

TherapeuticsMD, Inc.  
Form 10-Q  
August 07, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2015

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

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

Commission File No. **001-00100**

**THERAPEUTICSMD, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Nevada**  
(State or Other Jurisdiction of Incorporation or Organization)

**87-0233535**  
(I.R.S. Employer Identification No.)



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**THERAPEUTICSMMD, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

|  | June 30,<br>2015<br>(Unaudited) | December 31,<br>2014 |
|--|---------------------------------|----------------------|
| <b>ASSETS</b>  |                                 |                      |
| Current Assets:  |                                 |                      |
| Cash   | \$67,245,698                    | \$51,361,607         |
| Accounts receivable, net of allowance for doubtful accounts of \$90,520 and \$59,753, respectively   | 3,313,518                       | 2,154,217            |
| Inventory  | 1,248,719                       | 1,182,113            |
| Other current assets   | 1,154,213                       | 1,537,407            |
| Total current assets   | 72,962,148                      | 56,235,344           |
| Fixed assets, net  | 64,604                          | 63,293               |
| Other Assets:  |                                 |                      |
| Prepaid expense  | 1,233,740                       | 1,427,263            |
| Intangible assets  | 1,293,776                       | 1,228,588            |
| Security deposit   | 125,000                         | 125,000              |
| Total other assets   | 2,652,516                       | 2,780,851            |
| Total assets   | \$75,679,268                    | \$59,079,488         |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                                 |                      |
| Current Liabilities:   |                                 |                      |
| Accounts payable   | \$5,818,618                     | \$6,327,129          |
| Other current liabilities  | 5,887,902                       | 3,840,639            |
| Deferred revenue   | —                               | 522,613              |
| Total current liabilities  | 11,706,520                      | 10,690,381           |
| Long-Term Liabilities:   |                                 |                      |
| Accrued expense  | 967,286                         | —                    |
| Total liabilities  | 12,673,806                      | 10,690,381           |
| Commitments and Contingencies  |                                 |                      |
| Stockholders' Equity:  |                                 |                      |
| Preferred stock - par value \$0.001; 10,000,000 shares authorized; no shares issued and outstanding  | —                               | —                    |
| Common stock - par value \$0.001; 350,000,000 and 250,000,000 shares authorized, respectively; 173,037,653 and 156,097,019 shares issued and outstanding, respectively | 173,038                         | 156,097              |
| Additional paid in capital   | 245,703,962                     | 182,982,846          |

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|  |               |               |
|--|---------------|---------------|
| Accumulated deficit                        | (182,871,538) | (134,749,836) |
| Total stockholders' equity                 | 63,005,462    | 48,389,107    |
| Total liabilities and stockholders' equity | \$75,679,268  | \$59,079,488  |

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**THERAPEUTICSMMD, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

|  | Three Months Ended<br>June 30, |                 | Six Months Ended<br>June 30, |                 |
|--|--------------------------------|-----------------|------------------------------|-----------------|
|  | 2015                           | 2014            | 2015                         | 2014            |
|  | (Unaudited)                    | (Unaudited)     | (Unaudited)                  | (Unaudited)     |
| Revenues, net  | \$4,847,934                    | \$3,751,778     | \$9,322,983                  | \$6,582,311     |
| Cost of goods sold                                   | 1,033,089                      | 892,956         | 2,076,730                    | 1,723,663       |
| Gross profit   | 3,814,845                      | 2,858,822       | 7,246,253                    | 4,858,648       |
| Operating expenses:                                  |                                |                 |                              |                 |
| Sales, general, and administration                   | 6,865,442                      | 5,537,164       | 13,029,054                   | 10,566,661      |
| Research and development                             | 24,190,714                     | 8,234,641       | 42,367,549                   | 14,142,719      |
| Depreciation and amortization                        | 14,280                         | 14,094          | 27,852                       | 27,162          |
| Total operating expense                              | 31,070,436                     | 13,785,899      | 55,424,455                   | 24,736,542      |
| Operating loss                                       | (27,255,591 )                  | (10,927,077 )   | (48,178,202 )                | (19,877,894 )   |
| Other income (expense):                              |                                |                 |                              |                 |
| Miscellaneous income                                 | 25,585                         | 18,579          | 44,098                       | 37,151          |
| Interest income                                      | 2,560                          | 9,238           | 12,402                       | 18,392          |
| Financing costs                                      | —                              | —               | —                            | (260,027 )      |
| Total other income (expense)                         | 28,145                         | 27,817          | 56,500                       | (204,484 )      |
| Loss before taxes                                    | (27,227,446 )                  | (10,899,260 )   | (48,121,702 )                | (20,082,378 )   |
| Provision for income taxes                           | —                              | —               | —                            | —               |
| Net loss   | \$(27,227,446 )                | \$(10,899,260 ) | \$(48,121,702 )              | \$(20,082,378 ) |
| Net loss per share, basic and diluted                | \$(0.16 )                      | \$(0.07 )       | \$(0.29 )                    | \$(0.14 )       |
| Weighted average number of common shares outstanding | 172,782,264                    | 145,485,505     | 168,734,760                  | 145,253,818     |

**THERAPEUTICSMMD, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

|   | Six Months Ended |                |
|---|------------------|----------------|
|   | June 30, 2015    | June 30, 2014  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |                  |                |
| Net loss  | \$(48,121,702)   | \$(20,082,378) |
| Adjustments to reconcile net loss to net cash flows used in operating activities: |                  |                |
| Depreciation  | 14,248           | 15,591         |
| Amortization of intangible assets   | 13,604           | 11,570         |
| Provision for doubtful accounts   | 30,767           | 1,393          |
| Stock based compensation  | 2,052,549        | 2,268,599      |
| Amortization of deferred financing costs  | —                | 260,027        |
| Stock based expense for services  | 916,262          | 481,024        |
| Changes in operating assets and liabilities:                                      |                  |                |
| Accounts receivable   | (1,190,068 )     | (475,378 )     |
| Inventory   | (66,606 )        | (409,376 )     |
| Other current assets  | 383,194          | (460,512 )     |
| Other assets  | (12,410 )        | (18,392 )      |
| Accounts payable  | (508,511 )       | 216,040        |
| Deferred revenue  | (522,613 )       | (314,784 )     |
| Accrued expenses and other current liabilities                                    | 2,047,264        | (271,771 )     |
| Other long-term liabilities   | 967,286          | —              |
| Net cash flows used in operating activities                                       | (43,996,736)     | (18,778,347)   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |                  |                |
| Patent costs  | (78,792 )        | (213,089 )     |
| Purchase of property and equipment  | (15,559 )        | (30,962 )      |
| Refund of security deposit  | —                | 10,686         |
| Net cash flows used in investing activities                                       | (94,351 )        | (233,365 )     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |                  |                |
| Proceeds from sale of common stock, net of costs                                  | 59,117,827       | —              |
| Proceeds from exercise of options   | 491,351          | 287,288        |
| Proceeds from exercise of warrants  | 366,000          | 87,000         |
| Net cash flows provided by financing activities                                   | 59,975,178       | 374,288        |
| Increase (decrease) in cash   | 15,884,091       | (18,637,424)   |
| Cash, beginning of period   | 51,361,607       | 54,191,260     |
| Cash, end of period   | \$67,245,698     | \$35,553,836   |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

|                            |     |     |
|----------------------------|-----|-----|
| Cash paid for interest     | \$— | \$— |
| Cash paid for income taxes | \$— | \$— |



**THERAPEUTICSM D, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – THE COMPANY**

TherapeuticsMD, Inc., a Nevada corporation, or TherapeuticsMD or the Company, has two wholly owned subsidiaries, vitaMedMD, LLC, a Delaware limited liability company, or VitaMed, and BocaGreenMD, Inc., a Nevada corporation, or BocaGreen. Unless the context otherwise requires, TherapeuticsMD, VitaMed, and BocaGreen collectively are sometimes referred to as “our company,” “we,” “our,” or “us.”

**Nature of Business**

We are a women’s health care product company focused on creating and commercializing products targeted exclusively for women. As of the date of these consolidated financial statements, we are focused on conducting the clinical trials necessary for regulatory approval and commercialization of our advanced hormone therapy pharmaceutical products. The drug candidates used in our clinical trials are designed to alleviate the symptoms of and reduce the health risks resulting from menopause-related hormone deficiencies, including hot flashes, osteoporosis, and vaginal discomfort. We are developing these hormone therapy drug candidates, which contain estradiol and progesterone alone or in combination, with the aim of demonstrating equivalent clinical efficacy at lower doses, thereby enabling an enhanced side effect profile compared with competing products. Our drug candidates are created from a platform of hormone technology that enables the administration of hormones with high bioavailability alone or in combination. In addition, we manufacture and distribute branded and generic prescription prenatal vitamins, as well as over-the-counter, or OTC, vitamins.

**NOTE 2 – BASIS OF PRESENTATION AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

**Interim Financial Statements**

The accompanying unaudited interim consolidated financial statements of TherapeuticsMD, Inc., which include our wholly owned subsidiaries, should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the Securities and Exchange Commission, or the SEC, from which we derived our balance sheet as of December 31,

2014. The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, since they are interim statements, the accompanying unaudited interim consolidated financial statements do not include all of the information and notes required by GAAP for complete financial statements. The accompanying unaudited interim consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, that are, in the opinion of our management, necessary to a fair statement of the results for the interim periods presented. Interim results are not necessarily indicative of results for a full year.

