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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2016

OR

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

For the transition period from to

Commission file number 333-184487

IMMUDYNE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**76-0238453**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

50 Spring Meadow Rd.
Mount Kisco, NY 10549
(Address of principal executive offices)

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

Securities registered pursuant to Section 12(b) of the Act:
None.

Securities registered pursuant to Section 12(g) of the Act:
None

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☑
(Do not check if a smaller reporting company)
Emerging growth company ☑

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

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

The aggregate market value of voting common stock held by non-affiliates computed by reference to the price at which the common stock was last sold on June 30, 2016, was $5,290,842. All (i) executive officers and directors of the registrant and (ii) all persons who hold 10% or more of the registrant's outstanding common stock, have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant. Accordingly, effective as of June 30, 2016, the registrant's aggregate market value was less than $50 million and the registrant qualifies for "smaller reporting company" status under Rule 12b-2 of the Exchange Act and is subject to the disclosure requirements and filing deadlines for smaller reporting companies.

As of May 16, 2017 there were 38,406,601 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

None.

IMMUDYNE, INC.

Table of Contents

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.

PART I

Item 1. Business

Our Company

We manufacture, distribute and sell natural immune support products containing our 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. Our products include once a day oral intake tablets and topical creams and gels for skin application. In addition, in the second quarter of 2017, we have launched an in-licensed patented hair loss shampoo and conditioner. We believe, based on testing and analysis conducted by third parties on our behalf, that the beta glucans derived from yeast we manufacture are superior to any other beta glucans available on the market.

Historically, we have sold our proprietary additive, for both oral and topical use, primarily to large dietary supplement and cosmetic companies. During fiscal year 2015, we saw increased interest in our SGM active agent delivery technology, which we believe may have additional beneficial and marketable uses, and on which we are conducting further testing. In addition, during the fourth quarter of 2015, we established a partnership with Inate Skincare, LLC ("Inate") to launch a complete skin care regimen containing our proprietary ingredients and to market such products directly to consumers. 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 of Immudyne PR 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 were originally incorporated under the laws of British Columbia, Canada, in 1987 under the name Anina Resources, Inc. and subsequently changed our name to Immudyne, Inc. and our jurisdiction to the State of Wyoming by continuance in September 1987. On June 30, 1994, we changed our jurisdiction to Delaware by merger with and into Immudyne, Inc., a Delaware corporation formed on June 21, 1994.

None of the testing and analysis or scientific research mentioned in this report has been subject to the oversight of the FDA or any comparable regulatory body, and no regulatory body has attested to the efficacy of beta glucans in supporting the immune system or otherwise treating disease. Further, the marketing of beta glucans is not subject to FDA approval, and we are prohibited by Federal Trade Commission ("FTC") and FDA regulations from suggesting in advertisements and product labels that our products mitigate, treat, cure or prevent a specific disease or class of disease.

Our Products

We have a developed proprietary approach to produce beta glucans derived from yeast which we believe are superior to any other beta glucans on the market. Our yeast beta glucans are odorless and tasteless, making them suitable for use in a wide variety of oral and topical applications, including in our nutraceutical and cosmetic product lines. As the U.S. and international markets become more aware of the value of our proprietary products, we believe demand for our beta glucans will increase.

Beta Glucans

Beta glucans, or β-Glucans, are a natural extract that are considered to be "biological response modifiers" that support the immune system. The most common sources of beta glucans are from the cell walls of baker's yeast, the cellulose in plants, the bran of cereal grains and certain fungi and bacteria. The differences between beta glucan chemical structures are significant in regards to solubility and overall biological activity. In fact, beta glucans derived from mushrooms and cereals do not appear to have the same effects on human health as beta glucans derived from yeast.

We derive our high-grade beta glucan from yeast cell walls using proprietary processes in our manufacturing facility. Our beta glucan is generally free of yeast by-product and endotoxins, and has demonstrated reliability in terms of both stability and biological response. In fact, we commissioned an analytical side-by-side comparison by a laboratory which conducts testing and analysis of nutraceutical compounds, between our beta glucan and each of the beta glucans manufactured by our two main competitors. The results of the analytical comparison demonstrated the superiority of our beta glucan which was far less impure and more uniform in composition than those of our competitors.

The health benefits of yeast beta glucans have been demonstrated through extensive testing and analysis and scientific research on yeast beta glucans generally, and we are committed to supporting evidence-based studies that demonstrate the health benefits of our products. General scientific research on beta glucan derived from yeast cell walls has been conducted in recent years by renowned medical laboratories, including Baylor College of Medicine, U.S. Armed Forces Radiobiology Institute, Stanford University, Southwest Research Institute, Case Western Reserve University, University of Arkansas, North Carolina State University, University of Bern, Switzerland, and the China Agricultural University, China. As more studies are conducted on beta glucans, we believe the potential benefits to human health will continue to emerge.

Healthcare professionals, including licensed physicians, alternative medicine practitioners, scientists and researchers have taken an interest in our immune-support products as a means of offering alternative or complementary approaches for maintaining a healthy and active lifestyle. These expressions of interest have often resulted in proposals for research studies and recommendations of our products. We plan to build upon this interest and hope to grow our contacts with licensed physicians who utilize our product in a clinical setting and with researchers who have the resources to conduct testing and analysis on our products.

We also have relationships with medical doctors who in the past have conducted self-funded studies in which we supplied our product free of charge, though we do not have any formal clinical development or research agreements with these institutions and doctors. In addition, Dr. Sven Rohmann, PhD is a director of the Company. Dr. Rohmann is a worldwide authority on innate immunity and has an extensive medical and business background, including having spent 10 years with Merck Serono, where he served as the Global Head, Strategic Marketing, Oncology. Dr. Joseph DiTrolio of the Roseland, New Jersey Surgery Center and St. George's University School of Medicine is also a director of the Company. Dr. Allan Whitberg, previously of Roger Williams Medical Center in Providence, Rhode Island and currently affiliated with Boston University School of Medicine, and Dr. Stephen Petteruti of The Petteruti Center For Life Extension in Warwick, RI, are among the medical doctors with whom we have relationships and who have conducted self-funded studies on our product. We also have established a relationship with National Jewish Health in Denver, Colorado and we are exploring additional opportunities to have further studies conducted at leading institutions. We have also established a partnership with the leading physicians of the Stone Center of New Jersey to educate patients about the benefits of supplementing their chemotherapy and radiation treatments with our yeast-beta glucan products.

To be sure, none of the testing and analysis or scientific research mentioned in this annual report has been subject to oversight of the FDA or any comparable regulatory body, and no regulatory body has attested to the efficacy of beta glucans in supporting the immune system or otherwise treating disease. Further, the marketing of beta glucans is not subject to FDA approval, and we are prohibited by FTC and FDA regulations from suggesting in advertisements and product labels that our products mitigate, treat, cure or prevent a specific disease or class of disease.

Yeast Beta Glucan Product Lines

Our nutraceutical and cosmetic product lines consist of our natural, premium yeast beta glucans in oral and topical applications. We offer our yeast beta glucans as natural raw material ingredients in bulk quantities, our "Nutraceutical and Cosmetic Additives" segment, and finished, consumer products packaged under our brands as well as private label brands, our "Finished Cosmetic Products" segment, which are marketed directly to consumers. We have also launched an in-licensed patented hair loss shampoo and conditioner called ShapiroMD in the second quarter of 2017.

Our principal, branded nutraceutical and cosmetic products for our yeast beta glucans are oral daily supplements and topical lines of rejuvenating serums and creams. Our oral supplements are dietary supplements containing proprietary combinations of our yeast beta glucan to support immune system function. Our skin care serums and creams consist of our patented yeast-derived beta glucan and other natural ingredients intended to support the skin's immune system response and defense, skin renewal and to repair sun and environmental damage.

Sales and Marketing

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 actively pursue opportunities to market our products and increase sales. Our sales and marketing strategy primarily consists of building the brand recognition of our product lines and our proprietary yeast beta glucans. We plan to sell our products primarily on a word-of-mouth basis through distributors and our website as standalone product lines, as well as business-to-business as a cosmetic enhancement or dietary supplement.

Our principal products are consumables with the goal of generating a stream of repeat sales with the same end customers over an extended period of time. To reach these customers, our marketing strategy includes several online sales promotions. In addition, we are building our brand recognition with healthcare professionals through further testing and analysis of our products and educating practitioners and clinics on the benefits of our products.

We also market out products direct to consumers through our joint venture with Inate established in October 2015 and through which we intend to develop, launch and market additional SKU's based on our proprietary beta glucans. Inate benefits from a leadership team that has deep experience in the direct marketing space and a proven track record in creating national brands.

Manufacturing and Sourcing

We have focused on the production of immune system support compounds including our beta glucans derived from yeast for over 20 years. Our staff produces consistently high-grade, particulate and reliable beta glucans which are included in our nutraceutical and cosmetic product lines. For certain of our packaged consumer goods, we use third party contractors for encapsulation, bottling and labeling. These contractors are subject to regular government inspections, and to the best of our knowledge, comply with current GMPs and hold the necessary drug manufacturing licenses and processed food registrations required by their respective state regulators. Such packaging services are readily available from multiple sources.

The raw materials necessary to manufacture our beta glucans principally consist of baker's yeast and are common and readily available. We hold our suppliers to strict quality and delivery specifications as part of our GMP compliance and quality control procedures, including quality assurance of raw materials used in the production of our products.

Our beta glucan products and manufacturing processes are protected by registered and pending patents and trade secrets. Our manufacturing facilities and practices are compliant with published current GMPs established by the FDA for dietary supplements.

Customers

We sell our products direct to consumers and to pharmaceutical, nutraceutical and consumer product companies principally in the U.S. market, but also have generated sales in Canada. We focus on establishing and growing long-term relationships with our customers, and we believe that the majority of our customers and partners view us as a strategic long-term supplier and value the quality of our beta glucan products. Our sales through distributors typically are made pursuant to supplier agreements executed in the ordinary course of business with individual orders made on purchase orders. As we have sought to expand our sales, we have marketed our nutraceutical and cosmetic product lines through distributors, partnerships, and direct sales to consumers. We do not anticipate a seasonality of sales.

Our largest customer, Michel Mercier Products, Inc. (d/b/a M.M.P, Inc.), accounted for 15% of our consolidated sales in 2016 and 73% our consolidated sales in 2015. Our second largest customer accounted for 2% of our consolidated sales in 2016 and 12% our consolidated sales in 2015. The remainder of our consolidated sales were attributable to our finished cosmetic products segment and which sales were made through our joint venture with Inate, which sales are decreasing our reliance on MMP.

Competition

The markets for nutritional supplements and skin care products are highly competitive, consisting of a large number of manufacturers, distributors and retailers, none of which dominates the fragmented and diverse market. We compete for sales direct to consumers, through distributors and business-to-business.

Although we believe, based on testing and analysis by third parties on our behalf, that our yeast beta glucan is superior to others available on the market, we compete with other companies manufacturing beta glucans from yeast and other sources as well as companies producing other food ingredients and nutritional supplements for human use. Many end consumers may consider such products to be a replacement for the products we manufacture and distribute. Many of our competitors have greater marketing, research and capital resources than us, and may be able to offer their products at lower costs because of their greater purchasing power or lower cost of raw materials and manufacturing.

We anticipate continuing to expand our sales on a meaningful basis as part of our new marketing strategy focusing on our nutraceutical and cosmetic product lines. We anticipate competing in these markets on the basis of quality, our proprietary manufacturing processes, research data and effective marketing campaigns promoting the benefits of our natural immune support products. There are no assurances that our products will be able to compete in these markets, however, or that our marketing strategy will be successful.

Intellectual Property

We rely primarily on proprietary trade secret know how and protect our intellectual property and maintain our competitive position in the marketplace. We maintain trademarks registered in the U.S. for our business name and related to our product brands. In addition, we have registered and maintain internet domain names related to our businesses, including “immudyne.com.”

Governmental and Environmental Regulation

Our business and the manufacturing, distribution and sale of our beta glucan products are regulated in the U.S. primarily by the FDA and the FTC.

The FDA enforces the FDCA and Dietary Supplement Health and Education Act (“DSHEA”) as they pertain to foods, food ingredients, cosmetics and dietary supplement production and marketing. Dietary supplements and nutraceuticals are regulated as a category of food, not as drugs. The FDA classifies “Yeast extract (Bakers)” as generally recognized as safe (GRAS), which substances by definition are not food additives. Most GRAS substances have no quantitative restrictions as to use, although their use must conform to current GMPs. The FDA promulgates GMP guidelines to ensure that dietary supplements are produced in a quality manner, do not contain contaminants or impurities and are accurately labeled. GMPs include requirements for establishing quality control procedures, designing and constructing manufacturing plants, testing ingredients and finished products and record keeping and handling of consumer product complaints. The FDA has broad authority to enforce the provisions of federal law applicable to dietary supplements and cosmetics, including the power to monitor claims made in product labeling, to seize adulterated or misbranded products or unapproved new drugs, to request product recall, to enjoin further manufacture or sale of a product, to issue warning letters and to institute criminal proceedings.

Advertising and product claims regarding the efficacy of products are also regulated by the FTC. The FTC regulates the advertising of dietary supplements and other health-related products to ensure that any advertising is truthful and not misleading, and that an advertiser maintains adequate substantiation for all product claims. FTC enforcement actions may result in consent decrees, cease and desist orders, judicial injunctions and the payment of fines with respect to advertising claims that are found to be unsubstantiated.

Yeast beta glucans are classified as GRAS by the FDA and our oral and topical-use product lines containing our yeast beta glucan are marketed as dietary supplements and cosmetics, respectively. Under current U.S. regulations, our products must comply with certain labeling requirements enforced by the FDA and FTC, but otherwise generally are not required to receive regulatory approval prior to introduction into the U.S. market. We believe we are in compliance with all material government regulations applicable to our products.

In the EU markets, the European Food Safety Authority ("EFSA"), an advisory panel to the European Commission, performs all scientific assessments of health claims on food and supplement labels. The European Commission will consider the opinions of EFSA in determining whether to include a health claim on a list of permissible claims. Once published, only health claims for ingredients and products included on the list may be used in promotional materials for products marketed and sold in the European Union. The marketability of our products may be limited as we look to expand our sales in the EU if the health claims of our products are not included on the list.

In addition to the foregoing, our operations are subject to federal, foreign, state and local government laws and regulations, including those relating to zoning, workplace safety and accommodations for the disabled, and our relationship with our employees is subject to regulations, including minimum wage requirements, anti-discrimination laws, overtime, working conditions and citizenship requirements. We currently do not incur any material costs in connection with our compliance with applicable environmental laws as our manufacturing processes generate minimal discharge. Furthermore, the cost of maintaining compliance with applicable environmental laws has not, and we believe, in the future, will not, have a material adverse effect on our business, results of operations and financial condition. We believe we are in substantial compliance with all material governmental regulations applicable to our operations.

Employees

As of December 31, 2016, we had 11 employees, as well as numerous part-time employees and additional full-time consultants worldwide. All employees and our officers and directors are eligible to participate in our group health and dental insurance plans.

Website Access Disclosure

Our internet website address is *http://www.immudyne.com*. We make available free of charge through our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those, as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (the "SEC").

Item 1A. Risk Factors

Our business and an investment in our securities are subject to a variety of risks. The following risk factors describe the most significant events, facts or circumstances that could have a material adverse effect upon our business, financial condition, results of operations, ability to implement our business plan, and the market price for our securities. Many of these events are outside of our control. If any of these risks actually occurs, our business, financial condition or results of operation may be materially adversely affected. In such case, the trading price of our common stock could decline and investors in our common stock could lose all or part of their investment.

Risks Related to Our Business

The report of our independent registered public accounting firm contains explanatory language that substantial doubt exists about our ability to continue as a going concern.

The independent auditor's report on our financial statements contains explanatory language that substantial doubt exists about our ability to continue as a going concern as at December 31, 2016, we had a negative net working capital position. If we are unable to fund operations through our operating business, and are unable to obtain sufficient financing in the near term as required or achieve profitability, then we would, in all likelihood, experience severe liquidity problems and may have to curtail our operations. If we curtail our operations, we may be placed into bankruptcy or undergo liquidation, the result of which will adversely affect the value of our common shares.

We have generated losses and not yet achieved positive cash flows, which may adversely affect our liquidity and ability to continue as a going concern.

We cannot assure you that we will be able to achieve revenue growth, profitability or positive cash flow, on either a quarterly or annual basis, or that profitability, if achieved, will be sustained. Our ability to meet our long-term business objectives likely will be dependent upon establishing increased cash flow from operations or securing other sources of financing. We have implemented a new sales and marketing strategy to focus on higher-margin products that carry what we believe to be greater opportunities for growth in the U.S. and international markets. In addition, management has instituted cost-cutting measures; including terminating certain employees that were not contributing to the business and ceasing our operations in the low-margin feed additive product line, which we believe should result in improved efficiencies of our operations going forward. If our losses continue, however, our liquidity may be severely impaired, our stock price may fall and our shareholders may lose all or a significant portion of their investment.

We may not be able to implement our growth and marketing strategy successfully or on a timely basis or at all.

Our future success depends, in large part, on our ability to implement our growth strategy of expanding distribution and sales of our beta glucan oral and topical application products, attracting new consumers to our brand and introducing new product lines and product extensions. Our ability to implement this growth strategy depends, among other things, on our ability to:

- enter into distribution and other strategic arrangements with other potential distributors of our all-natural raw material products;
- increase our brand recognition;
- expand and maintain brand loyalty; and
- research new applications for existing products and develop new product lines and extensions.

