our development and clinical programs for the Pure-Vu System. We have research and development capabilities in electrical and mechanical engineering with laboratories in our facility in Israel for development and prototyping, and electronics design and testing. We also use consultants and third-party design houses to complement our internal capabilities.

Research and development expenses for the three months ended September 30, 2019 totaled approximately $2.2 million, an increase of approximately $0.4 million over the approximately $1.8 million recorded for the three months ended September 30, 2018. The increase was primarily attributable to increases of approximately $0.4 million in salaries and other personnel related cost, approximately $0.1 million in share based compensation, partially offset with approximately $0.1 million decrease in material costs.

Sales and Marketing

Sales and marketing expenses include cash and non-cash expenses relating to the development of our sales and marketing infrastructure for the Pure-Vu System.

Sales and marketing expenses totaled approximately $1.2 million for both the three months ended September 30, 2019 and 2018. We incurred increases of approximately $0.4 million in salaries and other personnel related cost, partially offset by a decrease of approximately $0.4 million in marketing and training product units.

General and Administrative

General and administrative expenses consist primarily of payroll and professional services, which include accounting, legal services, investor relations services, and expenses associated with obtaining and maintaining patents. We anticipate that our general and administrative expenses will increase in the future as we increase our headcount and other activities to support continued development and commercialization of our Pure-Vu System. We also anticipate increased expenses related to audit, legal, regulatory, and tax-related services associated with maintaining compliance with exchange listing and SEC requirements, director and officer insurance premiums, and investor relations and communication costs associated with being a public company.

General and administrative expenses for the three months ended September 30, 2019 totaled approximately $2.0 million, a decrease of approximately $0.1 million over the approximately $2.1 million recorded for the three months ended September 30, 2018. The decrease was primarily attributable to decreases of approximately $0.1 million in share based compensation, approximately $0.2 million in professional services, approximately $0.1 million in investor and public relations costs, partially offset with approximately $0.3 million increase in salaries and other personnel related costs.

Other Income and Expenses

Other income, net for the three months ended September 30, 2019 totaled approximately $0.2 million compared to other expense, net of less than $0.1 million recorded for the three months ended September 30, 2018. The approximately $0.3 million change in other income and expenses was primarily attributable to an increase in finance income of approximately $0.1 million, and a gain on the change in estimated fair value of contingent royalty obligation for the nine months ended September 30, 2019 in the amount of approximately $0.1 million compared to a loss on the change in estimated fair value of contingent royalty obligation for the nine months ended September 30, 2018 in the amount of approximately $0.1 million.

Comparison of Nine Months Ended September 30, 2019 and 2018

Revenue

Revenue for the nine months ended September 30, 2019 totaled approximately $8 thousand, a decrease of approximately $30 thousand over the approximately $38 thousand recorded for the nine months ended September 30, 2018. The decrease was primarily attributable to the discontinuance of our 2018 outpatient pilot program under which we were selling first generation system disposable units at a loss. Our market development strategy shifted away from the outpatient sector to the inpatient market and, as a result, this outpatient pilot program was discontinued. Our sales initiatives are now focused on the second generation system.

Cost of Revenue

Cost of revenue for the nine months ended September 30, 2019 totaled approximately $65 thousand, an increase of approximately $9 thousand over the approximately $56 thousand recorded for the nine months ended September 30, 2018. The increase was primarily attributable to the expensing of obsolete raw materials related to our first generation Pure-Vu System in the amount of approximately $57 thousand, the cost of our second generation system disposable evaluation units in the amount of approximately $3 thousand, partially offset by the decrease in the cost of selling our first generation system disposable units in the amount of approximately $51 thousand.

Research and Development

Research and development expenses for the nine months ended September 30, 2019 totaled approximately $6.7 million, an increase of approximately $2.3 million over the approximately $4.4 million recorded for the nine months ended September 30, 2018. The increase was primarily attributable to increases of approximately $0.5 million of materials purchased and expensed for our first generation Pure-Vu System, approximately $1.2 million in salaries and other personnel related cost, approximately $0.2 million in travel costs, approximately $0.3 million in share based compensation, and approximately $0.1 million in other research and development cost.