**THERAPEUTICSMD, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 – BASIS OF PRESENTATION AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**  
**(Continued)**

Recently Issued Accounting Pronouncements

In June 2015, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2015-10, Technical Corrections and Improvements, to correct differences between original guidance and the Accounting Standards Codification, or ASC, clarify the guidance, correct references and make minor improvements affecting a variety of topics. Amendments that FASB deemed more substantive are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The other amendments are effective immediately. We do not expect the adoption of ASU 2015-10 to have a material effect on our consolidated financial statements and disclosures.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. ASU 2014-15 requires management to evaluate whether there are conditions and events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued (or available to be issued when applicable) and, if so, disclose that fact. ASU 2014-15 is effective for annual periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016. Early adoption is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. We do not expect the adoption of ASU 2014-15 to have a material effect on our consolidated financial statements and disclosures.

In May 2014, the FASB and the International Accounting Standards Board (IASB) issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under previous guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligations. On July 9, 2015, FASB approved the proposal to defer the effective date of ASU 2014-09 standard by one year. Early adoption is permitted as of December 15, 2016, and the standard is effective for public entities for annual reporting periods beginning after December 15, 2017 and interim periods therein. We are currently evaluating the impact of ASU 2014-09 on our consolidated financial statements and disclosures.

We do not believe there would have been a material effect on the accompanying consolidated financial statements had any other recently issued, but not yet effective, accounting standards been adopted in the current period.

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Impairment of Long-Lived Assets**

We review the carrying values of property and equipment and long-lived intangible assets for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. Such events or circumstances include the following:

- significant declines in an asset's market price;
- significant deterioration in an asset's physical condition;

## **THERAPEUTICSMD, INC. AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

significant changes in the nature or extent of an asset's use or operation;

significant adverse changes in the business climate that could impact an asset's value, including adverse actions or assessments by regulators;

accumulation of costs significantly in excess of original expectations related to the acquisition or construction of an asset;

current-period operating or cash flow losses combined with a history of such losses or a forecast that demonstrates continuing losses associated with an asset's use; and

expectations that it is more likely than not that an asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

If impairment indicators are present, we determine whether an impairment loss should be recognized by testing the applicable asset or asset group's carrying value for recoverability. This test requires long-lived assets to be grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities, the determination of which requires judgment. We estimate the undiscounted future cash flows expected to be generated from the use and eventual disposal of the assets and compare that estimate to the respective carrying values in order to determine if such carrying values are recoverable. This assessment requires the exercise of judgment in assessing the future use of and projected value to be derived from the eventual disposal of the assets to be held and used. In our assessments, we also consider changes in asset utilization, including the temporary idling of capacity and the expected timing for placing this capacity back into production. If the carrying value of the assets is not recoverable, then we record a loss for the difference between the assets' fair value and respective carrying values. We determine the fair value of the assets using an "income approach" based upon a forecast of all the expected discounted future net cash flows associated with the subject assets. Some of the more significant estimates and assumptions include market size and growth, market share, projected selling prices, manufacturing cost, and discount rate. We base estimates upon historical experience, our commercial relationships, market conditions, and available external information about future trends. We believe our current assumptions and estimates are reasonable and appropriate. Unanticipated events and changes in market conditions, however, could affect such estimates, resulting in the need for an impairment charge in future periods. There was no impairment of intangibles or long-lived assets during the three and six months ended June 30, 2015 and 2014.

#### Fair Value of Financial Instruments

Our financial instruments consist primarily of accounts receivable, accounts payable and accrued expenses. The carrying amount of accounts receivable, accounts payable and accrued expenses approximates their fair value because

of the short-term maturity of such instruments.

We categorize our assets and liabilities that are valued at fair value on a recurring basis into a three-level fair value hierarchy as defined by ASC 820, *Fair Value Measurements*. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). Assets and liabilities recorded in the consolidated balance sheet at fair value are categorized based on a hierarchy of inputs, as follows:

- Level 1** unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2** quoted prices for similar assets or liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument; and
- Level 3** unobservable inputs for the asset or liability.

At June 30, 2015 and December 31, 2014, we had no assets or liabilities that were valued at fair value on a recurring basis.

## **THERAPEUTICSMD, INC. AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The fair value of indefinite-lived assets or long-lived assets is measured on a non-recurring basis using significant unobservable inputs (Level 3) in connection with our impairment test. There was no impairment of intangible assets or long-lived assets during the three and six months ended June 30, 2015 and 2014.

#### Revenue Recognition

We recognize revenue on arrangements in accordance with ASC 605, Revenue Recognition. We recognize revenue only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed, and collectability is reasonably assured.

Our OTC and prescription prenatal vitamin products are generally variations of the same product with slight modifications in formulation and marketing. The primary difference between our OTC and prescription prenatal vitamin products is the source of payment. Purchasers of our OTC prenatal vitamin products pay for the product directly while purchasers of our prescription prenatal vitamin products pay for the product via third-party payers. Both OTC and prescription prenatal vitamin products share the same marketing support team utilizing similar marketing techniques.

#### Over-the-Counter Products

We generate OTC revenue from product sales primarily to retail consumers. We recognize revenue from product sales upon shipment, when the rights of ownership and risk of loss have passed to the consumer. We include outbound shipping and handling fees in sales and bill them upon shipment. We include shipping expenses in cost of sales. A majority of our customers pay for our products with credit cards, and we usually receive the cash settlement in two to three banking days. Credit card sales minimize accounts receivable balances relative to sales. We provide an unconditional 30-day money-back return policy under which we accept product returns from our retail and eCommerce customers. We recognize our revenue from OTC sales, net of returns, sales discounts, and eCommerce fees.

#### Prescription Products

We sell our name brand and generic prescription products primarily through drug wholesalers and retail pharmacies. We recognize revenue from prescription product sales, net of sales discounts, chargebacks, and rebates.

We accept returns of unsalable product from customers within a return period of six months prior to and up to 12 months following product expiration. Our prescription products currently have a shelf life of 24 months from the date of manufacture. As of January 1, 2015, we started estimating returns based on historical return rates and record actual product returns against this reserve as received.

We maintain various rebate programs in an effort to maintain a competitive position in the marketplace and to promote sales and customer loyalty. The consumer rebate program is designed to enable the end user to return a coupon to us. If the coupon qualifies, we send a rebate check to the end user. We estimate the allowance for consumer rebates based on our experience and industry averages, which is reviewed, and adjusted if necessary, on a quarterly basis.



## **THERAPEUTICSMD, INC. AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### Research and Development Expenses

Research and development, or R&D, expenses include internal R&D activities, services of external contract research organizations, or CROs, costs of their clinical research sites, and other activities. Internal R&D activity expenses include laboratory supplies, salaries, benefits, and non-cash share-based compensation expenses. Advance payments to be expensed in future research and development activities were \$679,700 and \$1,175,082, at June 30, 2015 and December 31, 2014, respectively. CRO activity expenses include preclinical laboratory experiments and clinical trial studies. Other activity expenses include regulatory consulting and legal counsel. The activities undertaken by our regulatory consultants that were classified as research and development expenses include assisting, consulting with, and advising our in-house staff with respect to various FDA submission processes, clinical trial processes, and scientific writing matters, including preparing protocols and FDA submissions. Legal activities that were classified as research and development expenses related to designing experiments to generate data for patents and to further the formulation development process for our pipeline technologies. Outside legal counsel also provided professional research regarding the legal landscape of potential patents. These consulting and legal expenses were direct costs associated with preparing, reviewing, and undertaking work for our clinical trials and investigative drugs. We charge internal R&D activities and other activity expenses to operations as incurred. We make payments to CROs based on agreed-upon terms, which may include payments in advance of a study starting date. We expense nonrefundable advance payments for goods and services that will be used in future R&D activities when the activity has been performed or when the goods have been received rather than when the payment is made. We review and accrue CRO expenses and clinical trial study expenses based on services performed and rely on estimates of those costs applicable to the completion stage of a study as provided by CROs. As of June 30, 2015, we classified \$967,286 of the accrued clinical study costs as long term Accrued Expense related to the costs that will be paid at the completion of one of our clinical trials. Accrued CRO costs are subject to revisions as such studies progress to completion. We charge revisions expense in the period in which the facts that give rise to the revision become known.

#### Segment Reporting

We are managed and operated as one business, which is focused on creating and commercializing products targeted exclusively for women. Our business operations are managed by a single management team that reports to the President of our Company. We do not operate separate lines of business with respect to any of our products and we do not prepare discrete financial information with respect to separate products. All product sales are derived from sales in the United States. Accordingly, we view our business as one reportable operating segment.

#### **NOTE 4 – INVENTORY**

Inventory consists of the following:

|                        | June 30,<br>2015   | December<br>31,<br>2014 |
|------------------------|--------------------|-------------------------|
| Finished product       | \$1,094,169        | \$874,294               |
| Raw material           | 154,550            | 155,341                 |
| Deferred costs         | —                  | 152,478                 |
| <b>TOTAL INVENTORY</b> | <b>\$1,248,719</b> | <b>\$1,182,113</b>      |

**THERAPEUTICSMD, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 5 – OTHER CURRENT ASSETS**

Other current assets consist of the following:

|   | June 30,<br>2015   | December<br>31,<br>2014 |
|---|--------------------|-------------------------|
| Prepaid consulting                        | \$411,856          | \$411,864               |
| Other receivables-related party (Note 13) | 249,981            | 249,981                 |
| Prepaid insurance                         | 246,823            | 394,878                 |
| Prepaid vendor deposits                   | 100,566            | —                       |
| Prepaid research and development costs    | 10,048             | 299,498                 |
| Other prepaid costs                       | 134,939            | 181,186                 |
| <b>TOTAL OTHER CURRENT ASSETS</b>         | <b>\$1,154,213</b> | <b>\$1,537,407</b>      |

**NOTE 6 – FIXED ASSETS**

Fixed assets consist of the following:

|                           | June 30,<br>2015 | December<br>31,<br>2014 |
|---------------------------|------------------|-------------------------|
| Equipment                 | \$132,150        | \$132,150               |
| Furniture and fixtures    | 69,454           | 53,895                  |
|                           | 201,604          | 186,045                 |
| Accumulated depreciation  | (137,000)        | (122,752)               |
| <b>TOTAL FIXED ASSETS</b> | <b>\$64,604</b>  | <b>\$63,293</b>         |

Depreciation expense for the three months ended June 30, 2015 and 2014 was \$7,367 and \$8,469, respectively, and \$14,248 and \$15,591 for the six months ended June 30, 2015 and 2014, respectively.