Our sales and operating results will be adversely affected if we fail to implement our growth strategy or if we invest resources in a growth strategy that ultimately proves unsuccessful.

If we fail to develop and maintain our brand, our business could suffer.

We believe that developing and maintaining our brand is critical to our success. The importance of our brand recognition may become greater as competitors offer more products similar to ours. Our brand-building activities involve increasing awareness of our brand, creating and maintaining brand loyalty and increasing the availability of our products. If our brand-building activities are unsuccessful, we may never recover the expenses incurred in connection with these efforts, and we may be unable to implement our business strategy and increase our future sales.

We are subject to government regulation of the processing, formulation, packaging, labeling and advertising of our consumer products, and any failure to comply with such regulations could require us to repackage, recall or undergo regulatory approval of our products, which would have a material adverse effect on our business.

Under the FDCA and DSHEA companies that manufacture and distribute foods, food ingredients, cosmetics and dietary supplements in the U.S., such as our yeast beta glucan products, are limited in the claims that they are permitted to make about nutritional support on the product label without the approval of the FDA. Any failure by us to adhere to the labeling requirements could lead to the FDA requiring that our products be repackaged and relabeled, which would have a material adverse effect on our business. In addition, advertising and product claims regarding the efficacy of products are also regulated by the FTC. Companies are responsible for the accuracy and truthfulness of, and must have substantiation for, any such statements. These claims must be truthful and not misleading. Statements must not claim to diagnose, mitigate, treat, cure or prevent a specific disease or class of disease. We are able to market our oral and topical application products in reliance on the GRAS status of our active ingredient, yeast beta glucan. No governmental agency or other third party has made a determination as to whether or not our products have achieved GRAS status. If the FDA, another regulatory authority or other third party denied our GRAS status for our yeast beta glucan products, we could face significant penalties or be required to undergo the regulatory approval process in order to market our products. In such event, our business, financial condition and results of operations would be adversely affected as we cannot assure you that in such a situation our yeast beta glucan products would be approved.

The FDA's current GMPs describe policies and procedures designed to ensure that dietary supplements are produced in a quality manner, do not contain contaminants or impurities, and are accurately labeled and cover the manufacturing, packaging, labeling and storing of supplements, with requirements for quality control, design and construction of manufacturing plants, testing of ingredients and final products, record keeping, and complaints processes. Those who manufacture, package or store dietary supplements must comply with current GMPs. If we or our suppliers fail to comply with current GMP procedures, the FDA may take enforcement action against us or our suppliers.

The processing, formulation, packaging, labeling and advertising of our yeast beta glucan products in the U.S. are subject to regulation by the FDA, FTC and other federal agencies, and our activities are also subject to regulation by various agencies of the states and localities in which our yeast beta glucan products are sold. Any changes in the current regulatory environment could impose requirements that would limit our ability to market our yeast beta glucan products and make bringing new products to market more expensive. In addition, the adoption of new regulations or changes in the interpretation of existing regulations may result in significant compliance costs or discontinuation of product sales and may adversely affect our business, financial condition and results of operations. While our yeast beta glucan products currently are categorized as foods, it is possible that the FDA or a state regulatory agency could classify these products as a cosmetic or a drug. If our products are classified as cosmetics rather than a food, we would be limited to making claims that our products cleanse and beautify, rather than making structure or function claims. If our yeast beta glucan products are classified as drugs, we would not be able to market our products without going through the drug approval process. Either of these events would limit our ability to market our products effectively and cost-efficiently, and would adversely affect our financial condition and results of operations. If the FDA or a state regulatory agency viewed our products as cosmetics or drugs, they could claim that the products are misbranded and require that we repackage and relabel the products and impose civil and criminal penalties on us. Either or both of these situations could adversely affect our business and operations.

In the European Union, or the EU, markets, the European Food Safety Authority, or EFSA, an advisory panel to the European Commission, performs all scientific assessments of health claims on food and supplement labels. The European Commission will consider the opinions of EFSA in determining whether to include a health claim on the list of permissible claims. Once published, only health claims for ingredients and products included on the list may be used in promotional materials for products marketed and sold in the European Union. The marketability of our products may be limited as we look to expand our sales in the EU if the health claims of our products are not included on the list.

We have subjected, and will continue to subject, our products to testing and analysis. If the findings of these studies are challenged or found insufficient to support our health claims, we may need to perform additional testing and analysis before we are able to successfully market such products.

Although our yeast beta glucan products are supplements, as opposed to drugs, we have subjected, and will continue to subject, our products to testing and analysis to ensure that we are able to continue to deliver a superior product so that we may successfully market such products, though no such trials are currently required for marketing approval by the FDA or any comparable regulatory body. Testing and analysis for new product uses can require a significant amount of resources and there is no assurance that the results will be favorable to the claims we make for our products, or that they will be sufficient to support our claims. If the findings of our testing and analysis are challenged or found to be insufficient to support our claims, additional testing and analysis may be required before we are able to successfully market our products. No such testing and analysis has been, nor will it be when conducted, subject to the approval by the FDA or any comparable regulatory body.

If we undertake product recalls or incur liability claims with respect to our yeast beta glucan products, such recalls or claims could increase our costs and adversely affect our reputation, business and results of operations.

Our yeast beta glucan products are designed for human consumption and we face product recalls or liability claims if the use of our products is alleged to have resulted in injury or death. To date, we have not (i) conducted any product recalls, (ii) received any product liability claims from third parties, or (iii) received any reports from an end consumer of any adverse effect resulting from our products. Yeast beta glucan is classified as a food ingredient and is not subject to pre-market regulatory approval in the U.S. However, our yeast beta glucan products contain ingredients that do not have long histories of human consumption. Previously unknown adverse reactions resulting from consumption of these ingredients could occur. We may have to undertake various product recalls or be subject to liability claims, including, among others, that our yeast beta glucan products include inadequate instructions for use or inadequate warnings concerning possible side effects and interactions with other substances. A product recall or liability claim against us could result in increased costs and could adversely affect our reputation with our customers, which, in turn, could have an adverse effect on our business, financial condition and results of operations.

We currently do not maintain product liability insurance coverage. Product liability insurance is expensive, is subject to deductibles and coverage limitations, and may not be available to us in the future. In addition, we cannot be sure that we will be able to obtain or maintain insurance coverage at acceptable costs or in a sufficient amount, that our insurer will not disclaim coverage as to a future claim or that a product liability claim would not otherwise adversely affect our business, financial condition and results of operations. The cost of any product liability litigation or other proceeding, even if resolved in our favor, could be substantial. Uncertainties resulting from the initiation and continuation of product liability litigation or other proceedings could have an adverse effect on our ability to compete in the marketplace. Product liability litigation and other related proceedings may also require significant management attention.

Our Nutraceutical and Cosmetic Additive segment derives a substantial part of its sales from two major customers. If we lose either of these customers, or they reduce the amount of business they do with us, or if they fail to meet their obligations to us, our sales, financial condition and results of operations would be adversely affected.

Our largest customer, Michel Mercier Products, Inc. (d/b/a M.M.P, Inc.) ("MMP"), accounted for 15% of our sales in 2016 and 73% of our sales in 2015. Our relationship with MMP is governed by a written contract, which is subject to a confidentiality agreement. The initial term of our contract with MMP expired on December 19, 2016. Pursuant to its terms, the written contract will be automatically renewed for continuous one-year periods unless either party gives notice of its intent to terminate at least 90 days prior to the expiration of any renewal term. Additionally, our second largest customer accounted for 2% of our sales in 2016 and 12% of our sales in 2015. If we lose either of these customers or they reduce the amount of business they do with us, our sales and profitability would be adversely affected. In addition, we are subject to credit risk due to concentration of our trade accounts receivables, and the inability of either of these customers to meet their obligations to us would adversely affect our financial results. At December 31, 2016, accounts receivable from MMP amounted to 11% and at December 31, 2015 accounts receivable from MMP amounted to 43% of total accounts receivable. We are making progress in decreasing our reliance on these two customers, as evidenced by our increased sales in our finished cosmetic products business segment. However, if we lose either of these customers or they reduces the amount of business they does with us, or if they fail to meet their obligations to us, our sales, financial condition and results of operations would be adversely affected.

Our yeast beta glucan products face various forms of competition from other products in the marketplace, which could adversely affect our market share and result in a decrease in our future sales and earnings.

The pharmaceutical and biotechnology industries are characterized by intense competition, rapid product development and technological change. Most of the competition that our yeast beta glucan products face comes from companies that are larger and more well established, with greater financial, marketing, sales and technological resources than we have. Our products compete with a range of consumer and nutraceutical products. Our commercial success will depend on our ability to compete effectively in marketing and product development areas including, but not limited to, sales and branding, product safety, efficacy, ease-of-use, customer compliance, price, marketing and distribution. There can be no assurance that competitors will not succeed in developing and marketing products that are more desirable or effective than our products or that would render our products obsolete and non-competitive.

We may, in the future, be subject to risks of doing business internationally as we attempt to expand our sales through international consulting and distributor relationships.

We anticipate entering into international consulting and distributor agreements for our yeast beta glucan products. As a result, we expect to increase our revenues from international sales. A number of factors can prevent international sales, or substantially increase the cost of international sales, and we may encounter certain risks of doing business internationally including the following:

- increased government regulation of the processing, formulation, packaging, labeling and advertising of our consumer products for international markets;
- reduced protection and enforcement for our intellectual property rights;
- unexpected changes in, or impositions of, legislative or regulatory requirements that may limit our ability to sell our products and repatriate funds to the U.S.;
- political and economic instability;
- fluctuations in foreign currency exchange rates;
- difficulties in developing and maintaining distributor relationships in foreign countries;
- difficulties in negotiating acceptable contractual terms and enforcing contractual obligations;
- exposure to liabilities under the U.S. Foreign Corrupt Practices Act;
- potential trade restrictions and exchange controls;
- creditworthiness of foreign distributors, customer uncertainty and difficulty in foreign accounts receivable collection; and
- the burden of complying with foreign laws.

As we attempt to expand our sales internationally, our exposure to these risks could result in our inability to attain the anticipated benefits of expanding internationally and our business could be adversely impacted. Our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. However, any of these factors could adversely affect our international operations and, consequently, our operating results.

A material disruption at our manufacturing facilities in Kentucky could result in material delays, quality control issues, increased costs and loss of business opportunities, which may negatively impact our sales and financial results.

We rely on our manufacturing facilities in Kentucky to operate our business and produce our yeast beta glucan products. Our manufacturing facilities, or any of our machines within our otherwise operational facilities, could cease operations or no longer comply with current GMP guidelines unexpectedly due to a number of events, including prolonged power or equipment failures, disruptions in the transportation infrastructure, fires, floods or other catastrophes. If our manufacturing facilities no longer comply with GMP, our products may be deemed adulterated under U.S. regulations and subject to recall. Furthermore, a significant majority of our raw material product inventory is located in our Kentucky facility. If any material amount of our inventory were damaged as a result of a material disruption, we would be unable to meet our contractual obligations. While we seek to operate our manufacturing facilities in compliance with applicable rules and regulations and take measures to minimize the risks of disruption at our facilities, any such material disruption at our facilities could prevent us from meeting customer demand, reduce our sales and negatively impact our financial results.

If we lose our President, or are unable to attract and retain additional qualified personnel, the quality of our products may decline and our business may be adversely affected.

We rely heavily on the expertise, experience and continued services of our President, Mark McLaughlin. Loss of his services could adversely affect our ability to achieve our business objectives, if we are unable to find a suitable replacement. Mr. McLaughlin is an integral factor in establishing relationships and the continued development of our business depends upon his continued employment. If he were to resign or retire, we would have to find a suitable replacement who shared his expertise and relationships. Any delay in finding a suitable replacement would adversely affect the pace at which we are able to successfully grow our business and could harm our existing business, resulting in a decrease in sales and revenue. We have entered into an employment agreement with Mr. McLaughlin that includes provisions for non-competition and confidentiality that expires in October 2017.

We believe our future success will depend upon our ability to retain key employees and our ability to attract and retain other skilled personnel and consultants. While we have been able to find a sufficient number of skilled personnel consistent with our growth to date, we cannot guarantee that any employee will remain employed by us for any period of time or that we will be able to attract, train or retain qualified personnel in the future consistent with our growth. Such loss of personnel could have a material adverse effect on our business and company. Furthermore, we may need to employ additional personnel to expand our business. Qualified employees and consultants in the dietary supplement industry are in great demand and may be unavailable in the time frame required to satisfy our customers' requirements. There is no assurance we will be able to attract and retain sufficient numbers of highly skilled employees in the future. The loss of personnel or our inability to hire or retain sufficient personnel at competitive rates could impair the growth of our business.

Current and future economic and market conditions could adversely affect demand for our products.

Factors such as uncertainties in consumer spending, a sustained regional and global economic downturn or slow recovery may reduce the demand for our yeast beta glucan products. Furthermore, challenging economic conditions also may impair the ability of our customers to pay for our commercial, direct-to-consumer products. Consumer spending for our yeast beta glucan products generally is considered a discretionary purchase because they are non-prescription nutraceutical supplements and nutricosmetics, and we may experience a more negative impact on our business due to these conditions than other companies that do not depend on discretionary spending. If demand for our products declines or our customers are otherwise unable to pay for our products, we may be required to offer extensive discounts or spend more on marketing than budgeted and our revenues, expense levels and profitability will be adversely affected.

We need additional capital to continue to conduct our business, execute our business plan and fund operations. We may not be able to obtain such capital on acceptable terms or at all.

In connection with the development and expansion of our business, we incur significant capital and operational expenses. We believe that we can increase our sales and net income by implementing a growth strategy that focuses on (i) diversifying revenues to include greater direct-to-consumer and healthcare professional sales and (ii) expanding our distribution to Europe and Asia. To implement our growth strategy, we anticipate (i) increasing our marketing to healthcare professionals and end consumers, (ii) entering into distribution agreements with manufacturers and formulators in Europe and Asia and (iii) developing our branded product lines.

Our existing capital resources and cash flows from operations are not adequate to satisfy the liquidity requirements of our business for the next 12 months. We plan on our operating business in conjunction with proceeds from debt and equity financings completed in 2016 and early 2017 to be able to fund operations through 2017. However, if available funds are not sufficient to meet our current operating expenses or plans for expansion, we plan to pursue alternative financing arrangements, including bank loans, advances from our directors and officers or funds raised through offerings of our equity or debt. Our ability to obtain additional capital on acceptable terms or at all is subject to a variety of uncertainties, including: investors' perceptions of, and demand for, companies in our industry; conditions of the U.S. and other capital markets in which we may seek to raise funds; our future results of operations, financial condition and cash flows; and economic, political and other conditions in the U.S.

There is no assurance we will be successful in locating a suitable financing transaction in a timely fashion or at all. In addition, there is no assurance we will obtain the capital we require by any other means. Future financings through equity investments are likely to be dilutive to our existing shareholders. Also, the rights and preferences of securities we may issue in future capital transactions may be more favorable for our new investors. Newly-issued securities may include preferences or superior voting rights, be combined with the issuance of warrants or other derivative securities, or be the issuances of incentive awards under equity employee incentive plans, which may have additional dilutive effects. Furthermore, we may incur substantial costs in pursuing future capital and financing, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible notes and warrants, which will adversely impact our financial condition.

If we cannot raise additional funds on favorable terms or at all, we may not be able to carry out all or parts of our strategy to maintain our growth and competitiveness or to continue operations.

We may not be able to protect our proprietary rights adequately, which could adversely affect our competitive position and reduce the value of our products and brands, and litigation to protect our intellectual property rights may be costly.

We attempt to strengthen and differentiate our products by developing new and innovative yeast beta glucan products and manufacturing processes. As a result, our patents, trademarks and other intellectual property rights are important assets to our business. Our success will depend in part on our ability to obtain and protect our products, methods, processes and other technologies, to preserve our trade secrets, and to operate without infringing on the proprietary rights of third parties in the U.S. and other international markets. Despite our efforts, any of the following may reduce the value of our owned and used intellectual property:

- issued patents and trademarks that we own or have the right to use may not provide us with any competitive advantages;

- our efforts to protect our proprietary rights may not be effective in preventing misappropriation of our intellectual property;
- our efforts may not prevent the development and design by others of products or technologies similar to or competitive with, or superior to those we use or develop;
- another party may obtain a blocking patent and we would need to either obtain a license or design around the patent in order to continue to offer the contested feature in our products or services; or
- we may not have the financial resources to aggressively protect our intellectual property.

Policing the unauthorized use of our proprietary technology can be difficult and expensive. Litigation might be necessary to protect our intellectual property rights, which may be costly and may divert our management's attention away from our core business. Furthermore, there is no guarantee that litigation would result in an outcome favorable to us. To date, we have no knowledge of any infringement of our intellectual property by third parties. If we are unable to protect our proprietary rights adequately, it would have a negative impact on our operations.

We may be subject to claims that we have infringed the proprietary rights of others, which could require us to obtain a license or otherwise change our manufacturing processes or product offerings.