Sales and Marketing

Sales and marketing expenses for the nine months ended September 30, 2019 totaled approximately $3.5 million, an increase of approximately $0.6 million over the approximately $2.9 million recorded for the nine months ended September 30, 2018. The increase was primarily attributable to increases of approximately $0.8 million in salaries and other personnel related cost, approximately $0.1 million in marketing and tradeshows, approximately $0.1 million in share based compensation, approximately $0.1 million in travel and other sales and marketing expense, partially offset by a decrease of approximately $0.5 million in marketing and training product units.

General and Administrative

General and administrative expenses for the nine months ended September 30, 2019 totaled approximately $7.2 million, an increase of approximately $1.2 million over the approximately $6.0 million recorded for the nine months ended September 30, 2018. The increase was primarily attributable to increases of approximately $1.0 million in salaries and other personnel related costs, approximately $0.3 million in share based compensation, and approximately $0.2 million in other related general and administrative costs, partially offset by a decrease of approximately $0.3 million in professional services.

Other Income and Expenses

Other income, net for the nine months ended September 30, 2019 totaled approximately $0.3 million compared to other expenses, net of approximately $3.3 million recorded for the nine months ended September 30, 2018. The approximately $3.6 million change in other income and expenses was primarily attributable to the decrease in warrant expense of approximately $3.2 million, a decrease in loss on change in estimated fair value of contingent royalty obligation of approximately $0.3 million, and an increase in finance income of approximately $0.1 million.

Liquidity and Capital Resources

Since inception, we have experienced negative cash flows from operations. We have financed our operations primarily through sales of equity-related securities. At September 30, 2019, our accumulated deficit since inception was approximately $78.5 million. Such conditions raise substantial doubts about our ability to continue as a going concern.

At September 30, 2019, we had total current assets of approximately $27.7 million and total current liabilities of approximately $3.5 million resulting in working capital of approximately $24.2 million. Net cash used in operating activities for the nine months ended September 30, 2019 was approximately $14.4 million, which includes a net loss of approximately $17.1 million, offset by non-cash expenses of approximately $2.7 million principally related to share based compensation expense of approximately $2.5 million, and depreciation and amortization of approximately $0.2 million, partially offset by the gain on the change in estimated fair value of contingent royalty obligation of approximately $0.1 million, and offset by changes in net working capital items principally related to the increase in accounts payable and accrued expenses of approximately $0.6 million, and the increase in other current and non-current liabilities of approximately $0.2 million, partially offset with an increase in inventory of approximately $0.7 million.

Net cash used in investing activities for the nine months ended September 30, 2019 totaled approximately $8.0 million principally related to the purchase of available-for-sale securities of approximately $9.6 million, and the purchase of fixed assets of approximately $0.4 million, partially offset with approximately $2.0 million of proceeds from the sale of available for sale securities.

Net cash provided from financing activities for the nine months ended September 30, 2019 totaled approximately $20.0 million principally related to the proceeds received from public offerings and the exercise of over-allotment options of approximately $21.9 million, partially offset by approximately $1.9 million paid for financing fees.

At September 30, 2019, we had cash and cash equivalents, and investments of approximately $26.4 million. We will need to raise significant additional capital to continue to fund operations. We may seek to sell common or preferred equity, convertible debt securities or seek other debt financing. In addition, we may seek to raise cash through collaborative agreements or from government grants. The sale of equity and convertible debt securities may result in dilution to our shareholders and certain of those securities may have rights senior to those of our common shares. If we raise additional funds through the issuance of preferred stock, convertible debt securities or other debt financing, these securities or other debt could contain covenants that would restrict our operations. Any other third-party funding arrangement could require us to relinquish valuable rights.

The source, timing and availability of any future financing will depend principally upon market conditions, and, more specifically, on the progress of our clinical development programs. Funding may not be available when needed, at all, or on terms acceptable to us. Lack of necessary funds may require us, among other things, to delay, scale back or eliminate expenses including some or all of our planned clinical trials.