**NOTE 7 – PREPAID EXPENSE**

Prepaid expense consists of the following:

|  | June 30,<br>2015    | December<br>31,<br>2014 |
|--|---------------------|-------------------------|
| Prepaid manufacturing costs            | \$ 899,000          | \$ 899,000              |
| Prepaid research and development costs | 257,796             | 463,720                 |
| Accreted prepaid costs                 | 76,944              | 64,543                  |
| <b>TOTAL PREPAID EXPENSE</b>           | <b>\$ 1,233,740</b> | <b>\$ 1,427,263</b>     |

**THERAPEUTICSMD, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 8 – INTANGIBLE ASSETS**

The following table sets forth the gross carrying amount and accumulated amortization of our intangible assets as of June 30, 2015 and December 31, 2014:

|  | June 30, 2015         |                          |             | Weighted-                          |
|--|-----------------------|--------------------------|-------------|------------------------------------|
|  | Gross Carrying Amount | Accumulated Amortization | Net Amount  | Average Amortization Period (yrs.) |
| Amortizing intangible assets:                    |                       |                          |             |                                    |
| OPERA® software patent                           | \$31,951              | \$ (3,495 )              | \$28,456    | 14.25                              |
| Development costs of corporate website           | 91,743                | (91,743 )                | —           | n/a                                |
| Approved hormone therapy drug candidate patents  | 483,961               | (32,006 )                | 451,955     | 17.5                               |
| Non-amortizing intangible assets:                |                       |                          |             |                                    |
| Hormone therapy drug candidate patents (pending) | 678,213               | —                        | 678,213     | n/a                                |
| Multiple trademarks for vitamins/supplements     | 135,152               | —                        | 135,152     | n/a                                |
| Total  | \$1,421,020           | \$ (127,244 )            | \$1,293,776 |                                    |
|  | December 31, 2014     |                          |             | Weighted-                          |
|  | Gross Carrying Amount | Accumulated Amortization | Net Amount  | Average Amortization Period (yrs.) |
| Amortizing intangible assets:                    |                       |                          |             |                                    |
| OPERA® software patent                           | \$31,951              | \$ (2,496 )              | \$29,455    | 14.75                              |
| Development costs of corporate website           | 91,743                | (91,743 )                | —           | n/a                                |
| Approved hormone therapy drug candidate patents  | 439,184               | (19,401 )                | 419,783     | 18                                 |

Non-amortizing intangible assets:

|  |             |               |             |     |
|--|-------------|---------------|-------------|-----|
| Hormone therapy drug candidate patents (pending) | 675,982     | —             | 675,982     | n/a |
| Multiple trademarks for vitamins/supplements     | 103,368     | —             | 103,368     | n/a |
| Total  | \$1,342,228 | \$ (113,640 ) | \$1,228,588 |     |

**THERAPEUTICSMD, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

We amortize the intangible asset related to development costs for corporate website over 36 months, which is the prescribed life for software and website development costs. We amortize the intangible asset related to OPERA® using the straight-line method over the estimated remaining useful life of approximately 15 years, which is the life of the intellectual property patents. We amortize the approved hormone therapy drug candidate patents using straight-line method over the estimated remaining useful life of approximately 18 years. During the three and six months ended June 30, 2015 and 2014, there was no impairment recognized.

In addition to numerous pending patent applications, as of June 30, 2015, we had 11 issued patents, including:

one method patent that relates to our OPERA® information technology platform, which is owned by us and is a U.S. jurisdiction patent with an expiration date in 2029;

ten utility patents that relate to our combination progesterone and estradiol formulations, which are owned by us and are U.S. jurisdiction patents with expiration dates in 2032. We have pending patent applications with respect to certain of these patents in Argentina, Australia, Canada, the European Union, Israel, Mexico, Brazil, Japan, Russia, South Africa and South Korea.

Amortization expense was \$6,913 and \$5,625 for the three months ended June 30, 2015 and 2014, respectively and \$13,604 and \$11,570 for the six months ended June 30, 2015 and 2014, respectively. Estimated amortization expense for the next five years is as follows:

| Year Ending<br>December 31, | Estimated<br>Amortization |
|-----------------------------|---------------------------|
| 2015 (6 months)             | \$ 13,553                 |
| 2016                        | \$ 27,106                 |
| 2017                        | \$ 27,106                 |
| 2018                        | \$ 27,106                 |
| 2019                        | \$ 27,106                 |

**NOTE 9 – OTHER CURRENT LIABILITIES**

Other current liabilities consist of the following:

|   | June 30,<br>2015   | December<br>31, 2014 |
|---|--------------------|----------------------|
| Accrued clinical trial costs                  | \$3,053,838        | \$1,706,542          |
| Accrued payroll, bonuses and commission costs | 1,118,157          | 814,205              |
| Accrued vacation costs                        | 470,123            | 442,430              |
| Accrued legal and accounting expense          | 526,335            | 276,470              |
| Other accrued expenses                        | 280,364            | 185,965              |
| Allowance for wholesale distributor fees      | 122,568            | 160,503              |
| Accrued royalties                             | 48,645             | 72,710               |
| Allowance for coupons and returns             | 177,296            | 90,446               |
| Accrued rent                                  | 90,576             | 91,368               |
| <b>TOTAL OTHER CURRENT LIABILITIES</b>        | <b>\$5,887,902</b> | <b>\$3,840,639</b>   |

**NOTE 10 – NET LOSS PER SHARE**

We calculate basic and diluted net loss per share allocable to common stockholders using the weighted-average number of shares of common stock, par value \$0.001 per share, or Common Stock outstanding during the period, less any shares subject to repurchase or forfeiture. There were no shares of our Common Stock outstanding subject to repurchase or forfeiture for the three and six months ended June 30, 2015 and 2014.



**THERAPEUTICSMD, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Since we are in a net loss position, we have excluded outstanding stock options, all of which are subject to forfeiture, as well as warrants for the purchase of our Common Stock from our calculation of diluted net loss per share.

The table below presents the potentially dilutive securities that would have been included in our calculation of diluted net loss per share allocable to common stockholders if they were not antidilutive for the periods presented.

|               | As of June 30, |            |
|---------------|----------------|------------|
|               | 2015           | 2014       |
| Stock options | 17,525,200     | 16,523,128 |
| Warrants      | 13,032,431     | 14,122,127 |
|               | 30,557,631     | 30,645,255 |

**NOTE 11 – STOCKHOLDERS’ EQUITY**

Preferred Stock

At June 30, 2015, we had 10,000,000 shares of Preferred Stock, par value \$0.001, authorized for issuance, of which no shares of Preferred Stock were issued or outstanding.

Common Stock

At June 30, 2015, we had 350,000,000 shares of Common Stock authorized, of which 173,037,653 shares of Common Stock were issued and outstanding.

On February 10, 2015, we entered into an underwriting agreement, or the Cowen Agreement, with Cowen and Company, LLC, as the representative of the several underwriters, or the Cowen Underwriters, relating to an

underwritten public offering of 13,580,246 shares of Common Stock, at a public offering price of \$4.05 per share. Under the terms of the Cowen Agreement, we granted the Cowen Underwriters a 30-day option to purchase up to an aggregate of 2,037,036 additional shares of Common Stock, which option was exercised in full. The net proceeds from the offering were approximately \$59,100,000, after deducting underwriting discounts and commissions and other estimated offering expenses payable by us. The offering closed on February 17, 2015.

Exercises During 2015

During the three months ended June 30, 2015, certain individuals exercised stock options to purchase 366,617 shares of Common Stock for \$484,143 in cash. During the six months ended June 30, 2015, certain individuals exercised stock options to purchase 377,867 shares of Common Stock for \$491,351 in cash.

Exercises During 2014

During the six months ended June 30, 2014, certain individuals exercised stock options to purchase 728,844 shares of Common Stock. Stock options to purchase shares of our Common Stock were exercised as follows: (i) 615,007 options for \$287,288 in cash and (ii) 119,607 options, pursuant to the stock options' cashless provision, wherein 113,837 shares of Common Stock were issued. Also, during the six months ended June 30, 2014, we granted 50,000 shares of Common Stock to an employee upon the vesting of restricted stock units that were granted in December 2013.

**THERAPEUTICSMMD, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Warrants to Purchase Common Stock

As of June 30, 2015, we had warrants outstanding to purchase an aggregate of 13,032,431 shares of Common Stock with a weighted-average contractual remaining life of 2.2 years, and exercise prices ranging from \$0.24 to \$6.35 per share, resulting in a weighted average exercise price of \$1.94 per share.

The valuation methodology used to determine the fair value of our warrants is the Black-Scholes-Merton valuation model, or the Black-Scholes Model. The Black-Scholes Model requires the use of a number of assumptions, including volatility of the stock price, the risk-free interest rate and the term of the warrant.