Although we do not believe any of our products or manufacturing processes infringe upon the proprietary rights of others, there is no assurance that infringement or invalidity claims, or claims for indemnification resulting from infringement claims, will not be asserted or prosecuted against us or that any such assertions or prosecutions will not have a material adverse effect on our business. To date, we are not aware of any material infringement nor have we been put on notice by third parties of any material infringement of proprietary rights of others. Regardless of whether any such claims are valid or can be asserted successfully, defending against such claims could cause us to incur significant costs and could divert resources away from our other activities. In addition, assertion of infringement claims could result in injunctions that prevent us from distributing our products. If any claims or actions are asserted against us, we may seek to obtain a license to the intellectual property rights that are in dispute. Such a license may not be available on reasonable terms, or at all, which could force us to change our manufacturing processes or product offerings.

We incur significant costs as a result of our operating as a public reporting company and our management's requirement to devote substantial time to new compliance initiatives, which may adversely affect our business and results of operations.

While we are a public company quoted on the OTC Markets-OTCQB, our compliance costs prior to the effectiveness of our registration statement were not substantial in light of our limited operations and limited public reporting obligations. As a company subject to public reporting requirements under the Securities Exchange Act of 1934, as amended, or the Exchange Act, since May 2012 we have incurred increased legal, accounting and other expenses. The costs of preparing and filing annual, quarterly and current reports and other information with the SEC and furnishing audited reports to shareholders is time-consuming and costly, and may adversely affect our business and results of operations.

It will also be time-consuming, difficult and costly for us to develop and implement the internal controls and reporting procedures required by the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act. Our management has limited or no experience operating a company subject to the rules and reporting practices required by the federal securities laws and applicable to a publicly traded company. Our management currently relies in many instances on the professional experience and advice of third parties including our attorneys and accountants. Our current management and staff will need to be trained and we will need to retain additional financial reporting, internal control and other personnel in order to develop and implement appropriate accounting, internal controls and reporting procedures.

Due to our financial condition, we have not been able to implement and maintain an effective system of internal controls, and we may not be able to report our financial results accurately. Any inability to report and file our financial results accurately and timely could harm our business and adversely affect the trading price of our common stock.

We are required to establish and maintain internal controls over financial reporting and disclosure controls and procedures and to comply with other requirements of the Sarbanes-Oxley Act and the rules promulgated by the SEC. Our management will need to include a report on our internal control over financial reporting and its assessment on whether such internal controls were effective for the prior fiscal year with our annual reports that we file under the Exchange Act with the SEC. Under current federal securities laws, our management has concluded that our internal control over financial reporting is not effective for the Company, our majority owned subsidiaries and the VIEs.

However, for as long as we remain an "emerging growth company," or EGC, as defined in the Jumpstart our Business Startups Act of 2012, or JOBS Act, we may, and we intend to, take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not EGCs, including not being required to comply with the auditor attestation requirements concerning management's reports on effectiveness of internal controls over financial reporting otherwise required under the Sarbanes-Oxley Act and the rules promulgated by the SEC. We may, and we intend to, take advantage of these reporting exemptions until we are no longer an EGC. We will cease to be an EGC at the earliest of (A) the last day of the fiscal year in which we have total annual gross revenues of $1,000,000,000 (as indexed for inflation in the manner set forth in the JOBS Act) or more; (B) the last day of the fiscal year in which the fifth anniversary of the date of the first sale of our common stock pursuant to an effective registration statement under the Securities Act occurs, which will be 2017; (C) the date on which we have, during the previous 3-year period, issued more than $1,000,000,000 in non-convertible debt; or (D) the date on which we are deemed to be a "large accelerated filer," as defined in Rule 12b-2 under the Exchange Act or any successor thereto.

If we cease to be an EGC, as of each fiscal year end thereafter, our independent registered public accounting firm will be required to evaluate and report on our internal controls over financial reporting in the event we become an accelerated filer or large accelerated filer. To the extent we find material weaknesses or other deficiencies in our internal controls, we may determine that we have ineffective internal controls over financial reporting as of any particular fiscal year end, and we may receive an adverse assessment of our internal controls over financial reporting from our independent registered public accounting firm. Moreover, any material weaknesses or other deficiencies in our internal controls may delay the conclusion of an annual audit or a review of our quarterly financial results.

Our management has limited or no experience operating as a public reporting company under the Exchange Act or establishing the level of internal control over financial reporting required by the Sarbanes-Oxley Act. Our management currently relies in many instances on the professional experience and advice of third parties including our attorneys and accountants.

We have material weaknesses in our internal control over financial reporting.

We identified material weaknesses in internal control over financial reporting for the years ended December 31, 2016 and 2015. Under standards established by the Public Company Accounting Oversight Board, a deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or personnel, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected and corrected on a timely basis. We plan to remediate the material weaknesses identified by us when we have sufficient funds to do so; however, we cannot assure you that there will not be additional material weaknesses and significant deficiencies that we will identify. If we are unable to identify such issues or if we are unable to produce accurate and timely financial statements, our stock price may be adversely affected and we may be unable to maintain compliance with applicable securities laws.

We believe that the material weaknesses did not have an effect on the reporting of the Company's financial results. However, we believe that the lack of a functioning audit committee and lack of a majority of outside directors on the Company's board of directors, results in ineffective oversight of the establishment and monitoring of required internal controls and procedures.

Risks Related to Our Securities

Our stock price may be volatile or may decline regardless of our operating performance, and you may lose part or all of your investment.

The market price of our common stock may fluctuate widely in response to various factors, some of which are beyond our control, including:

- market conditions or trends in the dietary supplement industry or in the economy as a whole;
- actions by competitors;
- actual or anticipated growth rates relative to our competitors;
- the public's response to press releases or other public announcements by us or third parties, including our filings with the SEC;
- economic, legal and regulatory factors unrelated to our performance;
- any future guidance we may provide to the public, any changes in such guidance or any difference between our guidance and actual results;
- changes in financial estimates or recommendations by any securities analysts who follow our common stock;
- speculation by the press or investment community regarding our business;
- litigation;
- changes in key personnel; and
- future sales of our common stock by our officers, directors and significant shareholders.

In addition, the stock markets, including the over-the-counter markets where we are quoted, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These broad market fluctuations may materially affect our stock price, regardless of our operating results. Furthermore, the market for our common stock historically has been limited and we cannot assure you that a larger market will ever be developed or maintained. The price at which investors purchase shares of our common stock may not be indicative of the price that will prevail in the trading market. Market fluctuations and volatility, as well as general economic, market and political conditions, could reduce our market price. As a result, these factors may make it more difficult or impossible for you to sell our common stock for a positive return on your investment. In the past, shareholders have instituted securities class action litigation following periods of market volatility. If we were involved in securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from our business.

Shares of our common stock lack a significant trading market, which could make it more difficult for an investor to sell our common stock.

Shares of our common stock are not yet eligible for trading on any national securities exchange. Our common stock currently is quoted in the over-the-counter market on the OTC Markets-OTCQB. This market tends to be highly illiquid. There is no assurance that an active trading market in our common stock will develop, or if such a market develops, that it will be sustained. In addition, there is a greater chance for market volatility for securities quoted in the over-the-counter markets as opposed to securities traded on a national exchange. This volatility may be caused by a variety of factors, including the lack of readily available quotations, the absence of consistent administrative supervision of "bid" and "ask" quotations and generally lower trading volume. As a result, an investor may find it more difficult to dispose of, or to obtain accurate quotations as to the market value of, our common stock, or to obtain coverage for significant news events concerning us, and our common stock could become substantially less attractive for investment by financial institutions, as consideration in future capital raising transactions or for other purposes.

Future sales of shares of our common stock, or the perception in the public markets that these sales may occur, may depress our stock price.

The market price of our common stock could decline significantly as a result of sales of a large number of shares of our common stock. In addition, if our significant shareholders sell a large number of shares, or if we issue a large number of shares, the market price of our stock could decline. Any issuance of additional common stock by us in the future, or warrants or options to purchase our common stock, if exercised, would result in dilution to our existing shareholders. Such issuances could be made at a price that reflects a discount or a premium to the then-current trading price of our common stock. Moreover, the perception in the public market that shareholders might sell shares of our stock or that we could make a significant issuance of additional common stock in the future could depress the market for our shares. These sales, or the perception that these sales might occur, could depress the market price of our common stock or make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

We have issued shares of common stock and warrants and options to purchase shares of our common stock in connection with our private placement and certain employment, director and consultant agreements. In addition, we issued shares of our common stock, and options and warrants to purchase shares of our common stock, in financing transactions and pursuant to employment agreements that are deemed to be "restricted securities," as that term is defined in Rule 144 promulgated under the Securities Act. From time to time, certain of our shareholders may be eligible to sell all or some of their restricted shares of common stock by means of ordinary brokerage transactions in the open market pursuant to Rule 144, subject to certain limitations. The resale pursuant to Rule 144 of shares acquired from us in private transactions could cause our stock price to decline significantly.

We could issue additional common stock, which might dilute the book value of our common stock.

Our Board of Directors has authority, without action or vote of our shareholders, to issue all or a part of our authorized but unissued shares. Our amended certificate of incorporation authorizes the issuance of up to 50,000,000 shares of common stock, par value $0.01 per share. Although we have no commitments as of the date hereof to issue any securities, we may issue a substantial number of additional shares of our common stock or debt securities to complete a business combination or to raise capital. Such stock issuances could be made at a price that reflects a discount or a premium from the then-current trading price of our common stock. In addition, in order to raise capital, we may need to issue securities that are convertible into or exchangeable for a significant amount of our common stock. These issuances would dilute your percentage ownership interest, which would have the effect of reducing your influence on matters on which our shareholders vote, and might dilute the book value of our common stock. You may incur additional dilution if holders of stock options and warrants, whether currently outstanding or subsequently granted, exercise their options or warrants to purchase shares of our common stock.

We are an EGC, and we cannot be certain if the reduced disclosure requirements applicable to EGCs will make our common stock less attractive to investors.

We are an EGC, as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not EGCs. The modified disclosure requirements available to EGCs include reduced disclosure about our executive compensation and omission of a compensation discussion and analysis, which is also available to us as a smaller reporting company, and an exemption from the requirement of holding a nonbinding advisory vote on executive compensation and the requirement that shareholders approve any golden parachute payments not previously approved. In addition, we will not be subject to certain requirements of Section 404 of the Sarbanes-Oxley Act, including the additional testing of our internal control over financial reporting as may occur when outside auditors attest as to our internal controls over financial reporting, which is also not required of smaller reporting companies. We could be an emerging growth company for up to five years, although we could lose that status sooner if our revenues exceed $1 billion, if we issue more than $1 billion in non-convertible debt in a three year period, or if the market value of our common stock exceeds $700 million.

We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock, and our stock price may be more volatile.

Although the JOBS Act permits an EGC such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies, we are choosing to "opt out" of this provision, and, as a result, we will comply with new or revised accounting standards as required when they are adopted, however do not currently believe that this will have a material effect on the preparation of our financial statements. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

The application of the "penny stock" rules could adversely affect the market price of our common stock and increase your transaction costs to sell those shares.

Our common stock may be subject to the "penny stock" rules adopted under Section 15(g) of the Exchange Act. The penny stock rules apply to issuers whose common stock does not trade on a national securities exchange and trades at less than $5.00 per share, or that have a tangible net worth of less than $5,000,000 ($2,000,000 if the company has been operating for three or more years). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document prepared by the SEC that contains the following information:

- a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading;
- a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to violation to such duties or other requirements of securities laws;
- a brief, clear, narrative description of a dealer market, including "bid" and "ask" prices for penny stocks and the significance of the spread between the "bid" and "ask" prices;
- a toll-free telephone number for inquiries on disciplinary actions;
- definitions of any significant terms in the disclosure document or in the conduct of trading in penny stocks; and
- such other information and is in such form (including language, type, size and format), as the SEC shall require by rule or regulation.

Prior to effecting any transaction in a penny stock, the broker-dealer also must provide the customer with the following information:

- bid and offer quotations for the penny stock;
- compensation of the broker-dealer and our salesperson in the transaction;
- number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and
- monthly account statements showing the market value of each penny stock held in the customer's account.

The penny stock rules further require that, prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks and a signed and dated copy of a written suitability statement.

Due to the requirements of the penny stock rules, many broker-dealers have decided not to trade penny stocks. As a result, the number of broker-dealers willing to act as market makers in such securities is limited. If we remain subject to the penny stock rules for any significant period, it could have an adverse effect on the market, if any, for our securities. Moreover, if our securities are subject to the penny stock rules, investors will find it more difficult to dispose of our securities.

Our principal shareholder has the ability to exert significant control in matters requiring a shareholder vote and could delay, deter or prevent a change of control in our company.

As of May 15, 2017, Mark McLaughlin, our President and largest shareholder, beneficially owns 24.5% of our outstanding shares of common stock. In addition, Mr. McLaughlin has from time to time made advances us to support our ongoing capital needs. Mr. McLaughlin exerts significant influence over us, giving him the ability, among other things, to exercise significant control over the election of all or a majority of the Board of Directors and to approve significant corporate transactions. Such share ownership and control may also have the effect of delaying or preventing a future change in control, impeding a merger, consolidation, takeover or other business combination, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of our company. This, in turn, could have a negative effect on the market price of our common stock. It could also prevent our shareholders from realizing a premium over the market price for their shares of common stock. Without the consent of Mr. McLaughlin, we could be prevented from entering into potentially beneficial transactions if such transactions conflict with our principal shareholder's interests.

We do not anticipate paying dividends in the foreseeable future, and, accordingly, any return on investment may be limited to the value of our common stock.

We do not anticipate paying cash dividends on our common stock in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting it at such time as the Board of Directors may consider relevant. We intend to follow a policy of retaining all of our earnings to finance the development and execution of our strategy and the expansion of our business. If we do not pay dividends, our common stock may be less valuable because a return on your investment will occur only if our stock price appreciates.

Our common stock is not registered under the Exchange Act and, as a result, we will not be subject to the federal proxy rules and our directors, executive officers and 10% beneficial holders will not be subject to Section 16 of the Exchange Act. In addition, our reporting obligations under Section 15(d) of the Exchange Act may be suspended automatically if we have fewer than 300 holders of record on the first day of our fiscal year.

Shares of our common stock are not currently registered under the Exchange Act though we may register our common stock under the Exchange Act in the foreseeable future. We will have to register our common stock under the Exchange Act if we have, after the last day of our fiscal year, holders of record of more than either (1) 2,000 or more persons or (2) 500 or more persons who are not accredited investors, in accordance with Section 12(g) of the Exchange Act, as amended by the JOBS Act. As a result, currently we are only subject solely to the reporting obligations of Section 15(d) of the Exchange Act so long as we do not subsequently register under Section 12(g) of the Exchange Act by filing a Form 8-A or another Exchange Act registration statement. As long as our common stock is not registered under the Exchange Act, we will be required to file only annual, quarterly and current reports pursuant to Section 15(d) of the Exchange Act, and we will not be subject to Section 14 of the Exchange Act, which, among other things, prohibits companies that have securities registered under the Exchange Act from soliciting proxies or consents from shareholders without furnishing to shareholders and filing with the SEC a proxy statement and form of proxy complying with the proxy rules. In addition, so long as our common shares are not registered under the Exchange Act, our directors, executive officers and beneficial holders of 10% or more of our outstanding common stock will not be subject to Section 16 of the Exchange Act. Section 16(a) of the Exchange Act requires directors, executive officers and persons who beneficially own more than 10% of a registered class of equity securities to file with the SEC initial statements of beneficial ownership, reports of changes in ownership and annual reports concerning their ownership of common stock and other equity securities on Forms 3, 4 and 5, respectively. Such information about our directors, executive officers and 10% beneficial holders will only be available through this and any subsequent registration statement or periodic reports we file pursuant to Section 15(d) of the Exchange Act.

Furthermore, so long as our common stock is not registered under the Exchange Act, our obligation to file reports under Section 15(d) of the Exchange Act will be automatically suspended if, on the first day of any fiscal year, other than a fiscal year in which a registration statement under the Securities Act has gone effective, we have fewer than 300 holders of record. This suspension is automatic and does not require any filing with the SEC. In such an event, we may cease providing periodic reports and current or periodic information, including operational and financial information. As of May 12, 2017, we had approximately 324 holders of record.

Certain provisions of our corporate governance documents and Delaware law could discourage, delay or prevent a merger or acquisition at a premium price.

Our amended certificate of incorporation and bylaws contain provisions that may make the acquisition of our company more difficult without the approval of our Board of Directors. These include provisions that:

- provide that our Board of Directors is expressly authorized to adopt, amend or repeal our bylaws;
- provide our Board of Directors with the sole power to set the size of our Board of Directors and fill vacancies; and
- provide that special meetings of shareholders may be called only by our Board of Directors, Chairman of the Board of Directors, upon written notice of demand by our President or upon written notice of demand by the holders of at least 25% of the shares of our common stock outstanding and entitled to vote.

These and other provisions of our amended certificate of incorporation and bylaws could delay, defer or prevent us from experiencing a change of control or changes in our Board of Directors and management and may adversely affect our shareholders' voting and other rights.

In addition, we are subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with a shareholder owning 15% or more of such corporation's outstanding voting stock for a period of three years following the date on which such shareholder became an "interested" shareholder. In order for us to consummate a business combination with an "interested" shareholder within three years of the date on which the shareholder became "interested," either (1) the business combination or the transaction that resulted in the shareholder becoming "interested" must be approved by our board of directors prior to the date the shareholder became "interested," (2) the "interested" shareholder must own at least 85% of our outstanding voting stock at the time the transaction commences (excluding voting stock owned by directors who are also officers and certain employee stock plans) or (3) the business combination must be approved by our board of directors and authorized by at least two-thirds of our shareholders (excluding the "interested" shareholder). This provision could have the effect of delaying or preventing a change of control, whether or not it is desired by or beneficial to our shareholders. Any delay or prevention of a change of control transaction or changes in our board of directors and management could deter potential acquirers or prevent the completion of a transaction in which our shareholders could receive a substantial premium over the then-current market price for their shares of our common stock.

