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

FORM 10-Q

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

For the quarterly period ended September 30, 2016

OR

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

Commission file number: 333-184487

IMMUDYNE, INC.
(Exact name of registrant as specified in its charter)

Delaware	**76-0238453**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
50 Spring Meadow Rd. Mount Kisco, NY	**10549**
(Address of principal executive offices)	(Zip Code)

(914) 244-1777
(Registrant's telephone number, including area code)

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the last 90 days.

YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES ☒ NO ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer (do not check if a smaller reporting company)	☐	Smaller reporting company	☒

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

YES ☐ NO ☒

34,760,375 shares of common stock outstanding as of November 14, 2016.

Immudyne, Inc.

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NOTE ABOUT FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") regarding our company that include, but are not limited to, projections of earnings, revenue or other financial items; statements of the plans, strategies and objectives of management for future operations; statements concerning proposed new products, services or developments; statements regarding future economic conditions or performance; statements of belief; and statements of assumptions underlying any of the foregoing. These forward-looking statements are based on our current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by us. Words such as "anticipates," "expects," "intends," "plans," "predicts," "potential," "believes," "seeks," "hopes," "estimates," "should," "may," "will," "with a view to" and variations of these words or similar expressions are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are set forth in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Our Business" and other sections in this report. Other sections of this report include additional factors that could adversely impact our business and financial performance.

Unless otherwise indicated, information in this report concerning economic conditions and our industry is based on information from independent industry analysts and publications, as well as our estimates. Except where otherwise noted, our estimates are derived from publicly available information released by third party sources, as well as data from our internal research, and are based on such data and our knowledge of our industry, which we believe to be reasonable. Unless otherwise indicated, none of the independent industry publication market data cited in this report was prepared on our or our affiliates' behalf.

The forward-looking statements made in this report are based only on events or information as of the date on which the statements are made in this report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this report and the documents we refer to in this report and have filed as exhibits to this report completely and with the understanding that our actual future results may be materially different from what we expect.

Additional information on the various risks and uncertainties potentially affecting our operating results are discussed in this report and other documents we file with the Securities and Exchange Commission (the "SEC"). We undertake no obligation to revise or update publicly any forward-looking statements for any reason, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on these forward-looking statements.

As used in this report, "Immudyne," "Company," "we," "our" and similar terms refer to Immudyne Inc., unless the context indicates otherwise.

Immudyne, Inc
Consolidated Balance Sheets

	September 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Current Assets		
Cash	$ 473,921	$ 232,984
Trade accounts receivable, net	474,924	154,436
Inventory, net	130,530	61,051
Total Current Assets	$ 1,079,375	$ 448,471
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 408,194	$ 167,481
Notes payable, net of discount	214,115	100,000
Total Current Liabilities	622,309	267,481
Immudyne, Inc. Stockholders' equity		
Common stock, $0.01 par value; 50,000,000 shares authorized, 34,697,875 and 32,010,375 shares issued, 34,678,512 and 32,010,375 outstanding as of September 30, 2016 and December 31, 2015, respectively	346,978	320,103
Additional paid-in capital	9,032,728	8,366,313
Accumulated (deficit)	(9,075,014)	(8,586,338)
	304,692	100,078
Treasury stock,19,363 shares, at cost	(4,720)	-
Total Immudyne, Inc. Stockholders' Equity	299,972	100,078
Non-controlling interest	157,094	80,912
Total Stockholders' Equity	457,066	180,990
Total Liabilities and Stockholders' Equity	$ 1,079,375	$ 448,471

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

Immudyne, Inc
Consolidated Statements of Operations
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Net sales	$ 1,384,429	$ 279,883	$ 4,252,704	$ 845,513
Cost of sales	942,738	73,988	2,981,657	237,707
Gross Profit	441,691	205,895	1,271,047	607,806
Operating expenses				
Compensation and related expenses	361,829	101,137	1,077,340	301,301
Professional fees	82,608	29,237	277,282	91,059
General and administrative expenses	204,958	57,580	382,857	206,841
Total operating expenses	649,395	187,954	1,737,479	599,201
Operating Income (Loss)	(207,704)	17,941	(466,432)	8,605
Interest (expense)	(9,992)	(14,422)	(15,805)	(33,048)
Net Income (Loss) Before Taxes	(217,696)	3,519	(482,237)	(24,443)
Deferred income tax benefit	-	4,600	-	13,200
Net Income (Loss)	(217,696)	8,119	(482,237)	(11,243)
Net income (loss) attributable to noncontrolling interests	8,955	-	6,439	-
Net Income (loss) attributable to Immudyne, Inc.	$ (226,651)	$ 8,119	$ (488,676)	$ (11,243)
Basic and diluted (loss) per share attributable to Immudyne, Inc.	$ (0.01)	$ 0.00	$ (0.02)	$ 0.00
Average number of common shares outstanding				
Basic	34,427,087	30,650,000	31,917,873	30,663,306
Diluted	34,427,087	30,650,000	31,917,873	30,663,306

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

Immudyne, Inc

Consolidated Statement of Stockholders' Equity
For the nine months ended September 30, 2016
(unaudited)

	Immudyne, Inc.								
	Common Stock		Additional Paid-in	Accumulated	Treasury	Sub	Noncontrolling	
	Shares	Amount	Capital	(Deficit)	Stock	Total	interest	Total
Balance at December 31, 2015	32,010,375	$ 320,103	$8,366,313	$ (8,586,338)	$ -	$ 100,078	$ 80,912	$ 180,990
Amortization of stock options	-	-	133,324	-	-	133,324	-	133,324
Issuance of common stock for services	2,300,000	23,000	283,667	-	-	306,667	-	306,667
Sale of common stock and warrants	200,000	2,000	44,000	-	-	46,000		46,000
Issuance of common stock in relation to debt offering	187,500	1,875	40,000	-	-	41,875		41,875
Issuance of warrants for services	-	-	20,585	-	-	20,585		20,585
Reduction in noncontrolling interest	-	-	91,612	-	-	91,612	(91,612)	-
Purchase of treasury stock	-	-	-	-	(4,720)	(4,720)		(4,720)
Issuance of stock options	-	-	53,227	-	-	53,227	-	53,227
Investment in subsidiary by noncontrolling interest	-	-	-	-	-	-	161,355	161,355
Net (loss)	-	-	-	(488,676)	-	(488,676)	6,439	(482,237)
Balance at September 30, 2016	34,697,875	$ 346,978	$9,032,728	$ (9,075,014)	$ (4,720)	$ 299,972	$ 157,094	$ 457,066

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

Immudyne, Inc

Consolidated Statements of Cash Flows

(unaudited)

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss)	$ (482,237)	$ (11,243)
Adjustments to reconcile net (loss) to net cash (used) by operating activities		
Depreciation	-	43,748
Bad debt provision	(43,558)	-
Amortization of debt discount	5,990	-
Deferred tax benefit	-	(13,200)
Stock compensation expense	493,218	14,500
Issuance of warrants for services	20,585	-
Changes in Assets And Liabilities		
Trade accounts receivable	(276,930)	(116,754)
Inventory	(69,479)	1,579
Accounts payable and accrued expenses	240,713	1,059
Net cash (used) by operating activities	(111,698)	(80,311)
CASH FLOWS FROM FINANCING ACTIVITIES		
Investment in subsidiary by noncontrolling interest	161,355	-
Increase in notes payable	150,000	205,000
Repayment of notes payable	-	(115,522)
Sale of common stock and warrants	46,000	-
Purchase of treasury stock	(4,720)	(10,800)
Net cash provided by financing activities	352,635	78,678
Net increase (decrease) in cash	240,937	(1,633)
Cash at beginning of the period	232,984	75,495
Cash at end of the period	$ 473,921	$ 73,862
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$ 8,563	$ 24,547
Issuance of common stock for notes payable	$ -	$ 10,200
Issuance of common stock in relation to debt offering	$ 41,875	$ -
Issuance of common stock for services	$ 581,093	$ -

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

1. Organization and Going Concern

Immudyne, Inc. (the "Company") is a Delaware corporation established to develop, manufacture and sell natural immune support products containing the Company's proprietary yeast beta glucans, a group of beta glucans naturally occurring in the cell walls of yeast that have been shown through testing and analysis to support the immune system. The Company's products include once a day oral intake tablets and topical creams and gels for skin application. The Company concentrates its sales and marketing efforts on healthcare professionals, distributors for its all-natural raw material ingredient products and direct-to-consumer sales.