In January 2013, we granted warrants to purchase 1,250,000 shares of Common Stock in connection with the issuance of a Revolving Credit Note to Plato and Associates, LLC, or the Plato Warrant. The Plato Warrant has an exercise price of \$3.20 per share. The Plato Warrant vested on October 31, 2013 and may be exercised prior to its expiration on January 31, 2019. The Plato Warrant, with a fair value of \$1,711,956, was valued on the date of the grant using a term of six years; a volatility of 44.29%; risk free rate of 0.88%; and a dividend yield of 0%. For the six months ended June 30, 2015 and 2014, \$0 and \$260,027, respectively, was recorded as financing costs in connection with the issuance of the Plato Warrant on the accompanying consolidated financial statements.

In May 2013, we entered into a consulting agreement with Sancilio & Company, Inc., or SCI, to develop drug technology to be used in our hormone replacement drug candidates. These services include support of our efforts to successfully obtain U.S. Food and Drug Administration, or the FDA, approval for our drug candidates, including a vaginal capsule for the treatment of vulvar and vaginal atrophy, or VVA. In connection with the agreement, SCI agreed to forfeit its rights to receive warrants to purchase 833,000 shares of Common Stock that were to be granted pursuant to the terms of a prior consulting agreement dated May 17, 2012. As consideration under the agreement, we agreed to grant to SCI a warrant to purchase 850,000 shares of Common Stock at \$2.01 per share that has vested or will vest, as applicable, as follows:

1. 283,333 shares were earned on May 11, 2013 upon acceptance of an Investigational New Drug application by the FDA for an estradiol-based drug candidate in a softgel vaginal capsule for the treatment of VVA; however, pursuant to the terms of the consulting agreement, the shares did not vest until June 30, 2013. The fair value of \$405,066 for the shares vested on June 30, 2013 was determined by using the Black-Scholes Model on the date of

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vesting using a term of five years; a volatility of 45.89%; risk free rate of 1.12%; and a dividend yield of 0%. We recorded the entire \$405,066 as non-cash compensation as of June 30, 2013;

2. 283,333 shares vested on June 30, 2013. The fair value of \$462,196 for these shares was determined by using the Black-Scholes Model on the date of the vesting using a term of five years; a volatility of 45.84%; risk free rate of 1.41%; and a dividend yield of 0%. As of June 30, 2015, we recorded \$154,060 in other current assets in the accompanying consolidated financial statements. During both of the three and six month periods ended June 30, 2015 and 2014, we recorded \$38,517 and \$77,034, respectively, as non-cash compensation in the accompanying consolidated financial statements; and

3. 283,334 shares will vest upon the receipt by us of any final FDA approval of a drug candidate that SCI helped us design. It is anticipated that this event will not occur before December 2015.

As of June 30, 2015, unamortized costs associated with the SCI warrants issued in 2013 and 2012 totaled approximately \$670,000.

During the three and six months ended June 30, 2015, we granted warrants to purchase 50,000 shares of Common Stock at an exercise price of \$6.35 to an outside consultant.

## **THERAPEUTICSMD, INC. AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### Warrant exercises

During the three months ended June 30, 2015, certain individuals exercised warrants to purchase 20,000 shares of our Common Stock for \$7,600 in cash and during the six months ended June 30, 2015, certain individuals exercised warrants to purchase 945,485 shares of our Common Stock for \$366,000 in cash. During the three and six months ended June 30, 2014, certain individuals exercised warrants to purchase 171,372 shares of Common Stock for \$87,000 in cash.

#### Options to Purchase Common Stock

In 2009, we adopted the 2009 Long Term Incentive Compensation Plan, or the 2009 Plan, to provide financial incentives to employees, directors, advisers, and consultants of our company who are able to contribute towards the creation of or who have created stockholder value by providing them stock options and other stock and cash incentives, or the Awards. The Awards available under the 2009 Plan consist of stock options, stock appreciation rights, restricted stock, restricted stock units, performance stock, performance units, and other stock or cash awards as described in the 2009 Plan. There are 25,000,000 shares authorized for issuance thereunder. During the six months ended June 30, 2015, we granted 1,231,000 non-qualified stock options under 2009 Plan. As of June 30, 2015, there were non-qualified stock options to purchase 15,556,726 shares of Common Stock outstanding under the 2009 Plan.

In 2012, we adopted the 2012 Stock Incentive Plan, or the 2012 Plan, a non-qualified plan that was amended in August 2013. The 2012 Plan was designed to serve as an incentive for retaining qualified and competent key employees, officers, directors, and certain consultants and advisors of our company. There are 10,000,000 shares of Common Stock authorized for issuance thereunder. As of June 30, 2015, there were non-qualified stock options to purchase 1,968,474 shares of Common Stock outstanding under the 2012 Plan.

The valuation methodology used to determine the fair value of stock options is the Black-Scholes Model. The Black-Scholes Model requires the use of a number of assumptions including volatility of the stock price, the risk-free interest rate, and the expected life of the stock options. The assumptions used in the Black-Scholes Model during the six months ended June 30, 2015 and 2014 are set forth in the table below.

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|                         | Six Months Ended June 30, |   |             |   |
|-------------------------|---------------------------|---|-------------|---|
|                         | 2015                      |   | 2014        |   |
| Risk-free interest rate | 1.47-1.54                 | % | 1.70-1.77   | % |
| Volatility              | 58.77-62.94               | % | 69.15-70.93 | % |
| Term (in years)         | 5.27-6.25                 |   | 5-6.25      |   |
| Dividend yield          | 0.00                      | % | 0.00        | % |

The risk-free interest rate assumption is based upon observed interest rates on zero coupon U.S. Treasury bonds whose maturity period is appropriate for the expected term. Estimated volatility is a measure of the amount by which the price of our Common Stock is expected to fluctuate each year during the term of an award. Our estimated volatility is an average of the historical volatility of the stock prices of our peer entities whose stock prices were publicly available. Our calculation of estimated volatility is based on historical stock prices over a period equal to the term of the awards. We used the historical volatility of our peer entities due to the lack of sufficient historical data on our stock price. The average expected life is based on the contractual terms of the stock option using the simplified method.

**THERAPEUTICSMD, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

A summary of activity under the 2009 and 2012 Plans and related information follows:

|   | Number of<br>Shares<br>Underlying<br>Stock<br>Options | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Life in<br>Years | Aggregate<br>Intrinsic<br>Value |
|---|---|--|---|---------------------------------|
| Balance at December 31, 2014            | 16,792,443  | \$ 1.88                                  | 6.92  | \$43,996,311                    |
| Granted                                 | 1,231,000   | \$ 6.38                                  |   |                                 |
| Exercised                               | (377,867 )  | \$ 1.30                                  |   |                                 |
| Cancelled                               | (120,376 )  | \$ 2.87                                  |   |                                 |
| Balance at June 30, 2015                | 17,525,200  | \$ 2.20                                  | 6.35  | \$99,168,915                    |
| Vested and Exercisable at June 30, 2015 | 13,746,672  | \$ 1.56                                  | 5.71  | \$86,604,012                    |

At June 30, 2015, our outstanding stock options had exercise prices ranging from \$0.10 to \$7.72 per share.

Share-based compensation expense for options recognized in our results of operations (based on vested awards) for the three and six months ended June 30, 2015 were \$1,973,675 and \$2,702,102, respectively, and \$1,288,086 and \$2,294,111, respectively, for the same periods in 2014. ASC 718-10 requires forfeitures to be estimated at the time of grant and revised in subsequent periods if actual forfeitures differ from the estimates. At June 30, 2015, total unrecognized estimated compensation expense related to unvested options granted prior to that date was approximately \$7,110,000 which may be adjusted for future changes in forfeitures. This cost is expected to be recognized over a weighted-average period of 2.3 years. No tax benefit was realized due to a continued pattern of operating losses.

**NOTE 12 – INCOME TAXES**

Deferred income tax assets and liabilities are determined based upon differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. We do not expect to pay any significant federal or state income tax for 2015 as a result of (i) the losses recorded during the six months ended June 30, 2015, (ii) additional losses expected for the remainder of 2015, and/or (iii) net operating loss carry forwards from prior years. Accounting standards require the

consideration of a valuation allowance for deferred tax assets if it is “more likely than not” that some component or all of the benefits of deferred tax assets will not be realized. As of June 30, 2015, we maintain a full valuation allowance for all deferred tax assets. Based on these requirements, no provision or benefit for income taxes has been recorded. There were no recorded unrecognized tax benefits at the end of the reporting period.

**NOTE 13 – RELATED PARTIES**

On February 29, 2012, Cooper C. Collins, who was then president and largest shareholder of Pernix Therapeutics, LLC, or Pernix, was elected to serve on our board of directors. From time to time, we have entered into agreements with Pernix in the normal course of business. All such agreements are reviewed by independent directors of our company or a committee consisting of independent directors of our company. During the six months ended June 30, 2015 and 2014, we did not engage in any transactions with Pernix. At June 30, 2015 and December 31, 2014, there were amounts due Pernix of approximately \$46,000.



**THERAPEUTICSMD, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Additionally, there were amounts due to us from Pernix for legal fee reimbursement relating to a litigation matter stemming from a license and supply agreement in the amounts of approximately \$250,000 at both June 30, 2015 and December 31, 2014.

**NOTE 14 - BUSINESS CONCENTRATIONS**

We purchase our products from several suppliers with approximately 98% and 71% of our purchases supplied from one vendor for the six months ended June 30, 2015 and 2014, respectively.

We sell our prescription prenatal vitamin products to wholesale distributors, specialty pharmacies, specialty distributors, and chain drug stores that generally sell products to retail pharmacies, hospitals, and other institutional customers. Revenue generated from four major customers accounted for approximately 91% and 97% of our recognized revenue for the six months ended June 30, 2015 and 2014, respectively.

