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

FORM 10-Q

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

For the quarterly period ended March 31, 2014

OR

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

Commission file number: 333-184487

IMMUDYNE, INC.

(Exact name of registrant as specified in its charter)

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

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

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

YES ☒ NO ☐

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

YES ☒ NO ☐

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

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

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

YES ☐ NO ☒

30,204,973 shares of common stock outstanding as of May 13, 2014.

Immudyne, Inc.

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NOTE ABOUT FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act regarding our company that include, but are not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new products, services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any 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 generally 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 relate only to 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 quarterly 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, or the SEC, or upon written request to Immdyne, Inc., 50 Spring Meadow Road, Mount Kisco, NY 10549. 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. FINANCIAL INFORMATION

Item 1. Financial Statements

Immudyne, Inc.

Balance Sheet

	March 31, 2014 (unaudited)	December 31, 2013
ASSETS		
Current Assets		
Cash	$ 36,409	$ 155,056
Trade accounts receivable	116,584	77,475
Legal settlement proceeds receivable	-	132,000
Inventory, net	88,062	86,195
Total Current Assets	241,055	450,726
Furnishings and equipment, net	86,479	100,723
Total Assets	$ 327,534	$ 551,449
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 190,686	$ 185,362
Deposit payable	-	100,000
Notes payable to officers	28,200	40,200
Total Current Liabilities	218,886	325,562
Deferred tax liability	26,100	30,400
Total Liabilities	244,986	355,962
Stockholders' equity		
Common stock, $0.01 par value; 50,000,000 shares authorized, 30,204,973 shares issued and outstanding at March 31, 2014	302,049	301,049
Additional paid-in capital	7,985,299	7,958,299
Accumulated (deficit)	(8,204,800)	(8,063,861)
Total Stockholders' Equity	82,548	195,487
Total Liabilities and Stockholders' Equity	$ 327,534	$ 551,449

See notes to financial statements

Immudyne, Inc.

Statement of Operations
(unaudited)

	Three Months Ended March 31	
	2014	2013
Sales	$ 192,429	$ 230,258
Cost of sales	49,090	52,900
Gross Profit	143,339	177,358
Compensation and related expenses	(164,021)	(119,891)
Professional fees	(54,593)	(46,741)
General and administrative expenses	(102,363)	(81,513)
Operating (Loss)	(177,638)	(70,787)
License Fee	25,000	25,000
Other income	7,877	-
Interest (expense)	(478)	-
Net (Loss) Before Taxes	(145,239)	(45,787)
Deferred income tax benefit	4,300	4,300
Net (Loss)	$ (140,939)	$ (41,487)
Basic and diluted (loss) per share	$ (0.00)	$ (0.00)
Average number of common shares outstanding	30,171,640	28,909,973

See notes to financial statements

Immudyne, Inc.

Statement of Stockholders' Equity
(unaudited)

	Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Capital	(Deficit)	Total
Balance at December 31, 2013	30,104,973	$ 301,049	$ 7,958,299	$ (8,063,861)	$ 195,487
Issuance of common stock for services	100,000	1,000	27,000	-	28,000
Net (loss)	-	-	-	(140,939)	(140,939)
Balance at March 31, 2014	30,204,973	$ 302,049	$ 7,985,299	$ (8,204,800)	$ 82,548

See notes to financial statements

Immudyne, Inc.

Statement of Cash Flows
(unaudited)

	Three Months Ended March 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss)	$ (140,939)	$ (41,487)
Adjustments to reconcile net (loss) to net cash (used) by operating activities		
Depreciation	14,244	14,244
Deferred tax benefit	(4,300)	(4,300)
Stock compensation expense	28,000	27,000
Changes in Assets And Liabilities		
Trade accounts receivable	(39,109)	(64,151)
Legal settlement proceeds receivable	132,000	
Inventory	(1,867)	(5,398)
Accounts payable and accrued expenses	5,324	14,079
Net cash (used) by operating activities	(6,647)	(60,013)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Adiuvo Investment S. A.	(100,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of note payable	(12,000)	-
Net (decrease) in cash	(118,647)	(60,013)
Cash at beginning of the period	155,056	98,930
Cash at end of the period	$ 36,409	$ 38,917

See notes to financial statements

Immudyne, Inc.

Notes to Financial Statements
March 31, 2014

1. Organization and Going Concern

Immudyne, Inc. (the "Company") is a Delaware corporation established to develop, manufacture and sell natural products. The Company has developed a proprietary approach to produce the purest particulate and soluble beta glucans derived from yeast. The Company's core nutraceutical and cosmetic product lines consist of its pure yeast beta glucans in oral and topical applications to support the immune system. 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.