In 2015, the Company formed a joint venture domiciled in Puerto Rico, Innate Skincare, LLC d/b/a Innate Scientific, LLC ("Innate"). Under the terms of the joint venture agreement, the Company held a 33.3% equity interest, and a 51% controlling voting interest, in Innate. On January 20, 2016, Innate amended its limited liability company operating agreement and changed its legal name to Immudyne PR LLC ("Immudyne PR"). On April 1, 2016, Immudyne PR further amended its operating agreement and restated the Company's ownership and voting interest in Immudyne PR increased to 78.16667% resulting in a charge to noncontrolling interest and additional paid-in-capital of $91,612. Immudyne PR was formed to launch a complete skin care regime formulated using strategic ingredients provided by the Company. Immudyne PR is also currently pursuing other opportunities.

The Company has funded operations in the past through the sales of its products, issuance of common stock and through loans and advances from officers and directors. The Company's continued operations are dependent upon obtaining an increase in its sales volume and the continued financial support from officers and directors or the issuance of additional shares of common stock.

The accompanying financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the satisfaction of liabilities in the normal course of business. At September 30, 2016, the Company has an accumulated deficit approximating $9.1 million and has incurred negative cash flows from operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Based on the Company's cash balance at September 30, 2016, and projected cash needs for 2017, management estimates that it may need to increase sales revenue and/or raise additional capital to cover operating and capital requirements for the 2017 year. Management may raise the additional needed funds through increased sales volume, issuing additional shares of common stock or other equity securities, or obtaining debt financing. Although management has been successful to date in raising necessary funding, there can be no assurance that sales revenue will substantially increase or that any required future financing can be successfully completed on a timely basis, or on terms acceptable to the Company.

2. Summary of Significant Accounting Policies

Unaudited Financial Statements

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for financial information and with the instructions to Form 10-Q. They do not include all information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The unaudited financial statements should be read in conjunction with those financial statements included in the Company's previously filed Form 10-K for the year ended December 31, 2015. In the opinion of management, all adjustments considered necessary for a fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

Basis of Presentation and Use of Estimates

The consolidated financial statements include the accounts of the Company and its controlled subsidiary, Immudyne PR. The non-controlling interest in Immudyne PR represents the 21.833% equity interest held by other members of the joint venture. All intercompany transactions have been eliminated.

The Company prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Some of the more significant estimates required to be made by management include the valuation of inventory and stockholders' equity based transactions. Actual results could differ from those estimates.

Inventory

At September 30, 2016 and December 31, 2015, inventory consisted primarily of cosmetic and nutraceutical additives, and finished cosmetic products. Inventory is maintained in the Company's leased Kentucky warehouse and third party warehouses in Pennsylvania and Louisiana.

2. Summary of Significant Accounting Policies (continued)

Inventory (continued)

Inventory is valued at the lower of cost or market with cost determined on a first-in, first-out ("FIFO") basis. Management compares the cost of inventory with the net realizable value and an allowance is made for writing down inventory to market value, if lower. At September 30, 2016 and December 31, 2015, the Company recorded an inventory reserve in the amount of $20,000. Inventory consists of the following:

	September 30, 2016	December 31, 2015
Raw materials	$ 49,083	$ 25,761
Finished products	81,447	35,290
	$ 130,530	$ 61,051

Revenue Recognition

The Company's policy is to record revenue as earned when a firm commitment, indicating sales quantity and price exists, delivery has taken place and collectability is reasonably assured. The Company generally records sales of nutraceutical and cosmetic additives once the product is shipped to the customer, and for sales of finished cosmetic products once the customer places the order and the product is simultaneously shipped, but in limited cases if title does not pass until the product reaches the customer's delivery site, then recognition of revenue is deferred until that time. Delivery is considered to have occurred when title and risk of loss have transferred to the customer. Provisions for discounts, returns, allowances, customer rebates and other adjustments are netted with gross sales. The Company accounts for such provisions during the same period in which the related revenues are earned. Customer discounts, returns and rebates approximated $530,000 and $1,578,000 in the three-month and nine-month periods ended September 30, 2016, respectively. Customer discounts, returns and rebates were not significant in the three-month and nine-month periods ended September 30, 2015.

Delivery is considered to have occurred when title and risk of loss have transferred to the customer. If title does not pass until the product reaches the customer's delivery site or the customer accepts the product, then recognition of revenue is deferred until that time. There are no formal sales incentives offered to any of the Company's customers. Volume discounts may be offered from time to time to customers purchasing large quantities on a per transaction basis.

Revenue for the nine-month period ended September 30, 2016 consisted of nutraceutical and cosmetic additives ($757,961) and finished cosmetic products ($3,494,743). Revenue for the nine month period ended September 30, 2015 consisted solely of nutraceutical and cosmetic additives. Revenue for the three-month period ended September 30, 2016 consisted of nutraceutical and cosmetic additives ($229,741) and finished cosmetic products ($1,154,688). Revenue for the three month period ended September 30, 2015 consisted solely of nutraceutical and cosmetic additives.

Accounts receivable

Accounts receivable are carried at original invoice amount less an estimate made for holdbacks and doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions and sets up an allowance for doubtful accounts when collection is uncertain. Customers' accounts are written off when all attempts to collect have been exhausted. Recoveries of accounts receivable previously written off are recorded as income when received. At September 30, 2016 and December 31, 2015 the accounts receivable reserve was approximately $122,000 and $18,000, respectively.

2. Summary of Significant Accounting Policies (continued)

Segments

The guidance for disclosures about segments of an enterprise requires that a public business enterprise report financial and descriptive information about its operating segments. Generally, financial information is required to be reported on the basis used internally for evaluating segment performance and resource allocation. The Company manages its operations in two reportable segments for purposes of assessing performance and making operating decisions. Revenue is generated predominately in the United States, and all significant assets are held in the United States, or United States territories.