Customers that generated more than 10% of our sales are designated as customers "A", "B", "C" and "D". During the six months ended June 30, 2015, two customers generated more than 10% of revenues and during the six months ended June 30, 2014, four customers generated more than 10% of revenues. During the six months ended June 30, 2015, customer A generated approximately \$4,474,000 in revenues and customer B generated approximately \$1,832,000 in revenues. During the six months ended June 30, 2014, customers A, B, C and D generated approximately \$2,465,000, \$1,227,000, \$1,089,000 and \$1,053,000 in sales, respectively.

**NOTE 15 – COMMITMENTS AND CONTINGENCIES**

We lease administrative office space in Boca Raton, Florida pursuant to a 63 month non-cancelable operating lease that commenced on July 1, 2013 and expires on September 30, 2018. On February 18, 2015, we entered into an agreement to lease additional administrative office space in Boca Raton, Florida, pursuant to an addendum to such lease. This addendum is effective beginning April 1, 2015 and will expire with the original lease term on September 30, 2018.

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The straight line rental expense related to our current lease totaled approximately \$119,000 and \$90,000 for the three months ended June 30, 2015 and 2014, respectively, and approximately \$209,000 and \$181,000 for the six months ended June 30, 2015 and 2014, respectively. The 2014 amounts were partially offset by the rent income of approximately \$18,000 and \$36,000, respectively, for sublet space. We did not sublet any space during the six months ended June 30, 2015.

As of June 30, 2015, future minimum rental payments are as follows:

|   |             |
|---|-------------|
| Years<br>Ending<br>December<br>31,<br>2015<br>(6<br>months) | \$243,396   |
| 2016  | 493,790     |
| 2017  | 507,087     |
| 2018  | 388,976     |
| Minimum<br>lease<br>payments                                | \$1,633,249 |

### **NOTE 16 – SUBSEQUENT EVENTS**

On July 9, 2015, we entered into an underwriting agreement with Stifel, Nicolaus & Company, Incorporated and Guggenheim Securities, LLC, as the representatives of the several underwriters, or the Stifel Underwriters, relating to an underwritten public offering of 3,846,154 shares of Common Stock at a public offering price of \$7.80 per share. Under the terms of the underwriting agreement, we granted the Stifel Underwriters a 30-day option to purchase up to an aggregate of 576,923 additional shares of Common Stock, which option was exercised in full. The net proceeds to us from the offering were approximately \$32.2 million, after deducting underwriting discounts and commissions and other estimated offering expenses payable by us. The offering closed on July 15, 2015 and we issued 4,423,077 shares of our Common Stock.

Subsequent to June 30, 2015, we received our first patent application allowance related to our phase 3 drug candidate for the treatment of VVA.

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

### General

The following discussion and analysis provides information that we believe to be relevant to an assessment and understanding of our results of operations and financial condition for the periods described. This discussion should be read together with our consolidated financial statements and the notes to the financial statements, which are included in this Quarterly Report on Form 10-Q. This information should also be read in conjunction with the information contained in our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the Securities and Exchange Commission, or the Commission or the SEC, on March 12, 2015, or the Annual Report, including the audited financial statements and notes included therein. The reported results will not necessarily reflect future results of operations or financial condition.

In addition, this Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. Forward-looking statements may include, but are not limited to, statements relating to our objectives, plans and strategies as well as statements, other than historical facts, that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future. These statements are often characterized by terminology such as "believes," "hopes," "may," "anticipates," "should," "intends," "plans," "will," "estimates," "projects," "positioned," "strategy" and similar expressions and are based on assumptions and assessments made in light of management's experience and perception of historical trends, current conditions, expected future developments and other factors believed to be appropriate. Forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q and we undertake no duty to update or revise any such statements, whether as a result of new information, future events or otherwise. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties, many of which are outside of our control. Important factors that could cause actual results, developments and business decisions to differ materially from forward-looking statements are described in the sections titled "Risk Factors" in our Annual Report, and include the following: our ability to maintain or increase sales of our products; our ability to develop and commercialize our hormone therapy drug candidates and obtain additional financing necessary therefor; the length, cost and uncertain results of our clinical trials; the potential of adverse side effects or other safety risks that could preclude the approval of our hormone therapy drug candidates; our reliance on third parties to conduct our clinical trials, research and development and manufacturing; the availability of reimbursement from government authorities and health insurance companies for our products; the impact of product liability lawsuits; and the influence of extensive and costly government regulation.

Throughout this Quarterly Report on Form 10-Q, the terms "we," "us," "our," "TherapeuticsMD," or "our company" refer to TherapeuticsMD, Inc., a Nevada corporation, and unless specified otherwise, include our wholly owned subsidiaries, vitaMedMD, LLC, a Delaware limited liability company, or VitaMed, and BocaGreenMD, Inc., a Nevada corporation, or BocaGreen.

**Overview**

We are a women's health care company focused on creating and commercializing products targeted exclusively for women. Currently, we are focused on conducting the clinical trials necessary for regulatory approval and commercialization of advanced hormone therapy pharmaceutical products. The current drug candidates used in our clinical trials are designed to alleviate the symptoms of and reduce the health risks resulting from menopause-related hormone deficiencies, including hot flashes, osteoporosis, and vaginal discomfort. We are developing these hormone therapy drug candidates, which contain estradiol and progesterone alone or in combination, with the aim of demonstrating equivalent clinical efficacy at lower doses, thereby enabling an enhanced side effect profile compared with competing products. Our drug candidates are created from hormone technology that enables the administration of hormones with high bioavailability alone or in combination. In addition, we manufacture and distribute branded and generic prescription prenatal vitamins, as well as over-the-counter, or OTC, vitamins.

Our common stock, par value \$0.001 per share, or Common Stock, is traded on the NYSE MKT under the symbol "TXMD". We maintain the following websites at [www.therapeuticsmd.com](http://www.therapeuticsmd.com), [www.vitamedmd.com](http://www.vitamedmd.com), [www.vitamedmdrx.com](http://www.vitamedmdrx.com), and [www.bocagreenmd.com](http://www.bocagreenmd.com). The information contained on our websites or that can be accessed through our websites does not constitute part of this Quarterly Report on Form 10-Q.

## **Research and Development**

### *Overview*

We have obtained the U.S. Food and Drug Administration, or FDA, acceptance of our Investigational New Drug, or IND, applications to conduct clinical trials for four of our hormone therapy drug candidates: TX-001HR, our oral combination of progesterone and estradiol; TX-002HR, our oral progesterone alone; TX-003HR, our oral estradiol alone; and TX-004HR, our vaginal suppository estradiol alone.

We are currently conducting phase 3 clinical trials for TX-001HR and TX-004HR. In July 2014, we temporarily suspended enrollment in the phase 3 clinical trial for TX-002HR, and in October 2014 we temporarily stopped the trial in order to update the phase 3 protocol based on discussions with the FDA. We have no current plans to conduct clinical trials for TX-003HR.

TX-001HR, our combination estradiol and progesterone drug candidate, is undergoing clinical trials for the treatment of moderate to severe vasomotor symptoms due to menopause, including hot flashes, night sweats, sleep disturbances, and vaginal discomfort for post-menopausal women with an intact uterus. The hormone therapy drug candidate is chemically identical to the hormones that naturally occur in a woman's body, namely estradiol and progesterone, and is being studied as a continuous-combined regimen, in which the combination of estrogen and progesterone are taken together in one product daily. If approved by the FDA, we believe this would represent the first time a combination product of estradiol and progesterone (bioidentical to the estradiol and progesterone produced by the ovaries), would be approved for use in a single combined product.

On September 5, 2013, we began enrollment of the REPLENISH Trial, a multicenter, double-blind, placebo-controlled, phase 3 study of TX-001HR in postmenopausal women with an intact uterus. The study is designed to evaluate the efficacy of TX-001HR for the treatment of moderate to severe vasomotor symptoms due to menopause and the endometrial safety of TX-001HR. Patients are assigned to one of five treatment arms, four active and one placebo, and receive study medication for 12 months. The primary endpoint for the reduction of endometrial hyperplasia is an incidence of endometrial hyperplasia of less than 1% at 12 months, as determined by endometrial biopsy. The primary endpoint for the treatment of moderate to severe vasomotor symptoms is the mean change of frequency and severity of moderate to severe vasomotor symptoms at weeks four and 12 compared to placebo, as

measured by the number and severity of hot flushes. Only subjects experiencing a minimum daily frequency of seven moderate to severe hot flushes at screening are included in the vasomotor symptoms analysis, while all subjects are included in the endometrial hyperplasia analysis. The secondary endpoints include reduction in sleep disturbances and improvement in quality of life measures, night sweats and vaginal dryness, measured at 12 weeks, six months and 12 months. We intend to enroll approximately 1,750 patients at approximately 100 sites. As of August 6, 2015, the REPLENISH Trial was 93% enrolled with 1,628 subjects enrolled and an additional 280 subjects consented and in screening. We currently anticipate that enrollment in the REPLENISH Trial will be completed in the second half of 2015 and that results of the trial will be reported in the fourth quarter of 2016 or the first quarter of 2017. Based on such timeline and successful reports of the trial, we would anticipate filing an NDA for TX-001HR during the fourth quarter of 2016 or the first quarter of 2017. Assuming an FDA review period of 10 months from the receipt date to the Prescription Drug User Fee Act, or PDUFA, date for a non-new molecular entity, the NDA for TX-001HR could be approved by the FDA during the fourth quarter of 2017 or the first quarter of 2018.