Shelf Registration Statement

On March 26, 2019, we filed a shelf registration statement with the Securities and Exchange Commission, which was declared effective on April 24, 2019, that allows us to offer, issue and sell up to a maximum aggregate offering price of $75.0 million of any combination of our common stock, preferred stock, warrants, debt securities, subscription rights and/or units from time to time, together or separately, in one or more offerings. Each issuance under the shelf registration statement will require the filing of a prospectus supplement identifying the amount and terms of the securities to be issued. As of September 30, 2019 we have sold approximately $22.0 million of securities under our shelf registration statement. Our ability to issue securities is subject to market conditions and other factors including, in the case of our debt securities, our credit ratings.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under SEC rules, such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheets.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not Applicable.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2019. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. As a result of the material weakness in our internal control over financial reporting described below, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of September 30, 2019.

In connection with the review of our third quarter 2018 financial statements and the audit of our annual consolidated financial statements, we identified a material weakness in our internal control over financial reporting related to the accounting for non-routine complex transactions. The material weakness was initially identified when management did not appropriately identify the proper accounting treatment related to a contract that included contingent payments and stock awards owed to a non-employee. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected and corrected on a timely basis. The material weakness did not result in any identified misstatements to the financial statements, and there were no changes to previously released financial results. In light of the material weakness, we performed additional analyses and other post-closing procedures to ensure our consolidated financial statements are prepared in accordance with U.S. GAAP. Accordingly, our CEO and CFO have certified that, based on their knowledge, the consolidated financial statements, and other financial information included in this Form 10-Q, fairly present in all material respects our financial condition, results of operations and cash flows as of, and for, the periods presented in this Form 10-Q.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Remediation Efforts to Address Material Weakness

We began remediation efforts in the fourth quarter of 2018 for our accounting of non-routine complex transactions control by engaging a new third-party firm with technical accounting expertise to review non-routine complex transactions on a prospective basis. We, in consultation with our Audit Committee, continue to evaluate our internal and external technical accounting resources to ensure they are appropriate for us and our needs. We have further evaluated our remediation activities to date, and in addition to utilizing multiple third-party specialists, we have implemented a remediation test plan with our third-party internal control consulting firm. Additionally, there is a renewed emphasis on our process going forward for initial identification of potential contracts and transactions that may be non-routine and complex during a reporting period, and then conducting the necessary procedures with the full internal accounting team and external consultants to review and research the proper guidance and approach toward the accounting, and documenting as such in a white paper or memo as needed.

We believe these measures, and others that may be implemented, will remediate the material weakness in internal control over financial reporting described above.

The material weakness will not be considered formally remediated until the control has operated effectively for a sufficient period of time and management has concluded, through testing, that the control is operating effectively.

Changes in Internal Control over Financial Reporting

Other than the changes intended to remediate the material weakness noted above, there was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended September 30, 2019 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.

None.

Item 1A. Risk Factors.

There have been no material changes in risk factors from what was reported in our 2018 Annual Report on Form 10-K.

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

Unregistered Sales of Equity Securities

During the period covered by this Form 10-Q, or such period as described below, we issued the following unregistered securities:

In August 2019, we entered into a consulting agreement with an investor relations firm, pursuant to which we issued two warrants on August 8, 2019 to purchase 20,000 shares of our common stock in the aggregate, with an exercise price of $2.66 per share (the "August 2019 Consultant Warrants"). The August 2019 Consultant Warrants have a three (3) year term and a cashless exercise provision. The August 2019 Consultant Warrants were amended on November 13, 2019 to accelerate the original vesting terms therein such that all warrant shares are exercisable on November 30, 2019, and remain exercisable through the three (3) year term. The August 2019 Consultant Warrants were issued on substantially the same form as our Form of June 2018 Consultant Warrant, filed as Exhibit 4.1 of our Quarterly Report on Form 10-Q filed with the SEC on August 13, 2018, and incorporated herein by reference.