A summary of the company's reportable segments is as follows:

Total assets:

	September 30, 2016	December 31, 2015
Nutraceutical and Cosmetic Additives	$ 519,646	$ 412,324
Finished Cosmetic Products	695,205	101,828
Eliminations	(135,476)	(65,681)
Total	**$ 1,079,375**	**$ 448,471**

Total sales:

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Nutraceutical and Cosmetic Additives	$ 229,741	$ 279,883	$ 780,961	$ 845,513
Finished Cosmetic Products	1,154,688	-	3,494,743	-
Eliminations	-	-	(23,000)	-
Total	**$ 1,384,429**	**$ 279,883**	**$ 4,252,704**	**$ 845,513**

Net (loss) income:

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Nutraceutical and Cosmetic Additives	$ (258,713)	$ 8,119	$ (653,757)	$ (11,243)
Finished Cosmetic Products	41,017	-	171,520	-
Eliminations	-	-	-	-
Total	**$ (217,696)**	**$ 8,119**	**$ (482,237)**	**$ (11,243)**

As of and for the nine months ended September 30, 2015, there were no assets, sales or net loss relative to the finished cosmetic products segment.

2. Summary of Significant Accounting Policies (continued)

Income Taxes

The Company files Corporate Federal and State tax returns, while Immudyne PR, which was formed as a limited liability corporation, files a separate tax return with any tax liabilities or benefits passing through to its members.

The Company records current and deferred taxes in accordance with Accounting Standards Codification (ASC) 740, "Accounting for Income Taxes." This ASC requires recognition of deferred tax assets and liabilities for temporary differences between tax basis of assets and liabilities and the amounts at which they are carried in the financial statements, based upon the enacted rates in effect for the year in which the differences are expected to reverse. The Company establishes a valuation allowance when necessary to reduce deferred tax assets to the amount expected to be realized. The Company periodically assesses the value of its deferred tax asset, a majority of which has been generated by a history of net operating losses and determines the necessity for a valuation allowance. ASC 740 also provides a recognition threshold and measurement attribute for the financial statement recognition of a tax position taken or expected to be taken in a tax return. Using this guidance, a company may recognize the tax benefit from an uncertain tax position in its financial statements only if it is more likely-than-not (i.e., a likelihood of more than 50%) that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

The Company's tax returns for all years since December 31, 2012, remain open to taxing authorities.

Stock-Based Compensation

The Company follows the provisions of ASC 718, "Share-Based Payment". Under this guidance compensation cost generally is recognized at fair value on the date of the grant and amortized over the respective vesting periods. The fair value of options at the date of grant is estimated using the Black-Scholes option pricing model. The expected option life is derived from assumed exercise rates based upon historical exercise patterns and represents the period of time that options granted are expected to be outstanding. The expected volatility is based upon historical volatility of the Company's shares using weekly price observations over an observation period that approximates the expected life of the options. The risk-free rate approximates the U.S. Treasury yield curve rate in effect at the time of grant for periods similar to the expected option life. Due to limited history of forfeitures, the estimated forfeiture rate included in the option valuation was zero.

Many of the assumptions require significant judgment and any changes could have a material impact in the determination of stock-based compensation expense.

2. Summary of Significant Accounting Policies (continued)

Earnings (Loss) Per Share

Basic earnings (loss) per common share is based on the weighted average number of shares outstanding during each period presented. Warrants and options to purchase common stock are included as common stock equivalents only when dilutive. Potential common stock equivalents are excluded from dilutive earnings per share when the effects would be antidilutive.

Common stock equivalents comprising shares underlying 12,950,273 options and warrants for the three and nine months ended September 30, 2016 have not been included in the loss per share calculation as the effects are anti-dilutive. Common stock equivalents comprising shares underlying 12,425,800 options and warrants for the three and nine months ended September 30, 2015 have not been included in the loss per share calculations as the effects are anti-dilutive.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"). ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing diversity in practice regarding how certain cash receipts and cash payments are presented in the statement of cash flows. The standard provides guidance on the classification of the following items: (1) debt prepayment or debt extinguishment costs, (2) settlement of zero-coupon debt instruments, (3) contingent consideration payments made after a business combination, (4) proceeds from the settlement of insurance claims, (5) proceeds from the settlement of corporate-owned life insurance policies, (6) distributions received from equity method investments, (7) beneficial interests in securitization transactions, and (8) separately identifiable cash flows. The Company is required to adopt ASU 2016-15 for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017 on a retrospective basis. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact of adoption of ASU 2016-15.

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09, "*Compensation – Stock Compensation: Improvements to Employee Share-Based Payment Accounting*," which relates to the accounting for employee share-based payments. This standard addresses several aspects of the accounting for share-based payment award transactions, including: (a) income tax consequences; (b) classification flows of awards as either equity or liabilities; and (c) classification on the statement of cash flows. This standard will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company is in the process of evaluating the impact of the adoption of ASU 2016-09 on its consolidated financial statements.

In February 2016, a pronouncement was issued that creates new accounting and reporting guidelines for leasing arrangements. The new guidance requires organizations that lease assets to recognize assets and liabilities on the balance sheet related to the rights and obligations created by those leases, regardless of whether they are classified as finance or operating leases. Consistent with current guidance, the recognition, measurement, and presentation of expenses and cash flows arising from a lease primarily will depend on its classification as a finance or operating lease. The guidance also requires new disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The new standard is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, with early application permitted. The new standard is to be applied using a modified retrospective approach. The Company is in the process of evaluating the impact of the new pronouncement on its consolidated financial statements.

In May 2014, the Financial Accounting Standards Board ("FASB") issued accounting guidance, "Revenue from Contracts with Customers." The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and clarify guidance for multiple-element arrangements. The standard will be effective for fiscal years and interim periods within those years beginning after December 15, 2017. Accordingly, the Company will adopt this standard in the first quarter of fiscal year 2018. The Company is currently evaluating the impact this guidance will have on the consolidated financial statements.

2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-11, "Simplifying the Measurement of Inventory." ASU 2015-11 applies to inventory that is measured using first-in, first-out (FIFO) or average cost. An entity should measure inventory within the scope of ASU 2015-11 at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016. The Company is in the process of evaluating the impact of this ASU on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements-Going Concern". This ASU is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. It is effective for annual periods beginning after December 15, 2016, with early adoption permitted. The Company does not expect it to have a material effect on the Company's consolidated financial condition, results of operations, and cash flows.

All other accounting standards that have been issued or proposed by the FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

Fair Value of Financial Instruments

The carrying value of the Company's financial instruments, including cash, trade accounts receivable and accounts payable and accrued expenses and the face amount of notes payable approximate fair value for all periods.

Noncontrolling Interests

The Company accounts for its less than 100% interest in Immudyne PR in accordance with ASC Topic 810, Consolidation, and accordingly the Company presents noncontrolling interests as a component of equity on its consolidated balance sheet and reports the noncontrolling interest's share of the Immudyne PR net loss attributable to noncontrolling interests in the consolidated statement of operations.

Concentration of Credit Risk

The Company grants credit in the normal course of business to its customers. The Company periodically performs credit analysis and monitors the financial condition of its customers to reduce credit risk.

The Company monitors its positions with, and the credit quality of, the financial institutions with which it invests. The Company, at times, maintains balances in various operating accounts in excess of federally insured limits.

2. Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk (continued)

One customer in the nutraceutical and cosmetic additives division accounted for 13% and 81% of consolidated sales for each of the three month periods ended September 30, 2016 and 2015, respectively. This customer accounted for 15% and 83% of consolidated sales for the nine month periods ended September 30, 2016 and 2015, respectively. This customer accounted for 0% and 43% of accounts receivable at September 30, 2016 and December 31, 2015, respectively.

A second customer in the nutraceutical and cosmetic additives division accounted for 3% and 13% of consolidated sales for each of the three month periods ended September 30, 2016 and 2015, respectively. This customer accounted for 2% and 13% of consolidated sales for the nine month periods ended September 30, 2016 and 2015, respectively. This customer accounted for 0% and 24% of accounts receivable at September 30, 2016 and December 31, 2015, respectively.