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 March 31, 2014, the Company has an accumulated deficit approximating $8,000,000 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 March 31, 2014 and projected cash needs for the remainder of 2014, management estimates that it will need to raise additional capital to cover operating and capital requirements for the 2014 year. Management plans on raising 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 required future financing can be successfully completed on a timely basis, or on terms acceptable to the Company.

2. Summary of Significant Accounting Policies

Unaudited Financial Statements

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for financial information and with the instructions to Form 10-Q. They do not include information and footnotes required by United States generally accepted accounting principles for complete financial statements. The unaudited financial statements should be read in conjunction with those financial statements included in the Company's previously filed Form 10-K for the year ended December 31, 2013. In the opinion of Management, all adjustments considered necessary for a fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

Basis of Presentation and Use of Estimates

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

Reclassification

Certain amounts in the prior period have been reclassified to conform to the current period presentation.

Inventory

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. Inventory consists of the following:

	March 31, 2014	December 31, 2013
Raw materials	$ 22,536	$ 17,126
Finished products	65,526	69,069
	$ 88,062	$ 86,195

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 once the product is shipped to the customer. If applicable, 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 have not been significant.

Delivery is considered to have occurred when title and risk of loss have transferred to the customer. Sales to international distributors are recognized in the same manner. 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. There are no special post shipment obligations or acceptance provisions that exist with any sales arrangements.

Income Taxes

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, 2010, remain open to most 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.

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

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 13,772,720 and 13,842,720 shares underlying options and warrants at March 31, 2014 and 2013, respectively, have not been included in the loss per share calculation as the effects are anti-dilutive.

Recent Accounting Pronouncements

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 financial statements upon adoption.

Fair Value of Financial Instruments

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

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 accounted for 92% and 77% of sales for the three month periods ended March 31, 2014 and 2013, respectively. At March 31, 2014 and December 31, 2013, this customer accounted for 99% and 70% of accounts receivable, respectively.

A second customer accounted for 11% of sales for three month period ended March 31, 2013. At December 31, 2013 this customer accounted for 28% of accounts receivable.

3. Joint Venture Agreement

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, expiring in September 2014, to purchase up to 10% of the outstanding stock in the Company at $0.25 per share. Upon the acquisition of the Company's stock, AI also has the right to acquire, pro-rata to the number of shares purchased by AI, warrants to purchase up to 1,472,000 shares, exercisable at $0.22 per share for three years from the date of the MOU. AI also has the right to acquire additional warrants upon the Company achieving certain financial milestones. At December 31, 2013, the Company has reported a $100,000 deposit payable, which is included in the accompanying balance sheet.

In January 2014 the Company used the funds from the deposit and paid $100,000 back to AI in exchange for a minority interest of less than 1% in AI, and an option, expiring in September 2014, to acquire additional 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. The Company's investment in AI is accounted for at no value on the accompanying March 31, 2014 balance sheet.

4. Notes Payable

At March 31, 2014, notes payable are due to officers and directors and are payable on demand with interest at 5%. A summary of notes payable activity is as follows:

Balance at December 31, 2013	$ 40,200
Repayment	(12,000)
Balance at March 31, 2014	$ 28,200

Interest expense on notes payable amounted to $478 and $0 for for the three month periods ended March 31, 2014 and 2013, respectively.

5. Income Taxes

The Company incurred a loss for the three month periods ended March 31, 2014 and 2013 and accordingly, no provision for federal income tax has been made in the accompanying financial statements. At December 31, 2013, the Company had available net operating loss carryforwards of approximately $2,650,000, expiring during various years through 2033.

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

	December 31, 2013
Net operating loss	$ 900,000
Valuation allowance	(900,000)
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 liability of $26,100 and $34,400 at at March 31, 2014 and December 31, 2013, respectively, results from the difference in the carrying amount of furnishings and equipment between financial reporting and income tax reporting.

The deferred tax benefit included in the 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.

6. Stockholders' Equity

Service-Based Stock Options

Service-based options issued by the Company to various employees and consultants amounted to 9,885,000 at December 31, 2013 and March 31, 2014. In January 2014 the Company issued 100,000 shares of restricted common stock, valued at $28,000 to a consultant..

Stock based compensation expense amounted to $0 and $27,000 for the three months ended March 31, 2014 and 2013, respectively. Such amounts are included in compensation and related expenses in the accompanying statement of operations.

Options exercisable at March 31, 2014 amounted to 9,835,000. All outstanding options 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 March 31, 2014 amounted to $350,500.