Item 1B. Unresolved Staff Comments

Not required.

Item 2. Properties

Our principal executive offices are in office spaces located in Mount Kisco, New York. We lease a manufacturing facility with warehouse space consisting of approximately 15,000 square feet in Florence, Kentucky, in the vicinity of the Cincinnati, Ohio, airport on a month-to-month basis. In addition, Immudyne PR operates in a subleased office space in Puerto Rico. We believe that our existing office and manufacturing facilities are adequate for current and presently foreseeable operations. In general, our properties are well maintained and are being utilized for their intended purposes.

Item 3. 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 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is qualified for quotation on the OTC Markets-OTCQB under the symbol "IMMD" and has been quoted on the OTCQB since February 8, 2013. Previously, our common stock was quoted on the OTC Markets-OTC Pink Current, also under the symbol "IMMD." The following table sets forth the range of the high and low bid prices per share of our common stock for each quarter as reported in the over-the-counter markets. These quotations represent interdealer prices, without retail markup, markdown or commission, and may not represent actual transactions. There currently is no liquid trading market for our common stock. There can be no assurance that a significant active trading market in our common stock will develop, or if such a market develops, that it will be sustained.

	2016		2015	
	High	Low	High	Low
First Quarter (through March 31)	$ 0.33	$ 0.10	$ 0.23	$ 0.10
Second Quarter (through June 30)	0.40	0.17	0.16	0.03
Third Quarter (through September 30)	0.34	0.20	0.14	0.05
Fourth Quarter (through December 31)	0.30	0.21	0.17	0.06

Holders of Record

On May 12, 2017, there were approximately 324 shareholders of record based on information provided by our transfer agent. Many of our shares of common stock are held in street or nominee name by brokers and other institutions on behalf of shareholders and we are unable to estimate the total number of shareholders represented by these record holders.

Dividend Policy

We have not paid and do not expect to declare or pay any cash dividends on our common stock in the foreseeable future. We currently expect to retain all future earnings for use in the operation and expansion of our business. The declaration and payment of any cash dividends in the future will be determined by our Board of Directors, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions, if any.

Item 6. Selected Financial Data

Not required.

Item 7. 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 year of 2016. We believe, based on testing and analysis conducted by third parties on our behalf, that the beta glucans derived from yeast we manufacture are superior to any other beta glucans available on the market. 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.

In the 2016 fiscal year, we utilized third party entities to provide and increase credit card processing capacity and optimize corresponding rates and fees through one or more merchant bank accounts held by such entities. A majority of these entities providing these services are consolidated as VIEs which received a one (1%) percent fee eliminated in consolidation of the net revenues processed and collected by such contractors from sales initiated by the Company. The remaining entities provided such services as independent contractors, the majority of which were considered related parties and no fee was paid. Upon receipt of funds by such contractors from their respective merchant banks, the Company required the prompt transfer of funds to Company controlled accounts. The Company reimbursed and/or advanced funds to such contractors for any deficit or charge related to returns, chargeback and other fees charged by such merchant bank. Some of the entities contracted to provide these services have been determined to be variable interest entities and consolidated in the Company's financial statements.

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. Late in the 2016 fiscal year and early in 2017, the Company issued several 11% subordinated promissory notes to accredited investors for total borrowings of $200,000, which have been satisfied in 2016 and 2017. We plan on our operating business (in conjunction with proceeds from debt and equity financings completed in 2016 and early 2017) to be able to fund operations through 2017. 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 “Risk Factors” contained in this annual report.

Results of Operations

Year Ended December 31, 2016, Compared to the Year Ended December 31, 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	5,238,604		1,218,862	
Cost of sales	1,946,055	37%	247,772	20%
Gross profit	3,292,549	63%	971,090	80%
Operating expenses	(4,467,231)	-85%	(1,233,307)	-101%
Loss from operations	(1,174,682)	-22%	(262,217)	-22%
Gain on sale of Adiuvo Investment S.A. stock	-	0%	127,261	10%
Other income (expenses), net	(48,611)	-1%	(37,476)	-3%
Income tax benefit	-	0%	13,200	1%
Net (loss)	(1,223,293)	-23%	(159,232)	-13%
Net (loss) attributable to noncontrolling interests	(115,749)	-2%	(97,240)	-8%
Net (loss) attributable to Immudyne, Inc.	(1,107,544)	-21%	(61,992)	-5%

Overall sales for the year ended December 31, 2016 were $5.24 million, an increase of 330% from $1.22 million in 2015. Our increase in sales was primarily attributable to sales made by our finished cosmetic products segment of $4.24 million through our joint venture with Inate. Net sales for our nutraceutical and cosmetic additives segment remained relatively consistent between periods at approximately $1 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 685% to $1.95 million in 2016 compared to $0.25 million in 2015, which costs in the 2015 period were primarily attributable to our nutraceutical and cosmetic additives product segment. The increase in our cost of sales was due to our increased advertising expenses incurred to generate our increase in sales from our finished cosmetic products segment, which costs were not incurred in 2015.

Gross profit increased 239% to $3.29 million in 2016 compared to $0.97 million in 2015 as a result of our increased sales offset by our advertising expenses for the year. Gross profit as a percentage of sales decreased to 63% in 2016 from 80% in 2015 due to the shift in the composition of our sales between periods from primarily 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, marketing, research and development and professional fees. Overall operating expenses increased 262% to $4.47 million in 2016 from $1.23 million 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 211% to $1.03 million in 2016 from $0.33 million for in 2015. Compensation and related expense increased 134% to $1.25 million in 2016 from $0.53 million in 2015 due to the aforementioned share issuance. Marketing expense increased 642% to $1.7 million in 2016 from $0.23 million for in 2015. Professional fees increased 316% to $.48 million in 2016 from approximately $0.11 million in 2015, due to increased legal and accounting fees incurred with respect to Inate's operations.

Net loss attributable to Immudyne in 2016 was approximately $1.11 million compared to net loss of $0.06 million in 2015. We consolidated the operations of our joint venture, Inate, and at December 31, 2016, reflected a non-controlling interest for 21.833% of these operations. Net loss attributable to Immudyne, Inc. as a percentage of sales was 21% in 2016 compared to net loss as a percentage of sales of 5% in 2015. Our net loss notwithstanding our substantial increase in sales was primarily due to the advertising expenses we incurred in the year 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 2017 fiscal year 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 2016 and 2015 fiscal years. As a result, our auditors have raised substantial doubt about our ability to continue as a going concern. 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. Late in the 2016 fiscal year and early in 2017, the Company issued several 11% subordinated promissory notes to accredited investors for total borrowings of $200,000 which have been satisfied in 2016 and 2017. We plan on our operating business (in conjunction with proceeds from debt and equity financings completed in 2016 and early 2017) being able to fund operations through 2017. 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.

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 $(361,725) at December 31, 2016, resulting in a decrease from net working capital of approximately $180,990 at December 31, 2015. The ratio of current assets to current liabilities was 0. 69 to 1 at December 31, 2016.

The following is a summary of cash provided by or used in each of the indicated types of activities during the years ended December 31, 2016 and 2015:

	2016	2015
Cash provided by (used in):		
Operating activities	$ (407,914)	$ (295,124)
Investing activities	-	127,261
Financing activities	357,491	325,352

Net cash flow used by operating activities was $0.41 million for the year ended December 31, 2016, compared to net cash flow used in operating activities of $0.30 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 expenses incurred in the 2016 period. We expect that these expenses will decrease as a percentage of sales as Inate continues to mature as a business.

Net cash flows provided by investing activities was $0 for the year ended December 31, 2016, compared to net cash flows provided by financing activities of $0.127 million for the same period in 2015 due to gain on sale of Adiuvo Investment S.A. during the period as further described below.

Net cash flows provided by financing activities was $0.36 million for the year ended December 31, 2016, compared to net cash flows provided by financing activities of $0.33 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. Late in the 2016 fiscal year and early in 2017, the Company issued several 11% subordinated promissory notes to accredited investors for total borrowings of $200,000 which have been satisfied as of the date hereof.

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 years ended December 31, 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. The Consolidated Financial Statements include the accounts of the Immudyne and its majority-owned subsidiaries and variable interest entities ("VIE") in which the Company has been determined to be the primary beneficiary. All significant inter-company transactions and balances between the Company, its subsidiaries, and its VIEs have been eliminated in consolidation.

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, stockholders' equity-based transactions, allowance for doubtful accounts, revenue recognition and sales returns and allowances. 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 $1,926,000 for the year ended December 31, 2016. Customer discounts, returns and rebates were not significant for the year ending December 31, 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.

Variable Interest Entities - Principles of Consolidation

Generally, the Company consolidates only business enterprises that we control by ownership of a majority voting interest. However, there are situations in which consolidation is required even though the usual condition of consolidation (ownership of a majority voting interest) does not apply. Generally, this occurs when an entity holds an interest in another business enterprise that was achieved through arrangements that do not involve voting interests, which results in a disproportionate relationship between such entity's voting interests in, and its exposure to the economic risks and potential rewards of, the other business enterprise. This disproportionate relationship results in what is known as a variable interest, and the entity in which we have the variable interest is referred to as a "VIE."

The Company follows ASC 810-10-15 guidance with respect to accounting for VIEs. A VIE is an entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support from other parties, or whose equity investors lack any of the characteristics of a controlling financial interest. A variable interest is an investment or other interest that will absorb portions of a VIE's expected losses or receive portions of the entity's expected residual returns. Variable interests are contractual, ownership, or other pecuniary interests that change with changes in the fair value of the entity's net assets. A party is the primary beneficiary of a VIE and must consolidate it when that party has a variable interest, or combination of variable interests, that provides the party with a controlling financial interest. A party is deemed to have a controlling financial interest if it meets both of the power and losses/benefits criteria. The power criterion is the ability to direct the activities of the VIE that most significantly impact its economic performance. The losses/benefits criterion is the obligation to absorb losses from, or right to receive benefits from, the VIE that could potentially be significant to the VIE. The VIE model requires an ongoing reconsideration of whether a reporting entity is the primary beneficiary of a VIE due to changes in facts and circumstances.

Noncontrolling Interests

The Company accounts for its less than 100% interest in Inate and its VIEs 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 adoption of ASU No. 2016-09 is not expected to have a material impact on the Company's consolidated financial statements or related disclosures.

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 adoption of ASU No. 2015-11 is not expected to have a material impact on the Company's consolidated financial statements or related disclosures.

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 ending 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.

In May 2017, the FASB issued ASU 2017-09, Compensation - Stock Compensation (Topic 718) : Scope of Modification Accounting. The new standard provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. This pronouncement is effective for annual reporting periods beginning after December 15, 2017 but early adoption is permitted. The Company is currently evaluating the impact of adopting this guidance.

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 7A. Quantitative and Qualitative Disclosures about Market Risk

Not required.

Item 8. Financial Statements and Supplementary Data

Our financial statements, together with the report thereon, appear in a separate section of this Annual Report beginning on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of 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 for the Company, our majority owned subsidiaries and the VIEs and the increased concentration of operations of Immudyne PR. 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.

Our PEO/PFO has started to implement appropriate disclosure controls and procedures to remediate these material weaknesses, including the engagement of two accounting firms providing bookkeeping and accounting services (i) to address inadequate segregation of duties and ineffective risk management and (ii) assist in preparing sufficient written policies and procedures for accounting and financial reporting and a whistle blower policy; and with when sufficient funds are available (iii) implement sufficient security and restricted access measures regarding our computer systems and implement a disaster recovery plan.

Management's Annual Report on Internal Control over Financial Reporting

Our PEO/PFO is responsible for establishing and maintaining adequate internal control over financial reporting as defined under Rule 13a-15(f) and Rule 15d-15(f) under the Securities Exchange Act of 1934. As of December 31, 2016 our PEO/PFO assessed the effectiveness of the Company's internal control over financial reporting based on the internal control framework promulgated by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), "Internal Control — Integrated Framework" ("COSO 2013") provides guidance for designing, implementing and conducting internal control and assessing its effectiveness. Our PEO/PFO used the COSO 2013 framework to assess the effectiveness of the Firm's internal control over financial reporting as of December 31, 2016. Based on that evaluation, our PEO/PFO concluded that, during the period covered by this report, such internal controls and procedures were not effective to detect the inappropriate application of US GAAP rules as more fully described below. This was due to deficiencies that existed in the design or operation of our internal control over financial reporting that adversely affected our internal controls.

The matters involving internal controls and procedures that the Company's PEO/PFO considered to be material weaknesses under the standards of the Public Company Accounting Oversight Board were: (1) lack of a functioning audit committee and lack of a majority of outside directors on the Company's board of directors, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures; and (2) inadequate segregation of duties consistent with control objectives; (3) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements; and (4) ineffective controls over period end financial disclosure and reporting processes. The aforementioned material weaknesses were identified by the Company's PEO/PFO in connection with his review of our financial statements as of December 31, 2016.

Our PEO/PFO believes that the material weaknesses set forth above did not have an effect on the Company's financial results. However, our PEO/PFO believes that the lack of a functioning audit committee and lack of a majority of outside directors on the Company's board of directors, results in ineffective oversight of the establishment and monitoring of required internal controls and procedures.

We will continue to monitor and evaluate the effectiveness of our internal controls and procedures and our internal controls over financial reporting on an ongoing basis and are committed to taking action and implementing additional enhancements or improvements as funds allow.

There have been no significant changes in our internal controls over financial reporting that occurred during the year ended December 31, 2016 that have materially affected or are reasonably likely to materially affect, our internal controls over financial reporting.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only its management report in the Annual Report.

Item 9B. Other Information

On February 1, 2017, Ryan Aldridge was appointed to our Board of Directors. There is no arrangement or understanding between Mr. Aldridge and any other person pursuant to which he was appointed as a director of the Company. There has been no transaction, or proposed transaction, since January 1, 2015, to which Mr. Aldridge or any member of his respective immediate family had or is to have a direct or indirect material interest or any other related transaction with the Company within the meaning of Item 404(a) of Regulation S-K. There are no family relationships between Mr. Aldridge and any of the Company's other directors, executive officers or persons nominated or chosen by the Company to become directors or executive officers.

During the third quarter of 2016, the Company sold several 11% subordinated promissory notes along with shares of the Company's common stock. A total of $200,000 of these notes, together with a total of 250,000 shares of Common Stock, were issued and sold to five investors. The notes have varying maturity dates based on their date of issuance between February and October 2017. All of the notes have been satisfied as of the date hereof. The Company issued the Notes to accredited investors only pursuant to Rule 506 of Regulation D promulgated under the Securities Act of 1933, as amended.

In the fourth quarter of 2016, the Company issued 275,000 shares of common stock and 137,500 two-year warrants with an exercise price of $0.50 per share for $63,250 to two accredited investors in reliance on Section 4(a)(2) of the Securities Act of 1933, as amended.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth the names of our directors, executive officer and certain significant employees and their ages, positions and biographical information as of the date of this annual report. Our executive officer is appointed by, and serves at the discretion of, our Board of Directors. There are no other family relationships among our directors or executive officer.

Name	Position	Age
Anthony G. Bruzzese, M.D.	Chairman	62
Mark McLaughlin	President, Chief Executive Officer and Director	59
John R. Strawn, Jr.	Director	56
Dr. Joseph DiTrolio, M.D.	Director and Chief Medical Officer (North America)	66
Dr. Sven Rohmann M.D.	Director and Chief Medical Officer (Global)	55
Ryan Aldridge	Director	33
Justin Schreiber	President, Immudyne PR	34
Stefan Galluppi	Chief Executive Officer, Immudyne PR	30

Anthony G. Bruzzese, M.D., Chairman

Dr. Bruzzese has served as Chairman of our Board of Directors since April 2004. He is a practicing radiologist in Warwick, Rhode Island, certified by both the American Board of Internal Medicine and the American Board of Radiology. Since 1997, Dr. Bruzzese has served as a principal at Toll Gate Radiology, Inc., providing patients with comprehensive diagnostic imaging services. Dr. Bruzzese also has served on the medical staffs at Roger Williams Medical Center since 2008 and Landmark Medical Center since 2011. He previously served on the medical staff at Kent County Memorial Hospital in Rhode Island from 1997 to 2005. Dr. Bruzzese has served as a Fellow, Councilor and Alternate Councilor to the American College of Radiology on behalf of the Rhode Island Radiology Society. Dr. Bruzzese received his Bachelor of Science and Doctor of Medicine from Brown University. Dr. Bruzzese brings to the Board of Directors over 20 years of experience in medical practice. The Board of Directors believes that Dr. Bruzzese's knowledge of internal medicine and life sciences will assist us in our future growth and expansion plans.