3. Notes Payable

The Company periodically borrows from officers, directors, other related individuals and from commercial lenders. In November 2015 the Company borrowed $100,000 from a commercial lender. The loan incurs interest at 11% and is payable on November 1, 2016 (See Note 9). Interest expense related to this loan for the three and nine months ended September 30, 2016 amounted to $2,750 and $8,250, respectively. During the three and nine months ended September 30, 2015 interest expense related to a loan from a second commercial lender amounted to $5,175 and $23,517, respectively.

In the third quarter of 2016 the Company commenced an offering pursuant to which it offered 11% subordinated promissory notes due in six (6) months in fifty thousand ($50,000) dollar increments combined with 62,500 shares of the Company's Common Stock for a maximum offering amount of $200,000 (the "Offering"). In August and September 2016, the Company sold promissory notes totaling $150,000 to three unrelated individuals. Two of the promissory notes totaling $100,000 are payable in February 2017 and one promissory note for $50,000 is payable in March 2017. In connection with these promissory notes sold pursuant to the Offering, the Company issued 187,500 shares of common stock valued at $41,875 which was recorded as a debt discount and will be amortized over the term of these notes. Amortization of the debt discounts for the three and nine months ended September 30, 2016 was $5,990. As of September 30, 2016, the outstanding balance of these notes were $150,000. Interest expense related to these notes for the three months ended September 30, 2016 amounted to $1,253.

Interest expense related to loans from officers, directors and other related individuals amounted to $313 and $9,531 for the nine month periods ended September 30, 2016 and 2015, respectively. Interest expense amounted to $0 and $9,247 for the three months ended September 30, 2016 and 2015, respectively.

Total interest expense on notes payable, inclusive of amortization of debt discount of $5,990 and $0, amounted to $15,805 and $33,048 for the nine months ended September 30, 2016 and 2015, respectively. Total interest expense, inclusive of amortization of debt discount of $5,990 and $0, amounted to $9,992 and $14,422 for the three months ended September 30, 2016 and 2015, respectively.

4. Income Taxes

The Company is not expected to have taxable income in 2016 and incurred a loss for the year ended December 31, 2015 and accordingly, no provision for federal income tax has been made in the accompanying financial statements. At December 31, 2015, the Company had available net operating loss carryforwards of approximately $2,730,000, expiring during various years through 2035.

A summary of the deferred tax asset using an approximate 34% tax rate is as follows:

Deferred Tax Asset	$ 930,000
Valuation allowance	(930,000)
Total	$ -

The net operating loss carryforwards could be subject to limitation in any given year in the event of a change in ownership as defined by IRC Section 382.

The deferred tax benefit included in the 2015 statement of operations represents the change in the deferred tax liability at each balance sheet date.

The difference between the statutory and the effective tax rate is primarily due to a change in valuation allowance on deferred taxes, as the Company has fully reserved the deferred tax asset resulting from available net operating loss carryforwards.

5. Stockholders' Equity

On April 1, 2016, the Company entered into two agreements with two consultants to provide services over a nine month period in exchange for 2,300,000 shares of common stock. The Company calculated a fair value of $690,000 based on the market price of the shares on the date of the agreements. During the third quarter of 2016, the Company and the consultants renegotiated the agreements by extending the service requirement to December 31, 2017. For the three and nine months ended September 30, 2016, the Company has recognized expense of $76,667 and $306,667, respectively, in connection with these agreements.

On September 1, 2016, the Company issued 200,000 shares of common stock for $46,000. In connection with this issuance the Company issued 100,000 warrants with an exercise price of $0.50 per share. These warrants are fully vested and expire in two years.

In August 2016, the Company issued 125,000 shares of common stock pursuant to sale of two promissory notes in the Offering.

In September 2016, the Company issued 62,500 shares of common stock pursuant to the sale of one promissory note in the Offering.

In the third quarter of 2016, the Company purchased 19,363 shares of outstanding Company common stock through an exchange for a price per share of $0.23 to $0.26. As of the September 30, 2016, these shares being held by the Company valued at cost is $4,720 and are included in treasury stock in the consolidated balance sheet.

Service-Based Stock Options

In May 2016, the Company issued 175,000 service-based options valued at $40,829 to two consultants at exercise prices of $0.20 per share. The options are fully vested and expire in 10 years.

In July 2016, the Company issued 50,000 service-based options valued at $12,398 to a consultant with an exercise price of $0.20 per share. The options are fully vested and expire in 10 years.

Accordingly, stock based compensation for the three and nine months ended September 30, 2016 included $12,398 and $53,227, respectively, related to such options.

A Summary of the outstanding service-based options are as follows:

	Number of Options
Balance at December 31, 2015	11,025,273
Cancelled	(250,000)
Issued	225,000
Balance at September 30, 2016	11,000,273

All outstanding options are exercisable and have a cashless exercise provision, and certain options provide for accelerated vesting provisions and modifications, as defined, if the Company is sold or acquired. The intrinsic value of options outstanding and exercisable at September 30, 2016 amounted to $750,294.

The significant assumptions used to determine the fair values of options issued, using a Black-Scholes option-pricing model are as follows:

Significant assumptions :	
Risk-free interest rate at grant date	0.78% - 1.88%
Expected stock price volatility	222.9% - 248.4%
Expected dividend payout	—
Expected option life-years	2 - 3
Weighted average grant date fair value	$ 0.22 - 0.26
Forfeiture rate	0%

5. Stockholders' Equity (continued)

Service-Based Stock Options (continued)

The following is a summary of outstanding service-based options at September 30, 2016:

Exercise Price	Number of Options	Weighted Average Remaining Contractual Life
$0.10	1,680,273	2 years
$0.20 - $0.25	8,170,000	6 years
$0.40	1,150,000	5 years
Total	11,000,273	

Performance-Based Stock Options

The Company had granted performance-based options to purchase 4,400,000 shares of common stock at exercise prices of $0.40 to $0.80. The options expire at various dates between 2021 and 2026 and are exercisable upon the Company achieving annual sales revenue of $5,000,000 and $10,000,000. The fair value of these performance-based options aggregated $169,035 to be expensed over the implicit service period commencing once management believes the performance criteria will be met.

Management believes the performance criteria for options exercisable upon the Company achieving annual sales revenue of $5,000,000, with a fair value amounting to $133,324, will be met during the year ended December 31, 2016. Accordingly, stock based compensation expense for the three and nine months ended September 30, 2016 includes $55,591 and $133,324, respectively, related to such options. At September 30, 2016, the unearned compensation for all the performance based options is $35,711.

Stock based compensation expense amounted to $165,241 and $10,500 for the three month periods ended September 30, 2016 and 2015, respectively. Stock based compensation expense amounted to $513,804 and $14,500 for the nine month periods ended September 30, 2016 and 2015, respectively. Such amounts are included in compensation and related expenses in the accompanying statement of operations.

Warrants

In September 2016, the Company issued 100,000 warrants with an exercise price of $0.50 per share, in relation to a sale of common stock. These warrants are fully vested and expire in two years.

In September 2016, the Company issued 100,000 warrants with exercise prices between $0.20 and $0.50 per share, for consulting services. These warrants are fully vested and expire in three years. The fair value of these warrants are $20,585 and is included in compensation and related expenses in the accompanying statement of operations.