TX-002HR is a natural progesterone formulation for the treatment of secondary amenorrhea without the potentially allergenic component of peanut oil. The hormone therapy drug candidate is chemically identical to the hormones that naturally occur in a woman's body. We believe it will be similarly effective to traditional treatments, but may demonstrate efficacy at lower dosages. In January 2014, we began recruitment of patients in the SPRY Trial, a phase 3 clinical trial designed to measure the safety and effectiveness of TX-002HR in the treatment of secondary amenorrhea. During the first two quarters of 2014, the SPRY Trial encountered enrollment challenges because of Institutional Review Board approved clinical trial protocols and FDA inclusion and exclusion criteria. In July 2014, we temporarily suspended enrollment and in October 2014 we temporarily stopped the SPRY Trial in order to update the phase 3 protocol based on discussions with the FDA. We intend to update the phase 3 protocol to, among other things, target only those women with secondary amenorrhea due to polycystic ovarian syndrome and to amend the primary endpoint of the trial. We believe that the updated phase 3 protocol, if approved by the FDA, will allow us to mitigate the enrollment challenges in, and shorten the duration of, the SPRY Trial. However, there can be no assurance that the FDA will approve the updated phase 3 protocol that we intend to propose.

TX-004HR is a vaginal suppository estradiol drug candidate for the treatment of vulvar and vaginal atrophy, or VVA, in post-menopausal women with vaginal linings that do not receive enough estrogen. We believe that our drug candidate will be at least as effective as the traditional treatments for VVA because of an early onset of action with less systemic exposure inferring a greater probability of dose administration to the target tissue, and it will have an added advantage of being a simple, easier to use dosage form versus traditional VVA treatments. We initiated the REJOICE Trial, a multicenter, double-blind, placebo-controlled phase 3 clinical trial during the third quarter of 2014 to assess the safety and efficacy of TX-004HR for the treatment of moderate to severe dyspareunia, or painful intercourse, as a symptom of VVA due to menopause. We are conducting a single 12 week study, evaluating three different doses of estradiol: 4 mcg, 10 mcg and 25 mcg versus placebo. The FDA has noted that a single, large, well-controlled clinical trial to support safety and efficacy should be sufficient to submit an NDA for TX-004HR for the proposed indication and that to support the indication in a single trial, evidence of efficacy for a given dose would need to show statistical significance of at a 0.01 level. The study has been designed to include four primary endpoints: the reduction of vaginal pH levels to less than 5.0, an increase in superficial cells, a decrease in parabasal cells and the improvement of dyspareunia. If approved, the 4 mcg formulation would represent a lower effective dose than the currently available VVA therapies approved by the FDA. The trial is designed to enroll approximately 700 patients across approximately 100 sites. The last patient was enrolled in the REJOICE Trial in June of 2015 and we currently anticipate that the topline results of the trial will be reported during the fourth quarter of 2015. Based on such timeline and successful reports of the trial, we would anticipate filing an NDA for TX-004HR as soon as the first half of 2016 and that such NDA could be approved by the FDA as soon as the first quarter of 2017, assuming an FDA review period of 10 months from the receipt date to the PDUFA date for a non-new molecular entity.

As of June 30, 2015, we had eleven issued patents, which included ten utility patents that relate to our combination progesterone and estradiol formulations and one method patent that relates to our OPERA® information technology platform.

Subsequent to June 30, 2015, we received our first patent application allowance that relates to TX-004HR, our phase 3 drug candidate for the treatment of VVA, which establishes an important intellectual property foundation for TX-004HR.

### ***Research and Development Expenses***

A significant portion of our operating expenses to date have been incurred in research and development activities. Research and development expenses relate primarily to the discovery and development of our drug products. Our business model is dependent upon our company continuing to conduct a significant amount of research and development. Until one of our drug products receives IND approval from the FDA, products costs are listed as Other Research and Development costs in the accompanying consolidated financial statements. Our research and development expenses consist primarily of expenses incurred under agreements with contract research organizations, or CROs, investigative sites and consultants that conduct our clinical trials and a substantial portion of our preclinical studies; employee-related expenses, which include salaries and benefits, and non-cash share-based compensation; the cost of developing our chemistry, manufacturing and controls capabilities, and acquiring clinical trial materials; and costs associated with other research activities and regulatory approvals.



We make payments to the CROs based on agreed upon terms that may include payments in advance of a study starting date. Nonrefundable advance payments for goods and services that will be used in future research and development activities are expensed when the activity has been performed or when the goods have been received rather than when the payment is made. Advance payments to be expensed in future research and development activities were \$679,700 and \$1,175,082, at June 30, 2015 and December 31, 2014, respectively.

The following table indicates our research and development expense by project/category for the periods indicated (in 000s):

|                                | Three months ended June 30, |         | Six months ended June 30, |          |
|--------------------------------|-----------------------------|---------|---------------------------|----------|
|                                | 2015                        | 2014    | 2015                      | 2014     |
| TX-001HR                       | \$10,718                    | \$5,908 | \$19,329                  | \$8,802  |
| TX-002HR                       | 9                           | 696     | 12                        | 1,297    |
| TX-004HR                       | 8,614                       | 54      | 13,661                    | 363      |
| Other research and development | 4,849                       | 1,577   | 9,365                     | 3,681    |
|                                | \$24,190                    | \$8,235 | \$42,367                  | \$14,143 |

Research and development expenditures will continue to be significant as we continue development of our pipeline of novel drug candidates. We expect to incur significant research and development costs as we develop our drug pipeline, complete the ongoing clinical trials of our drug candidates, conduct our ongoing phase 3 clinical trials, and prepare regulatory submissions.

The costs of clinical trials may vary significantly over the life of a project owing to factors that include but are not limited to the following: per patient trial costs, the number of patients that participate in the trials; the number of sites included in the trials; the length of time each patient is enrolled in the trial; the number of doses that patients receive; the drop-out or discontinuation rates of patients; the amount of time required to recruit patients for the trial, the duration of patient follow-up; and the efficacy and safety profile of the drug candidate. We base our estimated expenses related to clinical trials on estimates that are based on our experience and estimates from CROs and other third parties.

## **Results of Operations**

*Three months ended June 30, 2015 compared with three months ended June 30, 2014*

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|                    | Three Months Ended |            |            |
|--------------------|--------------------|------------|------------|
|                    | June 30,           |            |            |
|                    | 2015               | 2014       | Change     |
|                    | (000s)             |            |            |
| Revenues, net      | \$4,848            | \$3,752    | \$1,096    |
| Cost of goods sold | 1,033              | 893        | 140        |
| Operating expenses | 31,070             | 13,786     | 17,284     |
| Operating loss     | (27,255)           | (10,927)   | (16,328)   |
| Total other income | 28                 | 28         | —          |
| Net loss           | \$(27,227)         | \$(10,899) | \$(16,328) |

Revenues and Cost of Goods Sold

Revenues for the three months ended June 30, 2015 increased approximately \$1,096,000, or 29%, to approximately \$4,848,000, compared with approximately \$3,752,000 for the three months ended June 30, 2014. Of this \$1,096,000 increase, approximately \$953,520, or 87%, was attributable to an increase in the number of units sold and approximately \$142,480, or 13%, was attributable to product mix and an increase in the average net sales price of our products. Cost of goods sold increased approximately \$140,000 or 16%, to approximately \$1,033,000 for the three months ended June 30, 2015, compared with approximately \$893,000 for the three months ended June 30, 2014. Cost of goods sold as a percentage of revenue was approximately 21% and 24% for the three months ended June 30, 2015 and 2014, respectively, which was primarily attributable to a favorable change in product mix.

Operating Expenses

Our principal operating costs include the following items as a percentage of total operating expenses.

|  | Three Months<br>Ended<br>June 30, |        |
|--|-----------------------------------|--------|
|  | 2015                              | 2014   |
| Research and development costs                               | 77.9%                             | 59.7%  |
| Human resource costs, including salaries, benefits and taxes | 10.8%                             | 20.5%  |
| Sales and marketing costs, excluding human resource costs    | 4.8 %                             | 10.1 % |
| Professional fees for legal, accounting and consulting       | 3.3 %                             | 3.4 %  |
| Other operating expenses                                     | 3.2 %                             | 6.3 %  |

Operating expenses increased by approximately \$17,284,000 or 125%, to approximately \$31,070,000 for the three months ended June 30, 2015, from approximately \$13,786,000 for the three months ended June 30, 2014 as a result of the following items:

|  | (000s)   |
|--|----------|
| Increase in research and development costs                               | \$15,955 |
| Increase in human resource costs, including salaries, benefits and taxes | 549      |
| Increase in professional fees for legal, accounting and consulting       | 543      |
| Increase in other operating expenses                                     | 135      |
| Increase in sales and marketing, excluding human resource costs          | 102      |

\$17,284

Research and development costs for the three months ended June 30, 2015 increased by approximately \$15,955,000, or 194%, to approximately \$24,190,000, compared with \$8,235,000 for the three months ended June 30, 2014. Research and development costs include costs related to clinical trials as well as salaries, wages, non-cash compensation and benefits of personnel involved in research and development activities. Research and development costs increased as a direct result of the development of our hormone therapy candidates and related clinical trials. Research and development costs during the three months ended June 30, 2015 included the following research and development projects.

During the three months ending June 30, 2015 and the period from February 2013 (project inception) through June 30, 2015, we have incurred approximately \$10,718,000 and \$50,261,000, respectively, in research and development costs with respect to TX-001HR, our combination estradiol and progesterone drug candidate.

During the three months ended June 30, 2015 and the period April 2013 (project inception) through June 30, 2015, we have incurred approximately \$9,000 and \$2,514,000, respectively, in research and development costs with respect to TX-002HR, our progesterone only drug candidate.

During the three months ended June 30, 2015 and the period from August 2014 (project inception) through June 30, 2015, we have incurred approximately \$8,614,000 and \$17,644,000, respectively, in research and development costs with respect to TX-004HR, our vaginal suppository estradiol drug candidate.