Mark McLaughlin, President, Chief Executive Officer and Director

Mr. McLaughlin has served as our President and member of the Board of Directors since March 2004 and Chief Executive Officer since April 2011. Mr. McLaughlin brings extensive knowledge about raising capital, marketing, business and corporate development, and of our operations and long-term strategy to the Board of Directors. In addition, Mr. McLaughlin played an integral role in successfully prosecuting several intellectual property violations in our favor. Since 1994, he has served as President of McLaughlin International, Inc., or MII, a management consulting firm controlled by Mr. McLaughlin. Previously, Mr. McLaughlin served as Senior Vice President at Oppenheimer & Co. from 1990 to 1992 and Lehman Brothers from 1981 to 1990. Mr. McLaughlin graduated from the College of the Holy Cross. The Board of Directors believes that Mr. McLaughlin's leadership and extensive knowledge about us is essential to our future growth

John R. Strawn, Jr., Director

Mr. Strawn has served as a member of our Board of Directors since July 2011. Mr. Strawn brings to the Board of Directors over 25 years of legal experience, including extensive knowledge of our intellectual property portfolio. His practice focuses on complex commercial litigation. Mr. Strawn has successfully represented the company for over 10 years, including in a dispute over the ownership and licensing of multiple patents. After prevailing in a jury trial that was upheld on appeal in 2009, the matter was settled on favorable terms for the company. In 2010, Mr. Strawn became a founding partner of Strawn Pickens LLP in Houston, Texas. Prior to founding Strawn Pickens, Mr. Strawn was the Co-Managing Partner of Cruse Scott Henderson & Allen LLP, a law firm based in Houston, Texas, since 1992. Mr. Strawn received his Juris Doctor from the University of Texas Law School and his bachelor's degree from Dartmouth College.

Dr. Joseph DiTrolio, M.D., Director

Dr. DiTroilio was appointed to our Board of Directors on September 4, 2014. Dr. DiTrolio has been the Chief Medical Officer of United States at ImmuDyne, Inc. since May 29, 2013 pursuant to a 2012 consulting agreement. Dr. DiTrolio serves as an advisor of OneMedPlace and as an advisor of Urovalve Inc. Dr. DiTrolio is recognized world-wide as an inventor, researcher and lecturer and is a Clinical Professor of Urology, UMDNJ. He is the holder of several patents and is Clinical Professor of Surgery, Division of Urology at New Jersey Medical School, and the recent Chairman of the Department of Urology for the St. Barnabas Medical Center Healthcare System. He is a graduate of the University of Richmond, University of Paris, Sorbonne and New Jersey Medical School. He is a Diplomate of the American Board of Urology and is well respected in the urology community for innovative techniques and product development.

Dr. Sven Rohmann, M.D., Director and Chief Medical Officer

Dr. Rohmann was appointed to our board of directors and as Chief Medical Officer on September 15, 2015. Dr. Rohmann served 10 years as an International Marketing Manager, Business Area Manager, and Global Head of the Strategic Marketing of the business area oncology at Merck. During his tenure at Merck, he was involved in the successful licensing of Erbitux from ImClone and the establishment of Merck Oncology. He served as the Head of laboratories performing cardiovascular preclinical research, then Evaluation Manager and International Product Manager for cardiovascular products at Merck. In addition, Dr. Rohmann served as an Interim Chief Executive Officer of BioVisioN AG, Hannover, Germany from 2003 to 2005.

Ryan Aldridge, Director

Ryan Aldridge, was appointed to our board of directors on February 1, 2017. Ryan Aldridge is the founder of Aranea Partners. Aranea is a boutique capital markets advisory firm that specializes in investing in and advising companies in the healthcare sector. Ryan is an advisor to high net worth investors and an investor and consultant to early stage biotechnology and healthcare companies. Prior to Aranea, Ryan was the Director of Investor Relations at a long short hedge fund. Ryan graduated Gettysburg College in 2006 and is a CFA Charterholder.

Justin Schreiber, President Immudyne PR

Justin Schreiber was appointed as Immudyne PR's President on April 1, 2017. Mr. Schreiber is the President and founder of JLS Ventures, a leading capital markets advisory firm that partners with entrepreneurs and emerging growth companies to build innovative and disruptive brands with long-term investment value. Prior to founding JLS Ventures, Mr. Schreiber ran a consulting business that provided investor relations, advisory services and capital raising solutions to small publicly traded companies. In addition to his capital markets experience, Mr. Schreiber previously worked for a global healthcare consulting firm as well as in the foreign currency trading business. He holds a BS in International Business from Elizabethtown College and a BA in International Management from the ICN École de management in Nancy, France.

Stefan Galluppi, Chief Executive Officer, Immudyne PR

Stefan Galluppi is the Chief Executive Officer of Immudyne PR and the Chief Operating Officer of Immudyne.
Previously, Mr. Galluppi served as CTO at Redwood Scientific Technologies, where he oversaw the information technology infrastructure, ranging from customer services software to Customer Relationship Management (CRM) systems, as well as software system development and integration to streamline the B2C ordering process. Mr. Galluppi was also instrumental in helping create the framework for an optimal back-end office infrastructure to support multiple national TV direct response advertising campaigns rated among the top 10 on the national TV IMS report rankings for performance. Mr. Galluppi's the former co-founder of a NT1 Hosting; a web development, hosting and online marketing firm that design, developed and marketed hundreds of successful websites and campaigns.

Legal Proceedings

During the past ten years, none of our current directors or executive officers has been:

- the subject of any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

- convicted in a criminal proceeding or is subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

- subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities;

- found by a court of competent jurisdiction (in a civil action), the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, that has not been reversed, suspended, or vacated;

- subject of, or a party to, any order, judgment, decree or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of a federal or state securities or commodities law or regulation, law or regulation respecting financial institutions or insurance companies, law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

- subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization, any registered entity or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

None of our directors, officers or affiliates, or any beneficial owner of 5% or more of our common stock, or any associate of such persons, is an adverse party in any material proceeding to, or has a material interest adverse to, us or any of our subsidiaries.

Corporate Governance

We currently have no standing audit or nominating committees or committees performing similar functions, nor do we have written audit or nominating committee charters. Our Board of Directors believes it unnecessary to have such committees at this time because our Board of Directors can perform the functions of such committees adequately.

We established a Compensation Committee in January 2017. The Compensation Committee consists of Messrs. Strawn and Bruzzese. Mr. Strawn is the Chairman of the Compensation Committee. The Compensation Committee is responsible for the design, review, recommendation and approval of compensation arrangements for our directors, executive officers and key employees. The Compensation Committee also reviews and determines compensation of our executive officers, including our Chief Executive Officer.

We do not have any defined policy or procedural requirements for shareholders to submit recommendations or nominations for directors. The Board of Directors believes that, given the stage of our development, a specific nominating policy would be premature until our business operations develop to a more advanced level. We currently do not have any specific or minimum criteria for the election of nominees to the Board of Directors and we do not have any specific process or procedure for evaluating such nominees. The Board of Directors will assess all candidates, whether submitted by management or shareholders, and make recommendations for election or appointment. A shareholder who wishes to communicate with our Board of Directors may do so by directing a written request addressed to our director at the address on the cover of this report.

Code of Ethics

We have not yet adopted a code of ethics within the definition of Item 406 of Regulation S-K. Currently, we have a three named executive officers,11 employees, as well as a few part-time employees and numerous additional consultants. As our business continues to grow, and we become more experienced as a fully-reporting public company, our Board of Directors plans to implement a code of ethics.

Section 16(a) Beneficial Ownership Reporting Compliance

We are currently not subject to Section 16(a) of the Exchange Act as we do not have a class of equity securities registered pursuant to section 12 of the Exchange Act.

Item 11. Executive Compensation

As a "smaller reporting company," we have elected to follow the scaled disclosure requirements for smaller reporting companies with respect to the disclosures required by Item 402 of Regulation S-K. Under such scaled disclosure, we are not required to provide a Compensation Discussion and Analysis, Compensation Committee Report and certain other tabular and narrative disclosures relating to executive compensation.

Executive Compensation

The following table sets forth information concerning the compensation of our principal executive officer for the years ended December 31, 2016 and 2015.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
Mark McLaughlin President, Chief Executive Officer and Director(2)	2016 2015	145,600 145,600	- -	-(3) -(3)	- 52,000(4)	145,600 197,600
Justin Schreiber President, Immudyne PR(5)	2016	-	-	-	345,000	345,000
Stefan Galluppi Chief Executive Officer, Immudyne PR(6)	2016	30,000	-	-	345,000	375,000

(1) Amounts shown reflect aggregate grant date fair value and, where applicable, incremental fair value as of modification date, of awards and do not reflect whether the recipient actually has realized a financial benefit from such grant, such as by exercising the options or selling the stock. A discussion of the assumptions used in calculating the award values may be found in Note 2 to our financial statements contained herein.

(2) Mr. McLaughlin receives no compensation for serving as a member of our Board of Directors.

(3) Under his employment agreement entered into on April 20, 2011, as amended, Mr. McLaughlin earns an annual incentive bonus award consisting of 5% of our pre-tax earnings payable each semi-annual fiscal year. We did not have any pre-tax earnings in 2016 or 2015, and no incentive bonus was earned or awarded.

(4) In December of 2014, the Board of Directors authorized a one-year extension of warrants to purchase 1.5 million shares of our common stock at $0.12 per share that were set to expire as consideration, in part, for certain monetary advances made by Mr. McLaughlin to the Company. The warrants with such one-year extension of the expiration date in 2014 had an incremental fair value of $7,000. The warrants were further extended in 2015 for an additional two-years as consideration for Mr. McLaughlin's personal guarantee of a loan made to the Company, extensions of various interest-free advances and for his provision of rent-free office spaces to the Company.

(5) Pursuant to the operating agreement of Immudyne PR, Mr. Schreiber was appointed as Immudyne PR's President on April 1, 2016. In connection the therewith, the Company entered into a services agreement with JLS Ventures, LLC, an entity owned and controlled by Mr. Schreiber. A total of 1,150,000 shares of the Company's common stock were issued to JLS Ventures, LLC in 2016, with a grant date fair value of $345,000. The Company retains the right to rescind the issuance of 1,000,000 shares of common stock issued to JLS Ventures LLC in the event Immudyne PR does not distribute at least $500,000 to the Company by December 31, 2017.

(6) Pursuant to the operating agreement of Immudyne PR, Mr. Gallupi was appointed as Immudyne PR's Chief Executive officer on April 1, 2016. In connection the therewith, the Company entered into a services agreement with American Nutra Tech, an entity owned and controlled by Mr. Gallupi. A total of 1,150,000 shares of the Company's common stock were issued to American Nutra Tech in 2016, with a grant date fair value of $345,000. The Company retains the right to rescind the issuance of 1,000,000 shares of common stock issued to American Nutra Tech and is currently in negotiations with respect to such shares as well as Mr. Gallupi's overall compensation.

The following table sets forth information concerning the outstanding equity awards held by our principal executive officer at December 31, 2016.

Outstanding Equity Awards at Fiscal Year-End for 2016

	Option Awards				
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Number of Securities Underlying Unexercised Options (#) Unearned**	**Option Exercise Price ($)**	**Option Expiration Date**
Mark McLaughlin(1)	1,000,000	-	-	0.10	03/07/2018
	339,473	-	-	0.10	12/31/2018
	1,800,000	-	-	0.20	04/20/2021
	500,000	-	-	0.40	04/20/2021
	500,000	-	-	0.40	04/20/2021
	-	-	500,000(2)	0.80	04/20/2021

(1) All options held by Mr. McLaughlin are fully vested from grant date and exercisable on a cashless basis.

(2) Options become earned and exercisable upon our achieving $10 million in revenues in any fiscal year prior to the expiration date.

Employment Agreement

On October 12, 2012, we entered into a five-year employment agreement with Mr. McLaughlin, our President and Chief Executive Officer, under which he is to be compensated at $145,600 per annum. In addition to his base salary, Mr. McLaughlin will earn an annual incentive bonus award consisting of 5% of our pre-tax earnings payable each semi-annual fiscal year. We also granted to Mr. McLaughlin under his employment agreement, as amended, 10-year, fully-vested options to purchase an aggregate of 3.3 million shares of our common stock, such options consisting of the right to purchase: (i) 1.8 million shares of our common stock at $0.20 per share; (ii) 0.5 million shares of our common stock at $0.40 per share; (iii) 0.5 million shares of our common stock at $0.40 per share upon our achieving $5 million in revenues in any fiscal year prior to the expiration date; and (iv) 0.5 million shares of our common stock at $0.80 per share upon our achieving $10 million in revenues in any fiscal year prior to the expiration date. If at any time prior to the expiration date of the options we merge into or are acquired by another company, any outstanding options granted under Mr. McLaughlin's employment agreement will become immediately exercisable on the business day immediately preceding the merger or acquisition at $0.40 per share or the preceding average 30-day market price of our common stock prior to the announcement of such merger or acquisition, whichever price is lower.

Prior to our entering into this employment agreement, we compensated Mr. McLaughlin for his services as our President at $10,000 per month. From time to time he voluntarily deferred this compensation without interest.

Our employment agreement with Mr. McLaughlin contains provisions prohibiting competition by him following his employment with us. Mr. McLaughlin's employment agreement specifies the conditions under which the agreement may be terminated and stipulates that he shall not be entitled to severance payments upon termination. Mr. McLaughlin is entitled to retain any options granted under his employment agreement and that remain outstanding at the time his employment agreement is terminated, however. We do not have any other existing arrangements providing for payments or benefits in connection with the resignation, severance, retirement or other termination of Mr. McLaughlin, or a change in control of the company or a change in his responsibilities following a change in control. We currently do not have any defined pension plan for Mr. McLaughlin. We currently do not have any nonqualified defined contribution or other plan that provides for the deferral of compensation for Mr. McLaughlin nor do we currently intend to establish any such plan.

Services Agreements

On April 1, 2016, the Company entered into two services agreements (the "Services Agreements") with each of JLS Ventures, LLC ("JLS"), an entity wholly owned and operated by Justin Schreiber, President of Immudyne PR, and American Nutra Tech ("American Nutra Tech"), an entity wholly owned and operated by Stefan Galluppi, Chief Executive Officer of Immudyne PR. Under the terms of these Service Agreements each of JLS and American NutraTech are required to provide certain operational management services and other business counsel to the Company and Inate. As consideration for these services, the Company issued each of JLS and American NutraTech 1,000,000 restricted shares of its common stock, which issuance may be rescinded in the event Inate did not distribute at least $500,000 to the Company by December 31, 2016. Inate did not make such distribution by December 31, 2016 and as such the Company held a rescission right with respect to the restricted shares issued to each of JLS and American Nutra Tech. With respect to JLS, the Company agreed to permit JLS to retain the shares so long as the required distribution was achieved by December 31, 2017. The Company is currently in negotiations with respect to the shares issued to American Nutra Tech for which the Company has a rescission right. Additional shares and/or options may also be issued upon certain financial milestones being achieved by Inate as specified in the Services Agreements.

Compensation of Directors

The following table sets forth information concerning the compensation of our directors for the year ended December 31, 2016.

Director Compensation for 2016

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
Anthony G. Bruzzese, M.D.	-	-(2)	-	-(2)	-
John R. Strawn, Jr.	-	-(3)	-	16,500	16,500
Joseph DiTrolio, M.D.	-	-(4)	-(4)	-(4)	-
Sven Rohmann, M.D.	-	-	-	-	-

(1) Amounts shown reflect aggregate grant date fair value and, where applicable, incremental fair value as of modification date, of awards and do not reflect whether the recipient actually has realized a financial benefit from such grant, such as by exercising the options or selling the stock. A discussion of the assumptions used in calculating the award values may be found in Note 2 to our financial statements contained herein.

(2) As of December 31, 2016, Dr. Bruzzese held fully-vested options to purchase an aggregate of 810,000 shares of our common stock, such options consisting of the right to purchase: (i) 560,000 shares of our common stock at $0.20 per share with an expiration date of April 20, 2021; and (ii) 250,000 shares of our common stock at $0.40 per share with an expiration date of April 20, 2021, such options to become exercisable upon our achieving $5 million in revenues in any fiscal year prior to the expiration date. Each such option held by Dr. Bruzzese is exercisable on a cashless basis.

(3) As of December 31, 2016, Mr. Strawn held fully-vested options to purchase an aggregate of 2,000,000 shares of our common stock, such options consisting of the right to purchase: (i) 1,000,000 shares of our common stock at $0.20 per share with an expiration date of July 1, 2021; (ii) 500,000 shares of our common stock at $0.40 per share with an expiration date of July 1, 2021; and (iii) 500,000 shares of our common stock at $0.40 per share with an expiration date of July 1, 2021, such options to become exercisable upon our achieving $5 million in revenues in any fiscal year prior to the expiration date. Each such option held by Mr. Strawn is exercisable on a cashless basis.

(4) Under his director's agreement effective as of September 4, 2014, Dr. DiTrolio was granted options consisting the right to purchase (i) 250,000 shares of our common stock at $0.20 per share with an expiration date of September 4, 2024; and (ii) 125,000 shares of our common stock at an exercise price of $0.40 per share with an expiration date of September 4, 2024, such options to become exercisable upon our achieving $5 million in revenues in any fiscal year prior to the expiration date. Dr. DiTrolio was also granted options to purchase shares of our common stock in connection with his consulting agreement with the company. See "Consulting Agreement with Directors" under "Certain Relationships and Related Transactions."