Warrants outstanding and exercisable amounted to 1,950,000 and 1,750,000 at September 30, 2016 and December 31, 2015, respectively. The weighted average exercise price of warrants outstanding at September 30, 2016 is $0.19. The warrants expire during November 2016 and September 2019.

6. Royalties

The Company was subject to a royalty agreement based upon sales of certain skin care products. The agreement required the Company to pay a royalty based upon 8% of such sales, up to $227,175. During the year ended December 31, 2015 the Company's sales reached the maximum amount under which the Company was required to pay a royalty under this agreement. No royalty expense was recognized for the three month periods ended September 30, 2016 and 2015, respectively. Royalty expense amounted to $-0- and $20,157 for the nine month periods ended September 30, 2016 and 2015, respectively. During December 2015, the Company's President who had a 60% interest in the royalties, converted royalties payable under the agreement in the amount of $84,868 to 499,225 shares of Company stock at $0.17 cents per share.

Included in accounts payable and accrued expenses at September 30, 2016 and December 31, 2015 was $56,579 in regards to this agreement.

7. Commitments and Contingencies

Leases

The Company leases a plant in Kentucky under an operating lease which expired on May 31, 2016. Management is currently discussing renewal lease options for the Kentucky plant and is operating on a month-to-month lease arrangement until a final agreement has been accepted. Monthly base rental payments are approximately $9,000. In addition, Immudyne PR operates in Puerto Rico in space owned by one of the parties to the joint venture. Rent expense for the three month periods ended September 30, 2016 and 2015, was $27,706 and $15,286, respectively. Rent expense for the nine month periods ended September 30, 2016 and 2015, was $71,606 and $50,350, respectively.

Employment and Consulting Agreements

The Company has entered into various agreements with officers, directors, employees and consultants that expire in one to five years. The agreements provide for annual compensation of up to $145,000 and the issuance of stock options, at exercise prices of $0.40 and $0.80, to purchase 4,400,000 shares of common stock issuable upon the Company's revenue exceeding $5,000,000 and $10,000,000, as defined. In addition, the agreements provide for bonus compensation to these individuals aggregating up to 15% (with no individual having more than 5%) of the Company's pretax income.

Restricted Stock and Options

The Company has entered into two agreements on April 1, 2016 with two consultants of Immudyne PR for business development, marketing and sales related services (the "Consultant Agreements"). The consultants are treated as employees for accounting purposes. Upon signing, each consultant was issued 1,000,000 restricted shares of Immudyne, Inc. common stock. In addition, each consultant shall receive an additional 150,000 restricted shares of Immudyne, Inc. common stock for each $500,000 distributed by Immudyne PR to the Company. For each consultant the amount of shares to be issued by the Company to the consultants shall be capped at 1,500,000 restricted shares when Immudyne PR has transferred $5,000,000 to the Company, for a combined capped total of 3,000,000 restricted shares. For the three and nine months ended September 30, 2016, 2,300,000 restricted shares of common stock have been issued related to these agreements. The Company valued the shares at their grant date for a value of $0.30 per share for a total of $690,000 to be expensed over the estimated service period ending December 31, 2017.

7. Commitments and Contingencies (continued)

Restricted Stock and Options (continued)

In addition, the Consulting Agreements provided that each consultant shall receive a bonus of an additional 750,000 restricted shares of Immudyne Inc. common stock, plus an option to buy 1,000,000 shares of Immudyne, Inc. common stock at $0.20/share (including a cashless exercise feature) when Immudyne PR has transferred to the Company at each of the following three (3) thresholds: $1,250,000, $2,000,000 and $3,000,000 for a total of 2,250,000 of restricted shares of Immudyne, Inc. common stock and options to purchase up to 3,000,000 shares of Immudyne, Inc. common stock at $0.20/share. As of September 30, 2016, no bonus shares have been issued and no options have been granted under this agreement.

Legal Matters

In the normal course of business operations the Company may become involved in various legal matters. At September 30, 2016, the Company's management does not believe that there are any potential legal matters that could have an adverse effect on the Company's financial position.

8. Related Party Transactions

For the three and nine months ended September 30, 2016 one of the Company's directors, acting as an advisor for the Company, provided legal and business advisory services and was compensated $6,000 and $15,000, respectively. During 2015 there was no compensation to this director. In addition, for the three and nine months ended September 30, 2016 the Company's President received $6,000 and $20,000, respectively, for reimbursement of home office expenditures, including rent, utilities and other related expenses for two offices. During 2015 the Company's president was not reimbursed for home office expenditures.

9. Subsequent Events

The Company has evaluated subsequent events through the date these financial statements were issued. In October 2016, the Company made principle payments amounting to $18,800 on the outstanding promissory notes. In November 2016, the Company repaid the outstanding balance of the $100,000 commercial lender note. In October 2016, the Company sold an additional unit of the Offering borrowing $50,000 and issuing 62,500 of common stock. In October 2016, the Company purchased 27,637 shares of Company common stock at a cost of $7,382.

* * * * *

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

Overview

We manufacture, distribute and sell natural immune support products; namely proprietary yeast beta glucans which are natural extracts that have been shown through testing and analysis and scientific research to support the immune system. Yeast beta glucans are classified as generally recognized as safe ("GRAS") by the Food and Drug Administration ("FDA"). We are and have been a science driven company for more than 25 years. Our products are used in oral and topical applications. Historically, we have sold our proprietary additives, for both oral and topical use, primarily via business-to-business to large dietary supplement and cosmetic companies. During fiscal year 2015 we have seen increased interest in our proprietary GRAS topical delivery system, which we believe may have additional beneficial and marketable uses (both topically and orally) and on which are conducting further testing. In addition, during the fourth quarter of 2015, we established a joint venture, that does business under the name Inate Scientific LLC ("Inate"), to launch a complete skin care regimen that contains our proprietary ingredients and which contributed to our revenues in the first nine months of 2016. The Company entered into a limited liability company operating agreement with its joint venture partners with respect to Inate under the legal name Immudyne PR LLC ("Immudyne PR"). On April 1, 2016, the original operating agreement was amended and restated and we increased our ownership and voting interest in Immudyne PR to 78.16667%. As a result of our ownership and control of Immudyne PR, we now operate in two business segments, nutraceutical and cosmetic additives and finished cosmetic products.

We have performance based contracts with our sales and marketing executives, which allows us to continue to maintain a relatively low overhead. Our priority is to pursue opportunities to market our products and increase sales. We expect that a significant component of our selling, general and administration expenses going forward will consist of equipment leasing costs relating to improving our operating efficiencies, as well as conducting new studies which could open new markets. These aforementioned costs, along with the additional costs resulting from our operations as a public reporting company, could adversely impact our future results of operations. Additional significant factors that we believe will affect our operating results going forward are: (i) protection of our intellectual property rights; (ii) imposition of more stringent government regulations of our products; and (iii) marketing expenses.

We historically have expended a significant amount of our funds on obtaining and protecting our patents, trade secrets and proprietary products. We rely on the patent and trademark protection laws in the U.S. to protect our intellectual property and maintain our competitive position in the marketplace. For several years, we were involved in complex litigation regarding patents and licenses critical to our products. In 2010, we prevailed on all major legal matters and reached favorable settlements. If additional litigation becomes necessary to protect our intellectual property rights, such litigation may be costly, divert our management's attention away from our core business and have a negative impact on our operations. Furthermore, there is no guarantee that litigation would result in an outcome favorable to us. In addition, yeast beta glucans are designated as GRAS under current FDA regulations. Future government regulations may prevent or delay the introduction or require the reformulation of our products. Some agencies, such as the FDA, could require us to remove a particular product from the market, delay or prevent the import of raw materials for the manufacture of our products or otherwise disrupt the marketing of our products. Any such government actions could result in additional costs to us, reduced growth prospects, lost sales from products that we are required to remove from the market and potential product liability litigation.