For a discussion of the nature of efforts and steps necessary to complete these projects, see “Item 1. Business — Research and Development.” For a discussion of the risks and uncertainties associated with completing development of our products, see “Item 1A. Risk Factors — Risks Related to Our Business” in our Annual Report. For a discussion of the extent and nature of additional resources that we may need to obtain if our current liquidity is not expected to be sufficient to complete these projects, see “— Liquidity and Capital Resources.” For a discussion as to whether a future milestone such as completion of a development phase, date of filing an NDA with a regulatory agency or approval from a regulatory agency can be reliably determined, see “Item 1. Business — Our Hormone Therapy Drug Candidates,” “Item 1. Business — Products in Development” and “Item 1. Business — Pharmaceutical Regulation” in our Annual Report. Future milestones, including NDA submission dates, are not easily determinable as such milestones are dependent on various factors related to our clinical trials, including the timing of ongoing patient recruitment efforts to find eligible subjects for the applicable trials.

Human resource costs, including salaries, benefits and taxes, for the three months ended June 30, 2015 increased by approximately \$549,000, or 20%, to approximately \$3,357,000, compared with \$2,808,000 for the three months ended June 30, 2014, primarily as a result of an increase of approximately \$601,000 in non-cash compensation related to stock option awards, partially offset by a decrease of approximately \$52,000 in personnel costs.

Professional fees for the three months ended June 30, 2015 increased by approximately \$543,000, or 115%, to approximately \$1,017,000, compared with \$474,000 for the three months ended June 30, 2014, as a result of higher legal and Board of Director expenses.

Other operating expense for the three months ended June 30, 2015 increased by approximately \$135,000, or 16%, to approximately \$1,005,000, compared with \$870,000 for the three months ended June 30, 2014, primarily as a result of increased insurance expense.

Sales and marketing costs for the three months ended June 30, 2015 increased by approximately \$102,000, or 7%, to approximately \$1,500,000, compared with \$1,398,000 for the three months ended June 30, 2014, as a result of increased costs related to sales force incentive programs.

### Operating Loss

As a result of the foregoing, our operating loss increased approximately \$16,328,000, or 150%, to approximately \$27,255,000 for the three months ended June 30, 2015, compared with approximately \$10,927,000 for the three months ended June 30, 2014, primarily as a result of increased research and development costs associated with our continued development of our hormone therapy drug candidates, partially offset by increased revenue from sales of our prenatal vitamin products.

As a result of the continued development of our hormone therapy drug candidates, we anticipate that we will continue to have operating losses for the near future until our hormone therapy drug candidates are approved by the FDA and brought to market, although there is no assurance that we will attain such approvals or that any marketing of our hormone therapy drug candidates, if approved, will be successful.

Total other income (expense)

Total other non-operating income of approximately \$28,000, remained unchanged for the three months ended June 30, 2015 compared with the comparable period in 2014.

Net Loss

As a result of the net effects of the foregoing, net loss increased approximately \$16,328,000, or 150%, to approximately \$27,227,000 for the three months ended June 30, 2015, compared with approximately \$10,899,000 for the three months ended June 30, 2014. Net loss per share of Common Stock, basic and diluted, was \$0.16 for the three months ended June 30, 2015, compared with \$0.07 per share of Common Stock for the three months ended June 30, 2014.

Six months ended June 30, 2015 compared with six months ended June 30, 2014

|                        | Six Months Ended |            |            |
|------------------------|------------------|------------|------------|
|                        | June 30,         |            |            |
|                        | 2015             | 2014       | Change     |
|                        | (000s)           |            |            |
| Revenues, net          | \$9,323          | \$6,582    | \$2,741    |
| Cost of goods sold     | 2,077            | 1,724      | 353        |
| Operating expenses     | 55,424           | 24,736     | 30,688     |
| Operating loss         | (48,178)         | (19,878)   | (28,300)   |
| Other income (expense) | 56               | (204)      | 260        |
| Net loss               | \$(48,122)       | \$(20,082) | \$(28,040) |

Revenues and Cost of Goods Sold

Revenues for the six months ended June 30, 2015 increased approximately \$2,741,000, or 42%, to approximately \$9,323,000, compared with approximately \$6,582,000 for the six months ended June 30, 2014. Of this \$2,741,000 increase, approximately \$2,028,340, or 74%, was attributable to an increase in the number of units sold and approximately \$712,660, or 26%, was attributable to product mix and an increase in the average net sales price of our products. Cost of goods sold increased approximately \$353,000, or 20%, to approximately \$2,077,000 for the six months ended June 30, 2015, compared with approximately \$1,724,000 for the six months ended June 30, 2014. Cost of goods sold as a percentage of revenue was approximately 22% and 26% for the six months ended June 30, 2015 and 2014, respectively, which was primarily attributable to a favorable change in product mix.

Operating Expenses

Our principal operating costs include the following items as a percentage of total operating expenses.

|  | Six Months<br>Ended<br>June 30, |       |
|--|---------------------------------|-------|
|  | 2015                            | 2014  |
| Research and development costs                               | 76.5%                           | 57.2% |
| Human resource costs, including salaries, benefits and taxes | 11.1%                           | 21.3% |
| Sales and marketing costs, excluding human resource costs    | 5.3 %                           | 11.5% |
| Professional fees for legal, accounting and consulting       | 3.5 %                           | 4.0 % |
| Other operating expenses                                     | 3.6 %                           | 6.0 % |

Operating expenses increased by approximately \$30,688,000 or 124%, to approximately \$55,424,000 for the six months ended June 30, 2015, from approximately \$24,736,000 for the six months ended June 30, 2014 as a result of the following items:



|  |          |
|--|----------|
|  | (000s)   |
| Increase in research and development costs                               | \$28,224 |
| Increase in professional fees for legal, accounting and consulting       | 965      |
| Increase in human resource costs, including salaries, benefits and taxes | 911      |
| Increase in other operating expenses                                     | 500      |
| Increase in sales and marketing, excluding human resource costs          | 88       |
|  | \$30,688 |

Research and development costs for the six months ended June 30, 2015 increased by approximately \$28,224,000, or 200%, to approximately \$42,367,000, compared with \$14,143,000 for the six months ended June 30, 2014. Research and development costs include costs related to clinical trials as well as salaries, wages, non-cash compensation and benefits of personnel involved in research and development activities. Research and development costs increased as a direct result of the development of our hormone therapy candidates and related clinical trials. Research and development costs during the six months ended June 30, 2015 included the following research and development projects.

During the six months ending June 30, 2015 and the period from February 2013 (project inception) through June 30, 2015, we have incurred approximately \$19,329,000 and \$50,261,000, respectively, in research and development costs with respect to TX-001HR, our combination estradiol and progesterone drug candidate.

During the six months ended June 30, 2015 and the period April 2013 (project inception) through June 30, 2015, we have incurred approximately \$12,000 and \$2,514,000, respectively, in research and development costs with respect to TX-002HR, our progesterone only drug candidate.

During the six months ended June 30, 2015 and the period from August 2014 (project inception) through June 30, 2015, we have incurred approximately \$13,661,000 and \$17,644,000, respectively, in research and development costs with respect to TX-004HR, our vaginal suppository estradiol drug candidate.

For a discussion of the nature of efforts and steps necessary to complete these projects, see “Item 1. Business — Research and Development.” For a discussion of the risks and uncertainties associated with completing development of our products, see “Item 1A. Risk Factors — Risks Related to Our Business” in our Annual Report. For a discussion of the extent and nature of additional resources that we may need to obtain if our current liquidity is not expected to be sufficient to complete these projects, see “— Liquidity and Capital Resources.” For a discussion as to whether a future milestone such as completion of a development phase, date of filing an NDA with a regulatory agency or approval from a regulatory agency can be reliably determined, see “Item 1. Business — Our Hormone Therapy Drug Candidates,” “Item 1. Business — Products in Development” and “Item 1. Business — Pharmaceutical Regulation” in our Annual Report. Future milestones, including NDA submission dates, are not easily determinable as such milestones are dependent on various factors related to our clinical trials, including the timing of ongoing patient recruitment efforts to find eligible subjects for the applicable trials.

Professional fees for the six months ended June 30, 2015 increased by approximately \$965,000, or 99%, to approximately \$1,943,000, compared with \$978,000 for the six months ended June 30, 2014, as a result of higher legal, consulting, accounting and Board of Director expenses.

Human resource costs, including salaries, benefits and taxes, for the six months ended June 30, 2015 increased by approximately \$911,000, or 17%, to approximately \$6,179,000, compared with \$5,268,000 for the six months ended June 30, 2014, primarily as a result of an increase of approximately \$735,000 in personnel costs, and an increase of approximately \$176,000 in non-cash compensation related to stock option awards.

Other operating expense for the six months ended June 30, 2015 increased by approximately \$500,000, or 33%, to approximately \$2,000,000, compared with approximately \$1,500,000 for the six months ended June 30, 2014, primarily as a result of increases in data services and insurance expenses.

Sales and marketing costs for the six months ended June 30, 2015 increased by approximately \$88,000, or 3%, to approximately \$2,934,000, compared with \$2,846,000 for the six months ended June 30, 2014, as a result of increased commission expense during the six months ended June 30, 2015, partially offset by decreased marketing expense following the launch of our VitaPearl and Prenal Pearl products during the first quarter of 2014.

### Operating Loss

As a result of the foregoing, our operating loss increased approximately \$28,300,000, or 142%, to approximately \$48,178,000 for the six months ended June 30, 2015, compared with approximately \$19,878,000 for the six months ended June 30, 2014, primarily as a result of increased research and development costs associated with our continued development of our hormone therapy drug candidates, partially offset by increased revenue from sales of our prenatal vitamin products.