The Board of Directors may determine remuneration to be paid to the directors with interested members refraining from voting. Our independent directors each have entered into director's agreements with us, pursuant to which they will receive annual cash compensation of an amount to be negotiated and agreed upon when we have the financial wherewithal to pay such compensation for their service. We also made grants of 10-year, fully-vested options to purchase 810,000 and 2,000,000 shares of our common stock as described in the footnotes to the above table to Dr. Bruzzese and Mr. Strawn, respectively, pursuant to their director's agreements effective as of April 20, 2011. Dr. DiTrolio was granted 10-year, fully-vested options to purchase 325,000 shares of our common stock as described in the footnote to the above table. If at any time prior to the expiration date of the options we merge into or are acquired by another company, any outstanding options granted under the directors' agreements will become immediately exercisable on the business day immediately preceding the merger or acquisition at $0.40 per share or the preceding average 30-day market price of our common stock prior to the announcement of such merger or acquisition, whichever price is lower. We do not compensate our non-independent director, Mr. McLaughlin, for serving as our director. All directors are eligible to receive reimbursement of expenses incurred with respect to attendance at board meetings, which is not included in the above table. We do not maintain a medical, dental or retirement benefits plan specifically for our directors, but all directors are eligible to participate in our employee group health and dental insurance plans.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following sets forth information as of May 15, 2017, regarding the number of shares of our common stock beneficially owned by (i) each person that we know beneficially owns more than 5% of our outstanding common stock, (ii) each of our directors and named executive officer and (iii) all of our directors and named executive officer as a group.

The amounts and percentages of our common stock beneficially owned are reported on the basis of SEC rules governing the determination of beneficial ownership of securities. Under the SEC rules, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has the right to acquire beneficial ownership within 60 days through the exercise of any stock option, warrant or other right. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which such person has no economic interest. Unless otherwise indicated, each of the shareholders named in the table below, or his or her family members, has sole voting and investment power with respect to such shares of our common stock. Except as otherwise indicated, the address of each of the shareholders listed below is: c/o Immudyne, Inc., 50 Spring Meadow Rd., Mount Kisco, NY 10549.

Name of beneficial owner	Number of shares	Percent of class
5% Shareholders		
Lane Deyoe 11997 N. Lake Dr. Boynton Beach, FL 33436	3,945,629(1)	10.4%
Directors and named executive officers		
Mark McLaughlin	10,590,009(2)	24.5%
Justin Schreiber	4,577,408(3)	11.7%
Stefan Galluppi	1,150,000	3.1%
Anthony G. Bruzzese, M.D.	2,100,799(4)	5.5%
John R. Strawn, Jr.	3,115,000(5)	6.7%
Joseph DiTrolio, M.D.	325,000(6)	-%
Sven Rohmann, M.D.	-	-%
Directors and named executive officer as a group(7 persons)	21,858,216	46.1%

(1) Includes 195,000 shares and presently-exercisable warrants to purchase 474,831 shares held of record by the Deyoe Family Limited Partnership over which Mr. Deyoe has sole voting and dispositive power. Also includes presently-exercisable options to purchase 300,000 shares.

(2) Consists of 588,236 shares held of record by McLaughlin International, Inc., presently-exercisable warrants to purchase 1,500,000 shares, presently-exercisable warrants to purchase 294,118 shares held of record by McLaughlin International, Inc. and presently-exercisable options to purchase 4,139,313 shares. Mr. McLaughlin has sole voting and dispositive power over all shares and warrants held of record by McLaughlin International, Inc.

(3) Consists of 2,768,272 shares held of record by JOJ Holdings, Inc., presently-exercisable warrants to purchase 809,136 shares and presently-exercisable options to purchase 1,000,000

(4) Consists of 115,000 shares held jointly with Dr. Bruzzese's spouse, presently-exercisable warrants to purchase 219,666 shares and presently-exercisable options to purchase 850,800 shares.

(5) Includes 400,000 shares and presently-exercisable warrants to purchase 200,000 shares held of record by Strawn Pickens LLP over which Mr. Strawn has shared voting and dispositive power, and presently-exercisable options to purchase 2,000,000 shares.

(6) Consists of presently-exercisable options to purchase 350,000 shares.

We are not aware of any arrangements that could result in a change in control of the Company.

As of December 31, 2016, we have no formal equity compensation plan in effect.

Item 13. Certain Relationships and Related Transactions, and Director Independence

In addition to the executive officer and director compensation arrangements discussed in "Executive Compensation" beginning on page 32, the following describes transactions since January 1, 2015, to which we have been a participant, in which the amount involved in the transaction exceeds the lesser of $120,000 or 1% of the average of our total assets at year end and in which any of our directors, executive officer or holders of more than 5% of our capital stock, or any immediate family member of, or person sharing the household with, any of these individuals, had or will have a direct or indirect material interest.

Royalty Agreement

We were 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. We entered into the royalty agreement to settle a suit between Mr. McLaughlin and us, over disputed patent and licensing arrangements. Mr. McLaughlin, our President, has a 60% interest in the royalties paid under the agreement, or $136,305, and Akin, Gump, Strauss, Hauer & Feld L.L.P., Mr. McLaughlin's counsel in the matter, is entitled to the remaining 40% interest. During the year ended December 31, 2015, the Company's sales reached the maximum amount under which the Company is required to pay royalty under the agreement. Mr. McLaughlin converted royalties payable under the agreement in the amount of $84,868 to 499,225 shares of the Company's common stock at a conversion rate of $0.17 per share. As consideration for Mr. McLaughlin foregoing the cash payment due him for several years, we granted him a three year option to purchase 339,473 shares of Immudyne's common stock at $0.10 per share. Royalty expense under the agreement amounted to $0 and $20,157 for the years ended December 31, 2016 and 2015, respectively

Indebtedness to our President, Directors and Shareholders

From time to time, Mr. McLaughlin, our President, has made short-term advances to us for our operating needs. These advances bear no interest, are unsecured and have no fixed terms of repayment. In 2014, the largest aggregate amount of principal outstanding was $17,000 and no interest was paid thereon. In 2015, the largest principal amount outstanding was $30,000, and no interest was paid thereon. As of December 31, 2016, no amounts are due to Mr. McLaughlin for any advances as they have repaid in full.

From time to time, Dr. Bruzzese, our Chairman, has made advances to us for our operating needs. These advances bore interest at 5% per annum, were unsecured and had no fixed terms of repayment. Since 2014, the largest aggregate amount of principal outstanding was $10,200. In 2014, no principal was paid and $595 of interest was paid. In 2015, $445.95 of interest was accrued and the total principal amount and accrued interest was satisfied by the issuance of 60,000 shares of our common stock at $0.17 per share and three year options to purchase 40,800 shares of our common stock.

Lane Deyoe, a greater than 10% shareholder of company, loaned us $75,000 at 5% per annum for our operating needs on July 23, 2015. As consideration for the extension of the loan, we granted Mr. Deyoe three year options to purchase 300,000 shares of our common stock. In December 2015 the loan was satisfied through the issuance of 441,177 shares of our common stock.

Justin Schreiber, a greater than 5% shareholder of our company, and President of Immudyne PR, provided a $100,000 loan to the Company in December of 2016 that bore no interest and which repaid in full in March 2017. In addition, in January of 2017, Mr. Schreiber purchased $100,000 of 11% promissory notes of the Company and was issued 217,391 shares of its Common Stock in connection with this purchase. $70,000 of the principal amount of this note has been repaid as of the date hereof. Finally, Mr. Schreiber also received 434,782 shares of common stock in November of 2016 for a conversion of an equity contribution to Immudyne PR and was issued 217,391 two-year warrants with an exercise price of $0.40 per share in connection with such conversion. A similar equity contribution conversion took place in January of 2017, whereby Mr. Schreiber received 1,183 shares of common stock and 591,745 2-year warrants at an exercise price of $0.40 per share.

Employment Arrangements with an Immediate Family Member of our President

Brunilda McLaughlin, the wife of Mr. McLaughlin, our President, is our full time accounting and accounts receivable employee. Under our employment agreement with Mrs. McLaughlin, we compensate her for her full-time services with (a) cash compensation of $3,000 per month; (b) 10-year, fully-vested options with cashless exercise rights to purchase 200,000 shares of our common stock at $0.20 per share; (c) 10-year, fully-vested options with cashless exercise rights to purchase 100,000 shares of our common stock at $0.40 per share, such options to become exercisable upon our achieving $5 million in revenues in any fiscal year prior to the expiration date; and (d) an annual incentive bonus award amounting to 0.5% of our pre-tax earnings.

Legal Services Provided by Director

Strawn Pickens LLP, a law firm co-founded by one of our directors, Mr. Strawn, performs legal services on our behalf on an hourly-fee basis in the ordinary course and has a contingency fee arrangement with us in a suit with former officers of the company and their affiliated entities. In June 2012, we issued Strawn Pickens LLP 402,333 shares of our common stock and 3-year warrants to purchase 200,000 shares of our common stock at $0.40 per share in satisfaction of approximately $68,000 in legal services. In 2013, we compensated Mr. Strawn $176,000 ($82,000 paid in 2013 and $94,000 paid in 2014) in conjunction with the Company's judgment against and settlement with a former officer and affiliated parties. In 2016, there was no compensation provided to this director for legal services.

Office Space Provided by our Officers

Our principal executive offices are in office space provided to us by our President, Mr. McLaughlin at $2,000 per month, which includes rents, utilities and other office related expenditures. This arrangement commenced as of January 1, 2016. In addition, Immudyne PR utilizes office space in Puerto Rico which is subleased by Mr. Schreiber. Immudyne PR incurs expense of approximately $4,000 a month for this office space.

Immudyne PR Operating Agreement

On April 1, 2016, the Company entered into a limited liability company operating agreement (with Taggart International Trust ("Taggart") and American Nutra Tech to amend and restate its existing agreements with these parties dated October 8, 2015 with respect to the Company's joint venture doing business as Inate. The legal name of the joint venture limited liability company is ImmuDyne PR LLC. Pursuant to the terms of the Operating Agreement, the Company increased its ownership and voting interest in the joint venture to 78.16667%. Each of Taggart and American Nutra Tech hold an equity percentage of 11.3333% and 10.5%, respectively. Taggarat International Trust is wholly owned by Justin Schreiber, President of Immudyne PR, and American Nutra Tech is wholly owned and operated by Stefan Galluppi, Chief Executive Officer of Immudyne PR.

Services Agreements

On April 1, 2016, the Company entered into two services agreements with each of JLS, an entity wholly owned and operated by Justin Schreiber, President of Immudyne PR, and American Nutra Tech, an entity wholly owned and operated by Stefan Galluppi, Chief Executive Officer of Immudyne PR. Under the terms of these Service Agreements each of JLS and American NutraTech are required to provide certain operational management services and other business counsel to the Company and Inate. As consideration for these services, the Company issued each of JLS and American NutraTech 1,000,000 restricted shares of its common stock, which issuance may be rescinded in the event Inate did not distribute at least $500,000 to the Company by December 31, 2016. Inate did not make such distribution by December 31, 2016 and as such the Company held a rescission right with respect to the restricted shares issued to each of JLS and American Nutra Tech. With respect to JLS the Company agreed to permit JLS to retain the shares so long as the required distribution was achieved by December 31, 2017. The Company is currently in negotiations with respect to the shares issued to American Nutra Tech for which the Company has a rescission right. Additional shares and/or options may also be issued upon certain financial milestones being achieved by Inate as specified in the Services Agreements.

Consulting Agreement with Directors

On September 12, 2012, we entered into a consultant agreement with one of our current directors, Joseph V. DiTroilio M.D. Under the agreement Dr. DiTrolio is to serve as a Chief Medical Officer of North America of the Company for a term of three years. In connection with the agreement Dr. DiTrolio was granted options consisting of the right to purchase (i) 100,000 shares of our common stock at $0.20 per share with an expiration date of September 12, 2022; (ii) 250,000 shares of our common stock at $0.40 per share with an expiration date of September 12, 2022, such options to become exercisable upon our achieving $5 million in revenues in any fiscal year prior to the expiration date; and (iii) 250,000 shares of our common stock at $0.80 per share with an expiration date of September 12, 2022, such options to become exercisable upon our achieving $10 million in revenues in any fiscal year prior to the expiration date.

Director Independence

Our Board of Directors currently is comprised of five directors, Dr. Bruzzese, Dr. DiTrolio, Dr. Rohmann, Mr. Aldridge and Messrs. McLaughlin and Strawn. While we are not subject to any director independence requirements because of our quotation on the OTC Markets-OTQB, we have adopted the NASDAQ listed company standards for the purposes of determining director independence. Under these standards, the Board of Directors has determined that Dr. Bruzzese qualifies as an independent director. In determining the independence of our directors, the Board of Directors considered all transactions in which we and any director had any interest, including those discussed under "Certain Relationships and Related Transactions" beginning on page [37] of this Annual Report. The Board of Directors currently has no separately designated standing committees.

Item 14. Principal Accounting Fees and Services

Our Board of Directors has selected PKF O'Connor Davies, LLP ("PKF") as the independent registered public accounting firm to audit our books and accounts for the fiscal years ending December 31, 2016 and 2015. PKF has served as our independent accountant since 2010. The aggregate fees billed, or expected to be billed, for the last two fiscal years ended December 31, 2016 and 2015, for professional services rendered by PKF were as follows:

	2016	2015
Audit fees	$ 128,712	$ 49,289
Audit-related fees		
Tax fees	$ 8,945	$ 5,735
All other fees		

In the above table, "audit fees" are fees billed for services provided related to the audit of our annual financial statements, quarterly reviews of our interim financial statements, and services normally provided by the independent accountant in connection with statutory and regulatory filings or engagements for those fiscal periods. "Tax fees" are fees billed, or to be billed, by the independent accountant for professional services rendered for tax compliance, tax advice and tax planning.

Our Board of Directors pre-approves all services provided by our independent accountants. Our Board of Directors reviewed and approved all of the above services and fees.

PART IV

Item 15. Exhibits, Financial Statement Schedules

The following documents are filed as part of or are included in this Annual Report:

1. Financial statements listed in the Index to Financial Statements, filed as part of this Annual Report beginning on page F-1; and

2. Exhibits listed in the Exhibit Index filed as part of this Annual Report.

IMMUDYNE, INC.

Financial Statements
For The Years Ended
December 31, 2016 and 2015

Table of Contents	Table

Report of Independent Registered Public Accounting Firm

To the Board of Directors and

Stockholders of Immudyne, Inc.

We have audited the accompanying consolidated balance sheets of Immudyne, Inc. as of December 31, 2016 and 2015, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Immudyne, Inc. at December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred a significant accumulated deficit through December 31, 2016, and has incurred negative cash flows for the year ended December 31, 2016. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ PKF O'Connor Davies, LLP

Harrison, NY
May 23, 2017

Immudyne, Inc.

Consolidated Balance Sheets

	December 31, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash	$ 182,561	$ 232,984
Trade accounts receivable, net	444,743	154,436
Other receivables	2,250	-
Inventory, net	160,270	61,051
Total Current Assets	$ 789,824	$ 448,471
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable and accrued expenses	$ 752,930	$ 167,481
Derivative liabilities	192,254	-
Convertible notes payable	100,000	-
Notes payable, net of discount	106,365	100,000
Total Current Liabilities	1,151,549	267,481
Immudyne, Inc. Stockholders' Equity (Deficit)		
Common stock, $0.01 par value; 50,000,000 shares authorized, 35,570,157 and 32,010,375 shares issued, 35,245,157 and 32,010,375 outstanding as of December 31, 2016 and 2015, respectively	355,701	320,103
Additional paid-in capital	9,070,064	8,366,313
Accumulated (deficit)	(9,693,882)	(8,586,338)
	(268,117)	100,078
Treasury stock, 325,000 shares, at cost	(87,053)	-
Total Immudyne, Inc. Stockholders' Equity (Deficit)	(355,170)	100,078
Non-controlling interest	(6,555)	80,912
Total Stockholders' Equity (Deficit)	(361,725)	180,990
Total Liabilities and Stockholders' Equity (Deficit)	$ 789,824	$ 448,471

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

Immudyne, Inc.

Consolidated Statements of Operations

	Year Ended December 31,	
	2016	2015
Net sales	$ 5,238,604	$ 1,218,862
Cost of sales	1,946,055	247,772
Gross Profit	3,292,549	971,090
Operating expenses		
Compensation and related expenses	1,247,195	532,421
Professional fees	477,401	114,890
Marketing expenses	1,710,357	230,661
Research and development expenses	-	23,925
General and administrative expenses	1,032,278	331,410
Total operating expenses	4,467,231	1,233,307
Operating (Loss)	(1,174,682)	(262,217)
Gain on sale of Adiuvo Investment S.A. stock	-	127,261
Interest (expense)	(48,611)	(37,476)
Net Income (Loss) Before Taxes	(1,223,293)	(172,432)
Deferred income tax benefit	-	13,200
Net (Loss)	(1,223,293)	(159,232)
Net (loss) attributable to noncontrolling interests	(115,749)	(97,240)
Net (loss) attributable to Immudyne, Inc.	$ (1,107,544)	$ (61,992)
Basic and diluted (loss) per share attributable to Immudyne, Inc.	$ (0.03)	$ (0.00)
Average number of common shares outstanding		
Basic	33,478,229	30,810,000
Diluted	33,478,229	30,810,000

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

Immudyne, Inc.