We have historically operated with limited capital and have funded operations in the past through the sales of our products and loans and advances from Mark McLaughlin, our President, and other directors. In 2015 we entered into a non-dilutive short term loan agreement with an investor for $100,000 and secured additional loans of $30,000 from our President and $75,000 from a greater than 5% shareholder of the Company. These loans were satisfied in full as of December 31, 2015. In addition, in November 2015, we established a $100,000 line of credit with a commercial lender for our short-term working capital needs, which has since been repaid in full. In the third quarter of 2016 the Company sold $150,000 of 11% subordinated promissory notes due in six (6) months in fifty thousand ($50,000) dollar increments combined with 62,500 shares of the Company's common stock. We plan on our operating business (in conjunction with our short term non-dilutive borrowings) to be able to fund operations through 2016. However, in the event we require additional operating capital we may have to depend on sources other than operating revenues to meet our operating and capital needs. No assurance can be given that such sources will be available and no assurance can be given that Mr. McLaughlin or other directors who have in the past willingly funded operations will commit to do so in the future, or that we will be successful in our endeavors to raise additional capital. For additional information regarding these and other risks please see our Annual Report on Form 10K for the fiscal year ended December 31, 2015 filed with the SEC on March 30, 2016.

Results of Operations

Three Months Ended September 30, 2016, Compared to the Three Months Ended September 30, 2015

The following table sets forth the results of our operations for the periods indicated as a percentage of net sales:

	2016		2015	
	$	*% of Sales*	*$*	*% of Sales*
Sales	1,384,429		279,883	
Cost of sales	942,738	68%	73,988	26%
Gross profit	441,691	32%	205,895	74%
Operating expenses	(649,395)	(47)%	(187,954)	(67)%
(Loss) Income from operations	(207,704)	(15)%	17,941	6 %
Interest (expense)	(9,992)	(1)%	(14,422)	(5)%
Income tax benefit	-	0%	4,600	2%
Net income (loss)	(217,696)	(16)%	8,119	3%
Net income (loss) attributable to noncontrolling interests	8,955	1%	-	0%
Net income (loss) attributable to Immudyne, Inc.	(226,651)	(16)%	8,119	3%

Overall sales for the three months ended September 30, 2016 were $1.38 million, an increase of 395% from $0.28 million for the same period in 2015. Our increase in sales was primarily attributable to sales made by our finished cosmetic products segment of $1.15 million through our joint venture with Inate, which did not operate in the period ended September 30, 2015. Net sales for our nutraceutical and cosmetic additives segment remained relatively consistent between periods at $0.22 million and were in line with our expectations.

Cost of sales consists primarily of material costs, labor costs, marketing costs and related overhead directly attributable to the production of our products. Total cost of sales increased 1174% to $0.94 million in the third quarter of 2016 compared to $0.07 million for the same period in 2015, which costs in the 2015 period were solely attributable to our nutraceutical and cosmetic additives product segment. The increase in our cost of sales was due to our increased advertising and marketing expenses incurred to generate our increase in sales from our finished cosmetic products segment, which costs were not incurred in the third quarter of 2015.

Gross profit increased 155% to $0.44 million in the third quarter of 2016 compared to $0.20 million for the same period in 2015 as a result of our increased sales offset by our advertising and marketing expenses for the quarter. Gross profit as a percentage of sales decreased to 32% in the third quarter of 2016 from 74% for the same period in 2015 due to the shift in the composition of our sales between periods from solely topical and oral additives to primarily finished products sold through Inate, which products generally have lower margins.

Operating expenses consisted of general and administrative expense, compensation and related expense and professional fees. Overall operating expenses increased 246% to $0.65 million in the third quarter of 2016 from $0.19 million for the same period in 2015, primarily due to increased compensation related expenses with respect to shares issued to the Company's joint venture partners pursuant to previously disclosed service agreements. The increase in our overall operating expenses was also due to our increase in sales. General and administration expense increased 256% to $0.20 million in the third quarter of 2016 from $0.06 million for the same period in 2015. Compensation and related expense increased 258% to $0.36 million in the third quarter of 2016 from $0.10 million for the same period in 2015 due to the aforementioned share issuance. Professional fees increased 183% to $0.08 million in the third quarter of 2016 from approximately $0.03 million for the same period in 2015, due to increased legal and accounting fees incurred with respect to Inate's operations.

Net loss attributable to Immudyne in the third quarter of 2016 was approximately $0.27 million compared to net income of $0.01 million for the same period in 2015. We consolidated the operations of our joint venture, Inate, and reflected a non-controlling interest for 21.833% of these operations. Net loss attributable to Immudyne, Inc. as a percentage of sales was 16% in the third quarter of 2016 compared to net income as a percentage of sales of 3% for the same period in 2015. Our net loss notwithstanding our substantial increase in sales was primarily due to the advertising and marketing expenses we incurred in the quarter to help generate sales and our increased compensation expenses due to shares issued to the Company's joint venture partners pursuant to previously disclosed service agreements. We believe these costs will decrease as a percentage of sales over the course of the fiscal year as Inate continues to mature as a business.

Nine Months Ended September 30, 2016, Compared to the Nine Months Ended September 30, 2015

The following table sets forth the results of our operations for the periods indicated as a percentage of net sales:

	2016		2015	
	$	*% of Sales*	*$*	*% of Sales*
Sales	4,252,704		845,513	
Cost of sales	2,981,657	70%	237,707	28%
Gross profit	1,271,047	30%	607,806	72%
Operating expenses	(1,737,479)	(41)%	(599,201)	(71)%
(Loss) Income from operations	(466,432)	(11)%	8,605	(1)%
Interest (expense)	(15,805)	0%	(33,048)	(4)%
Income tax benefit	-	0%	13,200	2%
Net loss	(482,237)	(11)%	(11,243)	(1)%
Net income attributable to noncontrolling interest	6,439	0%	-	0%
Net loss attributable to Immudyne, Inc.	(488,676)	(11)%	(11,243)	(1)%

Overall sales for the nine months ended September 30, 2016 were $4.25 million, an increase of 403% from $0.85 million for the same period in 2015. Our increase in sales was primarily attributable to sales made by our finished cosmetic products segment of $3.49 million through our joint venture with Inate, which did not operate in the period ended September 30, 2015. Net sales for our nutraceutical and cosmetic additives segment remained relatively consistent between periods at $0.78 million and were in line with our expectations.

Cost of sales consists primarily of material costs, labor costs, marketing costs and related overhead directly attributable to the production of our products. Total cost of sales increased 1,154% to $2.98 million for the nine months ended September 30, 2016 compared to $0.24 million for the same period in 2015, which costs in the 2015 period were solely attributable to our nutraceutical and cosmetic additives product segment. The increase in our cost of sales was due to our significant up-front advertising and marketing expenses ($1.71 million) incurred to generate our significant increase in sales from our finished cosmetic products segment, which costs were not incurred in the 2015 period.