In August 2019, we entered into a consulting agreement with an executive search firm, which superseded the July 2018 consulting agreement with the same executive search firm, pursuant to which we issued a warrant on November 13, 2019 to purchase 6,333 shares of our common stock, with an exercise price of $3.00 per share (the "November 2019 Consultant Warrant"). The November 2019 Consultant Warrant has a three (3) year term. The November 2019 Consultant Warrant was issued on substantially the same form as our Form of November 2018 Consultant Warrant, filed as Exhibit 4.4 of our Quarterly Report on Form 10-Q filed with the SEC on November 14, 2018, and incorporated herein by reference.

Securities Act Exemptions

We deemed the offers, sales and issuances of the securities described above to be exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), in reliance on Section 4(a)(2) of the Securities Act, including Regulation D and Rule 506 promulgated thereunder, relative to transactions by an issuer not involving a public offering.

All certificates representing the securities issued in the transactions described above included appropriate legends setting forth that the securities had not been offered or sold pursuant to a registration statement and describing the applicable restrictions on transfer of the securities.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.1	Form of June 2018 Consultant Warrant	10-Q	001-38389	4.1	8/13/2018	
4.2	Form of November 2018 Consultant Warrant	10-Q	001-38389	4.4	11/14/2018	
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a).					X
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a).					X
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350).					X
101.1	XBRL Instance Document.					X
101.2	XBRL Taxonomy Extension Schema Document.					X
101.3	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.4	XBRL Taxonomy Extension Definition Linkbase Document.					X
101.5	XBRL Taxonomy Extension Label Linkbase Document.					X
101.6	XBRL Taxonomy Extension Presentation Linkbase Document.					X

** Furnished, not filed.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.1	Form of June 2018 Consultant Warrant	10-Q	001-38389	4.1	8/13/2018	
4.2	Form of November 2018 Consultant Warrant	10-Q	001-38389	4.4	11/14/2018	
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a).					X
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a).					X
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350).					X
101.1	XBRL Instance Document.					X
101.2	XBRL Taxonomy Extension Schema Document.					X
101.3	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.4	XBRL Taxonomy Extension Definition Linkbase Document.					X
101.5	XBRL Taxonomy Extension Label Linkbase Document.					X
101.6	XBRL Taxonomy Extension Presentation Linkbase Document.					X

** Furnished, not filed.

SIGNATURES

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

	Motus GI Holdings, Inc.	
Date: November 14, 2019	By:	*/s/ Timothy P. Moran*
	Name:	Timothy P. Moran
	Title:	*Chief Executive Officer and Director* *(Principal Executive Officer)*
Date: November 14, 2019	By:	*/s/ Andrew Taylor*
	Name:	Andrew Taylor
	Title:	*Chief Financial Officer* *(Principal Financial Officer and Chief Accounting Officer)*

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT

TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Timothy P. Moran, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2019 of Motus GI Holdings, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 14, 2019

/s/ *Timothy P. Moran*
Timothy P. Moran
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT

TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew Taylor, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2019 of Motus GI Holdings, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 14, 2019

/s/ *Andrew Taylor*

Andrew Taylor
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

This Certification is being filed pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002. This Certification is included solely for the purposes of complying with the provisions of Section 906 of the Sarbanes-Oxley Act and is not intended to be used for any other purpose. In connection with the accompanying Quarterly Report on Form 10-Q of Motus GI Holdings, Inc. for the period ended September 30, 2019 (the "Report"), each of the undersigned hereby certifies in his capacity as an officer of Motus GI Holdings, Inc. (the "Company") that to such officer's 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.

Dated: November 14, 2019	By:	*/s/ Timothy P. Moran*
		Timothy P. Moran Chief Executive Officer (Principal Executive Officer)
Dated: November 14, 2019	By:	*/s/ Andrew Taylor*
		Andrew Taylor Chief Financial Officer (Principal Financial Officer)

This certification shall not be deemed "filed" for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act. A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Motus GI Holdings, Inc. and will be retained by Motus GI Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.