Consolidated Statement of Stockholders' Equity (Deficit)
For the years ended December 31, 2016 and 2015

	Immudyne, Inc.							
	Common Stock		Additional Paid-in	Accumulated	Treasury	Sub	Noncontrolling	
	Shares	Amount	Capital	(Deficit)	Stock	Total	interest	Total
Balance at December 31, 2014	30,729,973	$ 307,299	$ 8,077,549	$ (8,524,346)	$ -	$ (139,498)	$ -	$ (139,498)
Amortization of stock options	-	-	22,300	-	-	22,300	-	22,300
Purchase of company stock	(120,000)	(1,200)	(9,600)	-	-	(10,800)	-	(10,800)
Issuance of company stock for notes and other payables	1,000,402	10,004	160,064	-	-	170,068	-	170,068
Issuance of common stock for services	500,000	5,000	60,000	-	-	65,000	-	65,000
Company stock cancelled	(100,000)	(1,000)	1,000	-	-	-	-	-
Extension of option and warrant expiration dates	-	-	55,000	-	-	55,000	-	55,000
Investment in subsidiary by noncontrolling interest	-	-	-	-	-	-	178,152	178,152
Net (loss)	-	-	-	(61,992)	-	(61,992)	(97,240)	(159,232)
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	-	-	120,867	-	-	120,867	-	120,867
Issuance of common stock for services	2,300,000	23,000	360,333	-	-	383,333	-	383,333
Sale of common stock and warrants	275,000	2,750	60,500	-	-	63,250	-	63,250
Conversion of NCI equity for shares	434,782	4,348	95,652	-	-	100,000	-	100,000
Issuance of common stock for options exercise	300,000	3,000	27,000	-	-	30,000	-	30,000
Issuance of common stock in relation to debt offering	250,000	2,500	56,250	-	-	58,750	-	58,750
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	-	-	-	-	(87,053)	(87,053)	-	(87,053)
Issuance of stock options for services	-	-	63,206	-	-	63,206	-	63,206
Investment in subsidiary by noncontrolling interest	-	-	-	-	-	-	119,894	119,894
Reclassification of options, warrants and other contracts from equity to derivative liabilities	-	-	(192,254)	-	-	(192,254)	-	(192,254)
Net (loss)	-	-	-	(1,107,544)	-	(1,107,544)	(115,749)	(1,223,293)
Balance at December 31, 2016	35,570,157	$ 355,701	$ 9,070,064	$ (9,693,882)	$ (87,053)	$ (355,170)	$ (6,555)	$ (361,725)

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

Immudyne, Inc.

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss)	$ (1,223,293)	$ (159,232)
Adjustments to reconcile net (loss) to net cash (used) by operating activities		
Depreciation	-	43,748
Bad debt provision	71,136	-
Amortization of debt discount	33,715	-
Deferred tax benefit	-	(13,200)
Stock compensation expense	587,991	77,300
Common stock issued for services	-	65,000
Gain on sale of Adiuvo Investment S.A. stock	-	(127,261)
Changes in Assets and Liabilities		
Trade accounts receivable	(361,443)	(139,466)
Other receivables	(2,250)	-
Inventory	(99,219)	(20,043)
Accounts payable and accrued expenses	585,449	(21,970)
Net cash (used) by operating activities	(407,914)	(295,124)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of Adiuvo Investment S.A. stock	-	127,261
CASH FLOWS FROM FINANCING ACTIVITIES		
Investment in subsidiary by noncontrolling interest	219,894	178,152
Increase in notes payable	200,000	305,000
Proceeds from convertible note payable	100,000	-
Repayment of notes payable	(168,600)	(147,000)
Proceeds from options exercise	30,000	-
Sale of common stock and warrants	63,250	-
Purchase of treasury stock	(87,053)	(10,800)
Net cash provided by financing activities	357,491	325,352
Net (decrease) increase in cash	(50,423)	157,489
Cash at beginning of the year	232,984	75,495
Cash at end of the year	$ 182,561	$ 232,984
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$ 13,650	$ 28,976
Issuance of company stock for notes and other payables	$ -	$ 170,068
Issuance of common stock in relation to debt offering	$ 58,750	$ -
Reclassification of options, warrants and other contracts from equity to derivative liabilities	$ 192,254	$ -
Conversion of equity invested in subsidiary to common stock and warrants	$ 100,000	$ -

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 increasing its ownership 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 December 31, 2016, the Company has an accumulated deficit approximating $9.7 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 December 31, 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

Principles of Consolidation

The Company evaluates the need to consolidate affiliates based on standards set forth in ASC 810 Consolidation ("ASC 810").

The consolidated financial statements include the accounts of the Company and its majority owned subsidiary, Immudyne PR and variable interest entities (VIE's) in which the Company has been determined to be the primary beneficiary. The non- controlling interest in Immudyne PR represents the 21.833% equity interest held by other members of the joint venture. All significant consolidated transactions and balances have been eliminated in consolidation.

Variable Interest Entities

The Company follows ASC 810-10-15 guidance with respect to accounting for variable interest entities (each, a "VIE"). These entities do not have sufficient equity at risk to finance their activities without additional subordinated financial support from other parties or whose equity investors lack any of the characteristics of a controlling financial interest. A variable interest is an investment or other interest that will absorb portions of a VIE's expected losses or receive portions of its expected residual returns and are contractual, ownership, or pecuniary in nature and that change with changes in the fair value of the entity's net assets. A reporting entity is the primary beneficiary of a VIE and must consolidate it when that party has a variable interest, or combination of variable interests, that provides it with a controlling financial interest. A party is deemed to have a controlling financial interest if it meets both of the power and losses/benefits criteria. The power criterion is the ability to direct the activities of the VIE that most significantly impact its economic performance. The losses/benefits criterion is the obligation to absorb losses from, or right to receive benefits from, the VIE that could potentially be significant to the VIE. The VIE model requires an ongoing reconsideration of whether a reporting entity is the primary beneficiary of a VIE due to changes in facts and circumstances.

As of December 31, 2016 and 2015, the Company consolidated nine and zero VIEs, respectively.

Immudyne PR as the primary beneficiary of Ace Account Management LLC, Innerwell Skincare LLC, MCD Merchants LLC, One Equity Research LLC, Inate Gems LLC, Retriever Health Products LLC, Spurs 5, LLC, Salus LLC and Huntley LLC which are qualified as VIEs. The assets and liabilities and revenues and expenses of these VIEs included in the financial statements of Immudyne PR and further included in the consolidated financial statements. As of December 31, 2016, the VIEs had assets of $10,306, liabilities of $5,748, revenues of $6,271, and operating expenses of $6,141. The assets and liabilities include balances due from and due to the subsidiaries of Immudyne PR. These inter-company receivables and payables are eliminated upon consolidation of the VIE with Immudyne PR and Immudyne. No assets were pledged or given as collateral against any borrowings.

2. Summary of Significant Accounting Policies

The Company utilizes third party entities to provide and increase credit card processing capacity and optimize corresponding rates and fees. A majority of these entities provide this service as independent contractors in exchange for a one (1%) percent fee of the net revenues processed and collected by such contractors from sales initiated by the Company. The VIEs consolidated in the Company's financial statements are primarily contracted to credit card processing through one or more merchant banks contracted by each VIE. Upon receipt of funds by each VIE, the collection of receipts less any returns, chargeback and other fees charged by such merchant bank is transferred to Immudyne PR.

Use of Estimates

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 determination of reserves for accounts receivable, returns and allowances, the accounting for derivatives, the valuation of inventory and stockholders' equity based transactions. Actual results could differ from those estimates.

Derivative Liabilities

The Company evaluates stock options, stock warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for under the relevant sections of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 815-40, Derivative Instruments and Hedging: Contracts in Entity's Own Equity. The result of this accounting treatment could be that the fair value of a financial instrument is classified as a derivative instrument and is marked-to-market at each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the consolidated statements of operations as other income or other expense. Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity.

Financial instruments that are initially classified as equity that become subject to reclassification under ASC Topic 815-40 are reclassified to a liability account at the fair value of the instrument on the reclassification date.

As of December 31, 2016, certain of the Company's stock options, stock warrants and convertible debt instruments were accounted for as derivative liabilities due to insufficient authorized shares of common stock to settle outstanding contracts. At December 31, 2016, the Company estimated the fair value of these stock options, stock warrants and embedded conversion features using the Black-Scholes option pricing model ("Black-Scholes") in the amount of $192,254 was recorded upon issue

Sequencing Policy

Under ASC 815-40-35, the Company has adopted a sequencing policy whereby, in the event that reclassification of contracts from equity to assets or liabilities is necessary pursuant to ASC 815 due to the Company's inability to demonstrate it has sufficient authorized shares, shares will be allocated on the basis of the earliest issuance date of potentially dilutive instruments, with the earliest grants receiving the first allocation of authorized but unissued shares, and all future instruments being classified as a derivative liability, with the exception of instruments related to share-based compensation issued to employees or directors.

Inventory

At December 31, 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.

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 December 31, 2016 and December 31, 2015, the Company recorded an inventory reserve in the amount of $20,000. Inventory consists of the following:

	December 31, 2016	December 31, 2015
Raw materials	$ 38,460	$ 25,761
Finished products	121,810	35,290
	$ 160,270	$ 61,051

2. Summary of Significant Accounting Policies (continued)

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 $1,926,000 in the year ended December 31, 2016. Customer discounts, returns and rebates were not significant in the year ended December 31, 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 year ended December 31, 2016 consisted of nutraceutical and cosmetic additives ($997,964) and finished cosmetic products ($4,240,640). Revenue for the year ended December 31, 2015 consists of nutraceutical and cosmetic additives ($1,079,289) and finished cosmetic products ($139,573).

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 December 31, 2016 and 2015 the accounts receivable reserve was approximately $37,800 and $18,000, respectively. As of December 31, 2016, the reserve for sales returns and allowances was approximately $50,500. No sales returns and allowances reserve existed at December 31, 2015.

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.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The Company allocates resources and evaluates the performance of segments based on income or loss from operations, excluding interest, corporate expenses and other income (expenses).

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

Total assets:	December 31, 2016	December 31, 2015
Nutraceutical and Cosmetic Additives	$ 556,234	$ 412,324
Finished Cosmetic Products	422,288	101,828
Eliminations	(188,698)	(65,681)
Total	**$ 789,824**	**$ 448,471**

	Year ended	
	December 31, 2016	December 31, 2015
Net sales by segment:		
Nutraceutical and Cosmetic Additives	$ 1,024,264	$ 1,092,289
Finished Cosmetic Products	4,240,640	139,573
Eliminations	(26,300)	(13,000)
Total	**$ 5,238,604**	**$ 1,218,862**
Net (loss) income by segment:		
Nutraceutical and Cosmetic Additives	$ 164,286	$ 110,467
Finished Cosmetic Products	(388,121)	(158,402)
Other unallocated amounts:		
Corporate expenses	(950,847)	(214,282)
Other income (expense) – net	(48,611)	89,785
Consolidated income (loss) from operations	**$ (1,223,293)**	**$ (172,432)**

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, 2013, 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 16,302,447 options and warrants for the year ended December 31, 2016 have not been included in the loss per share calculation as the effects are anti-dilutive. Common stock equivalents comprising shares underlying 12,775,273 options and warrants for the year ended December 31, 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. The adoption of ASU No. 2016-09 is not expected to have a material impact on the Company's consolidated financial statements or related disclosures.

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.

2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

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 adoption of ASU No. 2015-11 is not expected to have a material impact on the Company's consolidated financial statements or related disclosures.

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 ending 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.

In May 2017, the FASB issued ASU 2017-09, Compensation - Stock Compensation (Topic 718) : Scope of Modification Accounting. The new standard provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. This pronouncement is effective for annual reporting periods beginning after December 15, 2017 but early adoption is permitted. The Company is currently evaluating the impact of adopting this guidance.

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, 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.

Consolidation of Variable Interest Entities

In accordance with ASC 810-10-25-37 and as amended by ASU 2009-17, the Company determines whether any legal entity in which the Company becomes involved is a VIE and subject to consolidation. The Company conducts an assessment on an ongoing basis for each VIE including (1) the power to direct activities of the VIE that most significantly impact the VIE's economic performance, and (2) the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE. As a result, the Company determined that nine (9) entities were VIEs and subject to consolidation.

2. Summary of Significant Accounting Policies (continued)

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.

One customer in the nutraceutical and cosmetic additives division accounted for 15% and 73% of consolidated sales for the years ended December 31, 2016 and 2015, respectively. This customer accounted for 11% and 43% of accounts receivable at December 31, 2016 and December 31, 2015, respectively.

A second customer in the nutraceutical and cosmetic additives division accounted for 2% and 12% of consolidated sales for years ended December 31, 2016 and 2015, respectively. This customer accounted for 8% and 24% of accounts receivable at December 31, 2016 and December 31, 2015, respectively.

In the finished cosmetic products division, two credit card processors accounted for 34.9% and 31.6% of accounts receivable at December 31, 2016. There were no significant concentrations of accounts receivable in the finished cosmetic products division at December 31, 2015

3. Furnishings and Equipment

Furnishings and equipment consisted of the following:

	December 31	
	2016	2015
Furnishings and equipment, at cost	$ 679,291	$ 679,291
Accumulated depreciation	679,291	679,291
	$ -	$ -

Depreciation expense amounted to $0 and $43,748 for years ended December 31, 2016 and 2015, respectively.

4. Investment in Adiuvo Investment S.A.

In December 2013, the Company entered into a memorandum of understanding (MOU) with Adiuvo Investment S.A. (AI), an investment company located in Poland, whereby AI paid the Company $100,000 for the option, which expired in September 2014, to purchase up to 10% of the outstanding stock in the Company at $0.25 per share. In January 2014, the Company invested $100,000 in AI in exchange for a minority interest of less than 1% in AI, and an option to acquire additional shares of AI up to an aggregate consideration of $1,500,000. Further, AI granted the Company the right to participate in any subsequent public offerings of AI and the option to buy up to 10% of AI. During 2015 AI shares commenced trading on the Warsaw exchange in Poland, and the Company sold its entire investment, receiving $127,261, net of transaction costs. Due to the investment's limited liquidity and uncertain valuation prior to its sale, the Company accounted for its interest in AI at no value. The proceeds of the Company's sale of AI stock, $127,261, are recorded as gain on sale of Adiuvo Investment S.A. stock in the accompanying statement of operations for the year ended December 31, 2015.

5. Notes Payable

Notes payable are due to officers, directors, and shareholders and a commercial lender and are summarized as follows:

	Officers, Directors, and Shareholders	Commercial Lenders	Total
Balance at December 31, 2014	$ 27,200	$ -	$ 27,200
Borrowing	105,000	200,000	305,000
Repayment	(47,000)	(100,000)	(147,000)
Conversion to common stock	(85,200)	-	(85,200)
Balance at December 31, 2015	$ -	$ 100,000	$ 100,000
Borrowing	$ 300,000	$ -	$ 300,000
Repayment	(68,600)	(100,000)	(168,600)
Debt discount	(25,035)	-	(25,035)
Balance at December 31, 2016	$ 206,365	$ (100,000)	$ 106,365

The Company periodically borrows from officers, directors, other related individuals, and from commercial lenders. During 2015 two shareholders, with notes totaling $85,200, converted the notes to Company stock at $0.17 per share.

In January 2015, the Company borrowed $100,000 from a commercial lender. The loan required payment of principal and interest in 252 daily payments of $492 each commencing January 12, 2015. In December 2015, the Company repaid the remaining outstanding principal balance. Interest for the year ended December 31, 2015 amounted to $25,425.

In November 2015, the Company borrowed $100,000 from a commercial lender. The loan incurred interest at 11% and with a maturity date of November 1, 2016. In October 2016, the Company repaid the entire principal balance. Interest expense related to this loan for the years ended December 31, 2016 and 2015 amounted to $9,479 and $1,543, respectively.

In the third quarter of 2016 the Company commenced an offering pursuant to which it offered 11% subordinated promissory notes 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 October 2016, the Company sold promissory notes totaling $50,000 to two unrelated individuals. These promissory notes are payable in October 2017. In connection with these promissory notes sold, pursuant to the Offering, the Company issued 250,000 shares of common stock valued at $58,750 which was recorded as a debt discount and will be amortized over the term of these notes. Amortization of the debt discounts for the year ended December 31, 2016 was $33,715. During 2016, the Company repaid $68,600 of the principle balance; and as a result, the outstanding balances of these notes as of December 31, 2016, were $131,400. The balance of debt discount related to the subordinated promissory notes is $25,035 at December 31, 2016. Interest expense related to these notes for the year ended December 31, 2016 amounted to $5,416.

5. Notes Payable (continued)

In December 2016, the Company borrowed $100,000 from an officer and issued a convertible promissory note with a maturity date of February 28, 2017. The loan incurs no interest. This note is convertible if not repaid by the maturity date at a conversion price of $0.23 per Unit. Each Unit shall consist of one share of the Company's common stock and one three-year common-stock warrant to purchase one-half of one share of the Company's common stock with an exercise price of $0.40 per share.

Interest expense related to loans from officers, directors and other related individuals amounted to $5,416 and $10,508 for the years ended December 31, 2016 and 2015, respectively.

Total interest expense on notes payable, inclusive of amortization of debt discount of $39,131 and $0, amounted to $48,611 and $37,476 for the years ended December 31, 2016 and 2015, respectively.

6. Income Taxes

The Company incurred a loss for the year ended December 31, 2016 and accordingly, no provision for federal income tax has been made in the accompanying financial statements. At December 31, 2016, the Company had available net operating loss carryforwards of approximately $3,953,000, expiring during various years through 2036.

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

	December 31	
	2016	2015
Net operating loss	$ 1,344,000	$ 930,000
Accounts receivable reserves	30,000	-
Inventory reserves	7,000	-
Stock compensation	200,000	-
Net deferred tax asset	1,581,000	-
Valuation allowance	(1,581,000)	(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.