Gross profit increased 109% to $1.27 million in the nine months ended September 30, 2016 compared to $0.61 million for the same period in 2015 as result of our increased sales offset by our significant up-front advertising and marketing expenses in the 2016 period. Gross profit as a percentage of sales decreased to 30% for the nine months ended September 30, 2016 from 72% for the same period in 2015 due to the shift in the composition of our sales between periods from solely topical and oral additives to primarily finished products through Inate, which products generally have lower margins.

Operating expenses consisted of general and administrative expense, compensation and related expense and professional fees. Overall operating expenses increased 190% to $1.74 million in the nine months ended September 30, 2016 from $0.60 million for the same period in 2015. The increase in our overall operating expenses was due primarily to our operation of Inate in the 2016 year whereas we only had operations in our nutraceutical and cosmetic additives segment in the comparable 2015 period. General and administration expense increased 85% to $0.38 million for the nine months ended September 30, 2016 from $0.21 million for the same period in 2015. Compensation and related expense increased 258% to $1.08 million in the nine months ended September 30, 2016 from $0.30 million for the same period in 2015 due primarily to increased compensation related expenses with respect to shares issued to the Company’s joint venture partners pursuant to previously disclosed service agreements. Professional fees increased 205% to $0.27 million for the nine months ended September 30, 2016 from approximately $0.09 million for the same period in 2015, due to increased legal and accounting fees incurred with respect to Inate’s operations.

Net loss attributable to Immudyne in the nine months ended September 30, 2016 was approximately $0.49 million compared to net loss of $0.01 million for the same period in 2015. We consolidated the operations of our joint venture, Inate, and reflected a non-controlling interest for 21.833% of these operations. Net loss attributable to Immudyne, Inc. as a percentage of sales was 11% in nine months ended September 30, 2016 compared to net loss as a percentage of sales of 1% for the same period in 2015. Our net loss notwithstanding our substantial increase in sales was primarily due to the substantial up-front advertising and marketing expenses we incurred to help generate sales through our recently formed joint venture, Inate, and our increased compensation expenses due to shares issued to the Company’s joint venture partners pursuant to previously disclosed service agreements. We believe these costs will decrease as a percentage of sales as Inate continues to mature as a business.

Liquidity and Capital Resources

Our principal demands for liquidity are to increase sales, purchase inventory and for sales distribution and general corporate purposes. We incurred negative operating cash flows in the 2015 and 2014 fiscal years and for the first three quarters of 2016. As a result, our auditors have raised substantial doubt about our ability to continue as a going concern. We plan on our operating business (in conjunction with our short term non-dilutive borrowings) being able to fund operations through 2016. However, if necessary, we may raise additional capital through a private placement of common stock, obtaining debt financing or from advances from our President and/or directors; however, no assurances can be made that we will be successful in our endeavors to raise additional capital.

In 2015 we entered into a non-dilutive short term loan agreement with an investor for $100,000 and secured additional loans of $30,000 from our President and $75,000 from a greater than 5% shareholder of the Company. These loans were satisfied in full as of December 31, 2015. In addition, in November 2015, we secured a $100,000 line of credit with a commercial lender for our short-term working capital needs, which has since been repaid in full. In the third quarter of 2016 the Company sold $150,000 of 11% subordinated promissory notes due in six (6) months in fifty thousand ($50,000) dollar increments combined with 62,500 shares of the Company's common stock.

There can be no assurance that required future financing can be successfully completed on a timely basis, or on terms acceptable to us. Any future issuance of equity securities could cause dilution to our shareholders. Any incurrence of indebtedness would increase our debt service obligations and would cause us to be subject to restrictive operating and financial covenants.

We had net working capital of approximately $457,066 at September 30, 2016, resulting in an increase from net working capital of approximately ($136,841) at September 30, 2015. The ratio of current assets to current liabilities was 1.7 to 1 at September 30, 2016.

The following is a summary of cash provided by or used in each of the indicated types of activities during the nine months ended September 30, 2016 and 2015:

	2016	2015
Cash provided by (used in):		
Operating activities	$ (111,698)	$ (80,311)
Financing activities	352,635	78,678

Net cash flow used by operating activities was $0.11 million for the nine months ended September 30, 2016, compared to net cash flow used in operating activities of $0.08 million for the same period in 2015. The increase in the amount of cash used by our operating activities was due to up-front advertising and marketing expenses incurred in the 2016 period. We expect that these expenses will decrease as a percentage of sales over the course of the fiscal year as Inate continues to mature as a business.

Net cash flows provided by financing activities was $0.35 million for the nine months ended September 30, 2016, compared to net cash flows provided by financing activities of $0.08 million for the same period in 2015 due to additional indebtedness incurred during the period as further described below.

Indebtedness

From time to time, our directors, officers and other related individuals have made short-term advances to us for our operating needs. In 2015 we entered into a non-dilutive short term loan agreement with an investor for $100,000 and secured additional loans of $30,000 from our President and $75,000 from a greater than 5% shareholder of the Company. These loans were satisfied in full as of December 31, 2015. In addition, in November 2015, we secured a $100,000 line of credit with a commercial lender for our short-term working capital needs, which has since been repaid in full. In the third quarter of 2016 the Company sold $150,000 of 11% subordinated promissory notes due in six (6) months in fifty thousand ($50,000) dollar increments combined with 62,500 shares of the Company's Common Stock.

We are subject to a royalty agreement pursuant to which we are required to pay a monthly royalty of 8% on all sales of certain skin care products up to $227,175. During the year ended December 31, 2015 our sales reached the maximum amount under which we are required to pay a royalty under this agreement. Royalty expense amounted to $0 and $20,157 for the nine months ended September 30, 2016 and 2015, respectively. During 2015, our President, who has a 60% interest in the royalties, converted all royalties payable (in the amount of $84,868) to 499,225 shares of the company's stock valued at $0.17 cents a share.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements between us and any other entity that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to shareholders.

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as stockholders' equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

Critical Accounting Policies

While our significant accounting policies are described more fully in Note 2 to our financial statements, we believe the following accounting policies are the most critical to aid you in fully understanding and evaluating this management discussion and analysis.

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the U.S., or U.S. GAAP. In preparing financial statements in conformity with U.S. GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Significant estimates required by management include the valuation of inventory and stockholders' equity-based transactions. Actual results could differ from those estimates.

Inventory

Inventory is valued at the lower of cost or market value with cost determined on a first-in, first-out basis. Management compares the cost of inventory with the net realizable value and an allowance is made for writing down their inventories to market value, if lower.

Revenue Recognition

The Company's policy is to record revenue as earned when a firm commitment, indicating sales quantity and price exists, delivery has taken place and collectability is reasonably assured. The Company generally records sales of nutraceutical and cosmetic additives once the product is shipped to the customer, and for sales of finished cosmetic products once the customer places the order and the product is simultaneously shipped, but in limited cases if title does not pass until the product reaches the customer's delivery site, then recognition of revenue is deferred until that time. Delivery is considered to have occurred when title and risk of loss have transferred to the customer. Provisions for discounts, returns, allowances, customer rebates and other adjustments are netted with gross sales. The Company accounts for such provisions during the same period in which the related revenues are earned. Customer discounts, returns and rebates approximated $530,000 and $1,578,000 in the three-month and nine-month periods ended September 30, 2016, respectively. Customer discounts, returns and rebates were not significant in the three-month and nine-month periods ended September 30, 2015.