As a result of the continued development of our hormone therapy drug candidates, we anticipate that we will continue to have operating losses for the near future until our hormone therapy drug candidates are approved by the FDA and brought to market, although there is no assurance that we will attain such approvals or that any marketing of our hormone therapy drug candidates, if approved, will be successful.

### Total other income (expense)

Total other income (expense) changed by approximately \$260,000, or 127%, to non-operating income of approximately \$56,000 for the six months ended June 30, 2015 compared with an expense of approximately \$204,000 for the comparable period in 2014. This change was primarily a result of the elimination of financing costs for the six months ended June 30, 2015.

### Net Loss

As a result of the net effects of the foregoing, net loss increased approximately \$28,040,000, or 140%, to approximately \$48,122,000 for the six months ended June 30, 2015, compared with approximately \$20,082,000 for the six months ended June 30, 2014. Net loss per share of Common Stock, basic and diluted, was \$0.29 for the six months ended June 30, 2015, compared with \$0.14 per share of Common Stock for the six months ended June 30, 2014.

### **Liquidity and Capital Resources**

We have funded our operations primarily through the private placement of equity and debt securities, and public offerings of our Common Stock. For the years ending December 31, 2014 and 2013, we received approximately \$43 million and \$79 million in net proceeds, respectively, from the issuance of shares of our Common Stock. As of June 30, 2015, we had cash and cash equivalents totaling approximately \$67 million, however, changing circumstances may cause us to consume funds significantly faster than we currently anticipate, and we may need to spend more money than currently expected because of circumstances beyond our control.

On February 10, 2015, we entered into an underwriting agreement, or the Cowen Agreement, with Cowen and Company, LLC, as the representative of the several underwriters, or the Cowen Underwriters, relating to an underwritten public offering of 13,580,246 shares of our Common Stock, at a public offering price of \$4.05 per share. Under the terms of the Cowen Agreement, we granted the Cowen Underwriters a 30-day option to purchase up to an aggregate of 2,037,036 additional shares of Common Stock, which option was exercised in full. The net proceeds to us from the offering were approximately \$59.1 million, after deducting underwriting discounts and commissions and other estimated offering expenses payable by us. The offering closed on February 17, 2015.

On July 9, 2015, subsequent to the period covered by the Quarterly Report on Form 10-Q, we entered into an underwriting agreement with Stifel, Nicolaus & Company, Incorporated and Guggenheim Securities, LLC, as the representatives of the several underwriters, or the Stifel Underwriters, relating to an underwritten public offering of 3,846,154 shares of Common Stock at a public offering price of \$7.80 per share. Under the terms of the underwriting agreement, we granted the Stifel Underwriters a 30-day option to purchase up to an aggregate of 576,923 additional shares of Common Stock, which option was exercised in full. The net proceeds to us from the offering were approximately \$32.2 million, after deducting underwriting discounts and commissions and other estimated offering expenses payable by us. The offering closed on July 15, 2015.

We believe that our existing cash will allow us to fund our operating plan through at least the next 12 months. If our available cash is insufficient to satisfy our liquidity requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, or declaring dividends. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our existing stockholders will be diluted, and the terms of these new securities may include liquidation or other preferences that adversely affect the rights of our existing stockholders. If we raise additional funds through collaborations, strategic alliances, or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs, or proposed products. Additionally, we may have to grant licenses on terms that may not be favorable to us.

We need substantial amounts of cash to complete the clinical development of our hormone therapy drug candidates. The following table sets forth the primary sources and uses of cash for each of the periods set forth below:

Summary of (Uses) and Sources of Cash

|   | Six Months Ended |            |
|---|------------------|------------|
|   | June 30,         |            |
|   | 2015             | 2014       |
|   | (000)            |            |
| Net cash flows used in operating activities | \$(43,997)       | \$(18,778) |

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|   |          |          |
|---|----------|----------|
| Net cash flows used in investing activities     | \$(94 )  | \$(233 ) |
| Net cash flows provided by financing activities | \$59,975 | \$374    |

*Operating Activities*

The use of cash in both periods resulted primarily from our net loss adjusted for non-cash charges and changes in components of working capital. The increase of approximately \$25,219,000 in cash used in operating activities for the six months ended June 30, 2015 compared with the comparable period in the prior year was due primarily to increased research and development, and sales, general, and administrative costs. These were partially offset by an increase of approximately \$2,741,000 in revenue over the same periods.

### *Investing Activities*

A reduction in spending on patent and trademarks and property and equipment resulted in a minor decrease in cash used in investing activities for the six months ended June 30, 2015 compared with the same period in 2014.

### *Financing Activities*

Financing activities represent the principal source of our cash flow. Our financing activities for the six months ended June 30, 2015 consisted of the proceeds from the February 2015 underwritten public offering of our Common Stock and stock option and warrant exercises.

### **Contractual Obligations**

On February 18, 2015, we entered into an agreement to lease additional administrative office space in Boca Raton, Florida, pursuant to an addendum to our existing 63 month non-cancelable operating lease that commenced on July 1, 2013 and expires on September 30, 2018. This addendum became effective April 1, 2015 and will expire with the original lease term on September 30, 2018. The lease addendum stipulates, among other things, average base monthly rents of \$9,367 (inclusive of estimated operating expenses) and sales tax, for a total future minimum payments over the life of the lease of \$393,429.

### **New Accounting Pronouncements**

#### Recently Issued Accounting Pronouncements

In June 2015, the Financial Accounting Standards Board, or FASB issued Accounting Standards Update, or ASU, Technical Corrections and Improvements, No. 2015-10, to correct differences between original guidance and the Accounting Standards Codification, or ASC, clarify the guidance, correct references and make minor improvements affecting a variety of topics. Amendments that the FASB deemed more substantive are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The other amendments are effective immediately. We do not expect the adoption of ASU 2015-10 to have a material effect on our consolidated financial statements and disclosures.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. ASU 2014-15 requires management to evaluate whether there are conditions and events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued (or available to be issued when applicable) and, if so, disclose that fact. ASU 2014-15 is effective for annual periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016. Early adoption is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. We do not expect the adoption of ASU 2014-15 to have a material effect on our consolidated financial statements and disclosures.



In May 2014, the FASB and the International Accounting Standards Board (IASB) issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under previous guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligations. On July 9, 2015, FASB approved the proposal to defer the effective date of ASU 2014-09 standard by one year. Early adoption is permitted as December 15, 2016, and the standard is effective for public entities for annual reporting periods beginning after December 15, 2017 and interim periods therein. We are currently evaluating the impact of ASU 2014-09 on our consolidated financial statements and disclosures.

We do not believe there would have been a material effect on the accompanying consolidated financial statements had any other recently issued, but not yet effective, accounting standards been adopted in the current period.

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

Our market risk has not changed materially from the interest rate risk disclosed in Item 7A of our Annual Report.

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

#### Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms and is accumulated and communicated to our principal executive officer and principal financial officer, as appropriate, in order to allow timely decisions in connection with required disclosure.

#### Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q were effective in providing reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, misstatements, errors, and instances of fraud, if any, within our company have been or will be prevented or detected. Further, internal controls may become inadequate as a result of changes in conditions, or through the deterioration of the degree of compliance with policies or procedures.

Changes in Internal Controls

During the three months ended June 30, 2015, there were no significant changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings**

From time to time, we are involved in litigation and proceedings in the ordinary course of our business. We are not currently involved in any legal proceeding that we believe would have a material adverse effect on our business or financial condition.

**Item 1A. Risk Factors**

There have been no material changes to the risk factors previously disclosed in our Annual Report.

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

On May 13, 2015, we issued 20,000 shares of our Common Stock upon the exercise of warrants previously issued to an outside service provider. We received proceeds of \$7,600 in connection with this exercise. Proceeds from this transaction were used in working capital. The shares of Common Stock were issued in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended.

**Item 6. Exhibits**

| <b>Exhibit</b> | <b>Date</b> | <b>Description</b> |
|----------------|-------------|--------------------|
|----------------|-------------|--------------------|

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|          |                |   |
|----------|----------------|---|
| 3.1*     | August 7, 2015 | <u>Composite Amended and Restated Articles of Incorporation of the Company, as amended</u>    |
| 31.1*    | August 7, 2015 | <u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a)</u> |
| 31.2*    | August 7, 2015 | <u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a)</u> |
| 32.1*    | August 7, 2015 | <u>Section 1350 Certification of Chief Executive Officer</u>                                  |
| 32.2*    | August 7, 2015 | <u>Section 1350 Certification of Chief Financial Officer</u>                                  |
| 101.INS* | n/a            | XBRL Instance Document  |
| 101.SCH* | n/a            | XBRL Taxonomy Extension Schema Document   |
| 101.CAL* | n/a            | XBRL Taxonomy Extension Calculation Linkbase Document   |
| 101.DEF* | n/a            | XBRL Taxonomy Extension Definition Linkbase Instance Document                                 |
| 101.LAB* | n/a            | XBRL Taxonomy Extension Label Linkbase Instance Document                                      |
| 101.PRE* | n/a            | XBRL Taxonomy Extension Presentation Linkbase Instance Document                               |

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\* Filed herewith.

**SIGNATURES**

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

DATE: August 7, 2015

**THERAPEUTICSMD, INC.**

By: */s/ Robert G. Finizio*  
Robert G. Finizio  
Chief Executive Officer  
(Principal Executive Officer)

By: */s/ Daniel A. Cartwright*  
Daniel A. Cartwright  
Chief Financial Officer  
(Principal Financial and Accounting Officer)