7. Stockholders' Equity

In May 2015, the Company purchased and retired 120,000 shares of outstanding Company common stock from an investor for $10,800.

In July 2015, the Company granted 300,000 options valued at $7,500 to a shareholder in conjunction with the issuance of a $75,000 note payable. The options are fully vested and expire in three years. In December 2015, the Company satisfied the $75,000 note payable through the issuance of 441,177 shares of Company common stock.

In December 2015, the Company satisfied $10,200 of notes payable to a director through the issuance of 60,000 shares of Company common stock. The Company issued 40,800 options valued at $1,000 to the director in conjunction with this transaction. The options are fully vested and expire in three years.

In December 2015, the Company satisfied $84,868 of royalties payable to the Company's President through the issuance of 499,225 shares of Company common stock (see note 8). In conjunction with this transaction, the Company issued 339,473 options valued at $13,000 to the President of the Company at an exercise price of $0.10 per share. The options are fully vested and expire in 3 years.

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 year ended December 31, 2016, the Company has recognized expense of $383,333 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 October 2016, the Company issued 62,500 shares of common stock pursuant to the sale of two promissory notes in the Offering.

In November 2016, the Company issued 434,782 shares of common stock pursuant to a conversion of an equity contribution into Immudyne PR by the noncontrolling interest. In connection with this issuance the Company issued 217,391 warrants with an exercise price of $0.40 per share. These warrants are fully vested and expire in two years.

In December 2016, the Company received proceeds of $30,000 from exercises of options at $0.10 per share. The Company issued 300,000 shares of common stock pursuant to these exercises.

On December 23, 2016, the Company issued 75,000 shares of common stock for $17,250. In connection with this issuance the Company issued 37,500 warrants with an exercise price of $0.50 per share. These warrants are fully vested and expire in two years.

During 2016, the Company purchased 325,000 shares of outstanding Company common stock through an exchange for a price per share of $0.23 to $0.29. As of the December 31, 2016, these shares being held by the Company valued at cost is $87,053 and are included in treasury stock in the consolidated balance sheet.

7. Stockholders' Equity (continued)

Additional Paid-In Capital

Noncontrolling Interest

On April 1, 2016, the Company increased its ownership in Immudyne PR from to 78.16667% decreasing the minority interest from 66.7% to 21.83% resulting in a charge to noncontrolling interest and additional paid-in-capital of $91,612.

In 2016, the net change in loans, contributions and distributions by other members of Immudyne PR resulted an increase in noncontrolling interests of $119,894.

For the years ended December 31, 2016 and 2015, the net income (loss) of Immudyne PR attributed the Company amounted to $(115,749) and $(97,240), respectively.

Service-Based Stock Options

In October 2015 the Company issued 110,000 service-based options valued at $2,800 to two consultants at exercise prices of $0.20 per share. The options are fully vested and expire in 10 years.

In November 2015 the Company cancelled 100,000 shares of company common stock and 200,000 fully vested service-based options issued to two consultants.

In November 2015 the Company issued 500,000 shares of common stock valued at $65,000 to a consultant.

Also in 2015, the Company extended the expiration date of 500,000 options held by a director one year from 2015 to 2016 and 1,500,000 warrants held by the Company's President two years from 2015 to 2017. The fair value of these modifications amounted to $55,000.

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 $12,397 to a consultant with an exercise price of $0.20 per share. The options are fully vested and expire in 10 years.

In November 2016, the Company issued 50,000 service-based options valued at $9,980 to a consultant with an exercise price of $0.50 per share. The options are fully vested and expire in 2 years.

Accordingly, stock based compensation for the years ended December 31, 2016 and 2015 included $63,206 and $22,300, respectively, related to such service-based stock options.

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

	Number of Options
Balance at December 31, 2014	10,435,000
Cancelled	(200,000)
Issued	790,273
Balance at December 31, 2015	11,025,273
Exercised	300,000
Expired	50,000
Cancelled	(250,000)
Issued	275,000
Balance at December 31, 2016	10,700,273

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 December 31, 2016 and 2015 amounted to $704,794 and $33,605, respectively. The intrinsic value of options exercised during the year ending December 31, 2016 was $54,000.

7. Stockholders' Equity (continued)

Service-Based Stock Options (continued)

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	0.71% - 1.88%
Expected stock price volatility	217.4% - 248.4%
Expected dividend payout	—
Expected option life-years	2 to 3 years
Weighted average grant date fair value	$ 0.22
Forfeiture rate	0%

The following is a summary of outstanding service-based options at December 31, 2016:

Exercise Price	Number of Options	Weighted Average Remaining Contractual Life
$0.10	1,380,273	1 year
$0.20 - $0.25	8,120,000	5 years
$0.40 - $0.50	1,200,000	5 years
Total	10,700,273	

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.

In October 2016, the Company cancelled 287,500 of these service-based options valued at $17,999 to two consultants. The fair value of these performance-based options as of year ended December 31, 2016 aggregated $151,036.

The performance criteria for options exercisable upon the Company achieving annual sales revenue of $5,000,000, with a fair value amounting to $120,867, was met during the year ended December 31, 2016. Accordingly, stock based compensation expense for the year ended December 31, 2016 includes $120,867 related to such options. At December 31, 2016, the unearned compensation for all the performance based options is $30,169.

7. Stockholders' Equity (continued)

Warrants

The following is a summary of outstanding and exercisable warrants:

	Number of Shares	Weighted Average Exercise Price	Year of Expiration
Balance at December 31, 2014	3,772,720	0.29	2015 - 2016
Expired	(2,022,720)	0.40	2015
Balance at December 31, 2015	1,750,000	0.16	2016 - 2017
Issued	454,891	0.42	2018 - 2019
Expired	(250,000)	0.40	2016
Balance at December 31, 2016	1,954,981	0.19	2017 - 2019

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.

In December 2016, the Company issued 37,500 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 December 2016, the Company issued 217,391 warrants with an exercise price of $0.40 per share, in relation to an issuance of common stock. These warrants are fully vested and expire in two years.

Warrants outstanding and exercisable amounted to 1,954,891 and 1,750,000 at December 31, 2016 and 2015, respectively. The weighted average exercise price of warrants outstanding at December 31, 2016 is $0.19. The warrants expire at various time between December 2017 and September 2019.

The fair value of options and warrants granted (or extended) during the years ended December 31, 2016 and 2015, was estimated on the date of grant (or extension) using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2016	2015
Expected volatility	203%	50%
Risk free interest rate	.88%	2%
Expected dividend yield	-	-
Expected option term (in years)	2 - 3	1 - 5
Weighted average grant date fair value	$ 0.20	$ 0.03

Under ASC 815-40-05, Accounting for Derivative Financial Instruments Indexed to and Potentially Settled in a Company's Own Stock, in the event the Company does not have a sufficient number of authorized and unissued shares of common stock to satisfy obligations for stock options, warrants and other instruments potentially convertible into common stock, the fair value of these instruments should be reported as a liability. Pursuant to the outstanding option, warrant and convertible debt agreements, there is currently no effective registration statement covering the shares of common stock underlying these agreements, which are currently subject to a cashless exercise whereby the holders, at their option, may surrender their options and warrants to the company in exchange for shares of common stock. The number of shares of common stock into which an option or a warrant would be exchangeable in such a cashless exercise depends on both the exercise price of the options or warrant and the market price of the common stock, each at or near the time of exercise. Because both of these factors are variable, it is possible that we could have insufficient authorized shares to satisfy a cashless exercise. In this scenario, if we were unable to obtain shareholder approval to increase the number of authorized shares, we could be obligated to settle such a cashless exercise with cash rather than by issuing shares of common stock. Further, ASC 815-40-05 requires that we record the potential settlement obligation at each reporting date using the current estimated fair value of these contracts s, with any changes in fair value being recorded through our statement of operations. We will continue to report the potential settlement obligation as a liability until such time as these contracts are exercised or expire or we are otherwise able to modify the warrant agreement to remove the provisions which require this treatment.

7. Stockholders' Equity (continued)

Stock Based Compensation

The total stock based compensation expense related Service-Based Stock Options, Performance-Based Stock Options and Warrants issued for service amounted to $587,991 and $142,300 for the years ended December 31, 2016 and 2015, respectively. Such amounts are included in compensation and related expenses ($587,991 in 2016 and $133,800 in 2015) and interest expense ($8,500 in 2015).

8. 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. Royalty expense amounted to $-0- and $20,157 for the years ended December 31, 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 December 31, 2016 and 2015 was $56,579 in regards to this agreement.

9. 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. Our principal executive offices are in office space provided to us by our President, Mr. McLaughlin at the rate of $2,000 per month, which includes rents, utilities and other office related expenditures. This arrangement commenced as of January 1, 2016. In addition, Immudyne PR utilizes office space in Puerto Rico which is subleased from Mr. Schreiber (President of Immudyne PR)and incurs expense of approximately $4,000 a month for this office space. Rent expense for the years ended December 31, 2016 and 2015, was $139,030 and $65,968, 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 year ended December 31, 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.

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 December 31, 2016, no bonus shares have been issued and no options have been granted under this agreement.

9. Commitments and Contingencies (continued)

Legal Matters

In the normal course of business operations, the Company may become involved in various legal matters. At December 31, 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.

10. Related Party Transactions

For the year ended December 31, 2016 one of the Company's directors, acting as an advisor for the Company, provided legal and business advisory services and was compensated $16,145. During 2015 there was no compensation to this director. In addition, for the year ended December 31, 2016 the Company's President received $24,000 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.

Immudyne, Inc. employs the wife of the President of the Company Immudyne, Inc. and incurs $3,000 per month as an accountant, plus an annual incentive bonus award equal to 0.5% of the Company's pre-tax earnings.

Immudyne PR utilizes BV Global Fulfillment, owned by the father of Mr. Schreiber, and incurred $19,800 for the year ended December 31, 2016 for these services.

Taggart International Trust ("Taggart"), a shareholder; provides credit card processing services through one or more merchant banks. Taggart did not receive any compensation for these services.

JLS Ventures LLC, owned by a shareholder, provides credit card processing services through one or more merchant banks. Taggart did not receive any compensation for these services.

JSDC, Inc., owned by a shareholder, provides credit card processing services through one or more merchant banks. Taggart did not receive any compensation for these services.

Immudyne PR utilizes office space in Puerto Rico which is subleased from Mr. Schreiber (President of Immudyne PR) incurs expense of approximately $4,000 a month for this office space.

11. Subsequent Events

The Company has evaluated subsequent events through the date these financial statements were issued.

In January 2017, the Company issued 1,183,490 shares of common stock pursuant to a conversion of an equity contribution into Immudyne PR by the noncontrolling interest. In connection with this issuance the Company issued 591,745 warrants with an exercise price of $0.40 per share. These warrants are fully vested and expire in two years.

In January 2017, the Company borrowed $200,000 and issued a promissory note with a 5% original issue discount for a total principal amount of $210,000. The loan incurs 11% interest per annum and matures in various tranches from February 2017 through April 2017. In addition, the Company issued 217,391 shares of common stock related to this note. In February 2017, the Company repaid $70,000 of the principle balance of this note. In March, pursuant to an offering described below, the Company converted the remaining $140,000 of the principle balance of the this note in exchange for 559,179 shares of common stock and 304,348 warrants.

On March 27, 2017, the Company commenced an offering to sell up to 4,000,000 shares of common stock at a price of $0.23 per share and warrants to purchase up to 2,000,000 shares of common stock excisable any time prior to the secondary anniversary of the issuance. The warrants are paired with the stock on the basis of one warrant for every two shares of stock purchased.

At the time of this filing, the Company received subscriptions in the amount of 2,673,656 shares and issued 1,336,828 warrants and proceeds in the amount of $614,940. The Company also converted two additional notes with the total principal balance of $50,000 in exchange for 196,000 shares of common stock and 98,000 warrants.

.

On April 24, 2017, the Company, issued 217,390 shares of common stock pursuant to a stock subscription agreement and the Company issued 108,696 warrants with an exercise price of $0.40 per share for the stated consideration and satisfaction of obligation to pay $50,000 on the 180-day anniversary of the execution of the Sole and Exclusive License, Royalty, and Advisory Agreement dated September 1, 2016 with Pilaris Laboratories, LLC

* * * * *

SIGNATURES

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

IMMUDYNE, INC.
(Registrant)

Date: May 23, 2017

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

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Mark McLaughlin his or her attorney-in-fact for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Anthony Bruzzese Anthony G. Bruzzese, M.D.	Chairman of the Board	May 23, 2017
/s/ Mark McLaughlin Mark McLaughlin	President, Chief Executive Officer and Director (Principal Executive, Financial and Accounting Officer)	May 23, 2017
/s/ John R. Strawn, Jr. John R. Strawn, Jr.	Director	May 23, 2017
/s/ Joseph DiTrolio Joseph DiTrolio	Director	May 23, 2017
/s/ Sven Rohmann Sven Rohmann	Director	May 23, 2017
/s/ Ryan Aldridge Ryan Aldirdge	Director	May 23, 2017

EXHIBIT INDEX

Exhibit No.	Description
3.1	Certificate of Incorporation of Immudyne, Inc. (Incorporated herein by reference to Exhibit 3.1 to the Company's Registration on Form S-1 (File No. 333-184487) filed on October 18, 2012)
3.2	Certificate of Amendment of Certificate of Incorporation of Immudyne, Inc. (Incorporated herein by reference to Exhibit 3.2 to the Company's Registration on Form S-1 (File No. 333-184487) filed on October 18, 2012)
3.3	Bylaws of Immudyne, Inc. as currently in effect(Incorporated herein by reference to Exhibit 3.3 to the Company's Registration on Form S-1 (File No. 333-184487) filed on October 18, 2012)
4.1	Form of Subscription Agreement (Incorporated herein by reference to Exhibit 3.1 to the Company's Registration on Form S-1 (File No. 333-184487) filed on October 18, 2012)
5.1	Opinion of Newman & Morrison LLP (Incorporated herein by reference to Exhibit 3.1 to the Company's Registration on Form S-1 (File No. 333-184487) filed on October 18, 2012)
10.1	Written Description of Royalty Agreement between Immudyne, Inc. and Mark McLaughlin (Incorporated herein by reference to Exhibit 10.1 to Amendment No. 1 to the Company's Registration Statement on Form S-1 (File No. 333-184487) filed on December 5, 2012)
10.2#	Employment Agreement, as amended, between Immudyne, Inc. and Mark McLaughlin, effective as of October 12, 2012 Incorporated herein by reference to Exhibit 10.2 to the Company's Registration on Form S-1 (File No. 333-184487) filed on October 18, 2012)
10.3#	Director Agreement between Immudyne, Inc. and Anthony Bruzzese M.D., dated as of April 20, 2011 (Incorporated herein by reference to Exhibit 10.3 to the Company's Registration on Form S-1 (File No. 333-184487) filed on October 18, 2012)
10.5#	Director and Legal Services Agreement between Immudyne, Inc. and John R. Strawn, dated as of April 20, 2011 (Incorporated herein by reference to Exhibit 10.5 to the Company's Registration on Form S-1 (File No. 333-184487) filed on October 18, 2012)
10.6	Employment Agreement, as amended, between Immudyne, Inc. and Brunilda McLaughlin d/b/a McLaughlin International, dated as of April 20, 2011 (Incorporated herein by reference to Exhibit 10.6 to Amendment No. 1 to the Company's Registration Statement on Form S-1 (File No. 333-184487) filed on December 5, 2012)
10.7	Lease Agreement, as amended, between Cabot Industrial Properties L.P. and Immudyne, Inc., dated May 15, 2011 (Incorporated herein by reference to Exhibit 10.7 to Amendment No. 1 to the Company's Registration Statement on Form S-1 (File No. 333-184487) filed on December 5, 2012)
10.8	Letter Agreement between Immudyne, Inc. and MMP, dated December 19, 2011(Incorporated herein by reference to Exhibit 10.8 to Amendment No. 3 to the Company's Registration Statement on Form S-1 (File No. 333-184487) filed on January 23, 2013)
10.9	Operating Agreement of Immudyne PR LLC dated April 1, 2016 (Incorporated herein by reference to Exhibit 10.9 of the Company's Current Report on Form 8-K (File No. 333-184487) filed on April 7, 2016)
10.10	Services Agreement with JLS Ventures, LLC dated April 1, 2016 (Incorporated herein by reference to Exhibit 10.10 of the Company's Current Report on Form 8-K (File No. 333-184487) filed on April 7, 2016)
10.11	Services Agreement with American Nutra Tech, LLC dated April 1, 2016 (Incorporated herein by reference to Exhibit 10.11 of the Company's Current Report on Form 8-K (File No. 333-184487) filed on April 7, 2016)
24.1†	Power of Attorney (Included on the Signature Page of this Annual Report on Form 10K)
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
32.2†	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as signed by the Principal Executive Officer and Principal Financial Officer
101.INS†	XBRL Instance Document
101.SCH†	XBRL Schema Document
101.CAL†	XBRL Calculation Linkbase Document
101.LAB†	XBRL Definition Linkbase Document
101.PRE†	XBRL Presentation Linkbase Document

# Indicates management contract or compensatory plan, contract or arrangement.
† Filed herewith.

Exhibit 31.1

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

I, Mark McLaughlin, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 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: May 23, 2017

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

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Immudyne Inc. (the "Company") for the period ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark McLaughlin, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §78m or §78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 23, 2017

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

This certification accompanies each Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.