Delivery is considered to have occurred when title and risk of loss have transferred to the customer. If title does not pass until the product reaches the customer's delivery site, then recognition of revenue is deferred until that time. There are no formal sales incentives offered to any of the Company's customers. Volume discounts may be offered from time to time to customers purchasing large quantities on a per transaction basis.

Stock-based Compensation

The Company follows the provisions of ASC 718, "Share-Based Payment". Under this guidance compensation cost generally is recognized at fair value on the date of the grant and amortized over the respective vesting periods. The fair value of options at the date of grant is estimated using the Black-Scholes option pricing model. The expected option life is derived from assumed exercise rates based upon historical exercise patterns and represents the period of time that options granted are expected to be outstanding. The expected volatility is based upon historical volatility of our shares using weekly price observations over an observation period that approximates the expected life of the options. The risk-free rate approximates the U.S. Treasury yield curve rate in effect at the time of grant for periods similar to the expected option life. Due to limited history of forfeitures, estimated forfeiture rate included in the option valuation was zero. Many of the assumptions require significant judgment and any changes could have a material impact in the determination of stock-based compensation expense.

Noncontrolling Interests

The Company accounts for its less than 100% interest in Inate in accordance with ASC Topic 810, Consolidation, and accordingly the Company presents noncontrolling interests as a component of equity on its consolidated balance sheet and reports the noncontrolling interest's share of Inate net loss attributable to noncontrolling interests in the consolidated statement of operations.

New Accounting Pronouncements

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"). ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing diversity in practice regarding how certain cash receipts and cash payments are presented in the statement of cash flows. The standard provides guidance on the classification of the following items: (1) debt prepayment or debt extinguishment costs, (2) settlement of zero-coupon debt instruments, (3) contingent consideration payments made after a business combination, (4) proceeds from the settlement of insurance claims, (5) proceeds from the settlement of corporate-owned life insurance policies, (6) distributions received from equity method investments, (7) beneficial interests in securitization transactions, and (8) separately identifiable cash flows. The Company is required to adopt ASU 2016-15 for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017 on a retrospective basis. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact of adoption of ASU 2016-15.

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09, "Compensation – Stock Compensation: Improvements to Employee Share-Based Payment Accounting," which relates to the accounting for employee share-based payments. This standard addresses several aspects of the accounting for share-based payment award transactions, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. This standard will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company is in the process of evaluating the impact of the adoption of ASU 2016-09 on its consolidated financial statements.

In February 2016, a pronouncement was issued that creates new accounting and reporting guidelines for leasing arrangements. The new guidance requires organizations that lease assets to recognize assets and liabilities on the balance sheet related to the rights and obligations created by those leases, regardless of whether they are classified as finance or operating leases. Consistent with current guidance, the recognition, measurement, and presentation of expenses and cash flows arising from a lease primarily will depend on its classification as a finance or operating lease. The guidance also requires new disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The new standard is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, with early application permitted. The new standard is to be applied using a modified retrospective approach. The Company is in the process of evaluating the impact of the new pronouncement on its consolidated financial statements.

In May 2014, the Financial Accounting Standards Board ("FASB") issued accounting guidance, "Revenue from Contracts with Customers." The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and clarify guidance for multiple-element arrangements. The standard will be effective for fiscal years and interim periods within those years beginning after December 15, 2017. Accordingly, the Company will adopt this standard in the first quarter of fiscal year 2018. The Company is currently evaluating the impact this guidance will have on the consolidated financial statements.

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-11, "Simplifying the Measurement of Inventory." ASU 2015-11 applies to inventory that is measured using first-in, first-out (FIFO) or average cost. An entity should measure inventory within the scope of ASU 2015-11 at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016. The Company is in the process of evaluating the impact of this ASU on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements-Going Concern". This ASU is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. It is effective for annual periods beginning after December 15, 2016, with early adoption permitted. The Company does not expect it to have a material effect on the Company's consolidated financial condition, results of operations, and cash flows.

All other accounting standards that have been issued or proposed by the FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our Principal Executive Officer ("PEO"), who is also our Principal Financial Officer ("PFO"), of the design and effectiveness of our "disclosure controls and procedures" (as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on this evaluation, our PEO/PFO concluded that as of the end of the period covered by this report, these disclosure controls and procedures were not effective. The conclusion that our disclosure controls and procedures were not effective was due to the presence of the following material weaknesses in disclosure controls and procedures which are indicative of many small companies with small staff: (i) inadequate segregation of duties and effective risk assessment as the Company had only one officer; (ii) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of both US GAAP and SEC Guidelines; and (iii) inadequate security and restricted access to computer systems including insufficient disaster recovery plans; and (iv) no written whistleblower policy. If and when sufficient funds are available, our PEO/PFO plans to implement appropriate disclosure controls and procedures to remediate these material weaknesses, including (i) appointing additional qualified personnel to address inadequate segregation of duties and ineffective risk management; (ii) adopt sufficient written policies and procedures for accounting and financial reporting and a whistle blower policy; and (iii) implement sufficient security and restricted access measures regarding our computer systems and implement a disaster recovery plan.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the quarter ended September 30, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We may become involved in various lawsuits and legal proceedings arising in the ordinary course of business. Litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may have an adverse effect on our business, financial conditions or operating results. We are currently not aware of any such legal proceedings or claims that will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

Item 1A. Risk Factors

You should consider carefully the factors discussed in the "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2015.

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

In the third quarter of 2016 the Company commenced an offering pursuant to which it offered 11% subordinated promissory notes due in six (6) months in fifty thousand ($50,000) dollar increments combined with 62,500 shares of the Company's common stock for a maximum offering amount of $200,000. In August and September 2016, the Company sold promissory notes totaling $150,000 to three unrelated individuals in connection with this offering. The Company issued the notes and common stock to accredited investors only pursuant to Rule 506 of Regulation D promulgated under the Securities Act of 1933, as amended.

On September 1, 2016, the Company issued 200,000 shares of common stock for $46,000 pursuant to Section 4(a)(2) of the Securities Act. In connection with this issuance the Company issued 100,000 warrants with an exercise price of $0.50 per share. These warrants are fully vested and expire in two years.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

See the Exhibit Index following the signature page to this Quarterly Report on Form 10-Q for a list of exhibits filed or furnished with this report, which Exhibit Index is incorporated herein by reference.

SIGNATURES

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

IMMUDYNE INC.
(Registrant)

Date: November 14, 2016

By: /s/ Mark McLaughlin
Mark McLaughlin
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT INDEX

Exhibit No.	Document Description
31.1 †	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1 ‡	Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS†	XBRL Instance Document
101.SCH†	XBRL Schema Document
101.CAL†	XBRL Calculation Linkbase Document
101.DEF†	XBRL Definition Linkbase Document
101.LAB†	XBRL Label Linkbase Document
101.PRE†	XBRL Presentation Linkbase Document

† Filed herewith
‡ Furnished herewith

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002

I, Mark McLaughlin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2016, of Immudyne, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 14, 2016

By: /s/ Mark McLaughlin
Mark McLaughlin
(Principal Executive Officer and
Principal Financial Officer)

Exhibit 32.1

CERTIFICATIONS OF PRESIDENT AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark McLaughlin, hereby certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of Immudyne, Inc. for the quarterly period ended September 30, 2016, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Immudyne Inc.

Date: November 14, 2016

By: /s/ Mark McLaughlin
Mark McLaughlin
(Principal Executive Officer and
Principal Financial Officer)