The following is a summary of outstanding service-based options at March 31, 2014:

Exercise Price		Number of Options		Weighted Average Remaining Contractual Life
$	0.10	$	1,000,000	4 years
$	0.20 - $0.25		7,735,000	8 years
$	0.40		1,150,000	8 years
Total		$	9,885,000	

Performance-Based Stock Options

As of March 31, 2014 the Company granted performance-based options to purchase 6,950,000 shares of common stock at exercise prices ranging from $0.40 to $5,00. The options expire at various dates between 2021 and 2023 and are exercisable upon the Company achieving annual sales revenue ranging from $5,000,000 to $100,000,000. The fair value of these performance-based options aggregated $302,000 and will be expensed over the implicit service period commencing once management believes the performance criteria will be met. Accordingly, at March 31, 2014, the unearned compensation for performance based options is $302,000.

Warrants

Warrants outstanding and exercisable amounted to 3,887,720 at December 31, 2013 and March 31, 2014. The weighted average exercise price of warrants outstanding at March 31, 2014 is $0.29. The warrants expire between 2014 and 2016.

7. Royalties

The Company is subject to a royalty agreement based upon sales of certain skin care products. The agreement requires the Company to pay a royalty based upon 8% of such sales, up to $227,175. Royalty expense approximated $14,000 for each of the three month periods ended March 31, 2014 and 2013, respectively. The remaining commitment at March 31, 2014, is approximately $51,000. The Company's President has a 60% interest in the royalties.

At March 31, 2014 and December 31, 2013, included in accounts payable and accrued expenses was $102,000 and $88,000, respectively, in regards to this agreement.

8. Commitments and Contingencies

Leases

The Company leases a plant in Kentucky under an operating lease which expires May 31, 2016. Future minimum base rental payments required under the lease are as follows:

Year ending December 31		
2014 (9 months)	$	31,436
2015		42,187
2016		17,578
Total	$	91,201

Monthly base rental payments approximate $3,400. The lease agreement also provides for additional rents based on increases in building operating costs and real estate taxes. Rent expense for the three month periods ended March 31, 2014 and 2013, was $14,626 and $10,234, 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 the issuance of stock options, at exercise prices ranging from $0.40 to $5.00, underlying 6,950,000 shares of common stock issuable upon the Company's revenue exceeding amounts ranging from $5,000,000 to $100,000,000, as defined. The Company's President's annual base salary is $145,600. Annual compensation agreements for other officers, directors, employees and consultants range from $2,500 per month to $15,000 per month. In addition, the agreements provide for bonus compensation to these individuals aggregating 16.5 percent of the Company's pretax income.

Legal Matters

In the normal course of business operations the Company may become involved in various legal matters. At March 31, 2014, 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.

In October 2013, the Company agreed to a judgment against the estate of a former officer and related individuals. The parties subsequently reached a settlement in the amount of $210,000 which was recorded as revenue by the Company during the year ended December 31, 2013. The Company collected $78,000 prior to December 31, 2013 and the $132,000 balance was collected by the Company during the three months ended March 31, 2014.

In November 2009, the Company entered into a settlement agreement to resolve all aspects of litigation relating to a patent suit. As part of that settlement agreement, the Company received $440,000 as reimbursement for litigation costs. The Company also was awarded $200,000 in eight installments of $25,000 every six months beginning on January 15, 2011, in return for an exclusive patent license. The term of the license agreement is consistent with the term of the $25,000 semiannual payments. The $25,000 installments are being recorded as revenue only upon receipt of the funds. As of March 31, 2014, $25,000 remained to be paid to the Company under this agreement.

9. Subsequent Events

The Company has evaluated subsequent events through the date these financial statements were issued and has determined that there are no subsequent events or transactions requiring recognition or disclosure in the financial statements.

* * * * *

CAUTIONARY STATEMENT FOR FORWARD-LOOKING STATEMENTS

The comments made throughout this Quarterly Report should be read in conjunction with our financial statements and the notes thereto, and other financial information appearing elsewhere in this document. In addition to historical information, the following discussion and other parts of this document contain certain forward-looking information. When used in this discussion, the words, "believes," "anticipates," "expects" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from projected results, due to a number of factors beyond our control. We do not undertake to publicly update or revise any of the forward-looking statements, even if experience or future changes show that the indicated results or events will not be realized. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Readers are also urged to carefully review and consider our discussions regarding the various factors that affect our business, which are described in this section and elsewhere in this report, and those listed in our other SEC filings.

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

Safe Harbor Declaration

Overview

We manufacture, distribute and sell natural immune support products. Beta glucans are a natural extract that has been shown through testing and analysis and scientific research to support the immune system. Our core nutraceutical and cosmetic product lines consist of yeast beta glucans in oral and topical applications. Our natural immune support products are manufactured in a current good manufacturing practices ("cGMP") facility. Yeast beta glucans are classified as GRAS by the FDA. Historically, we have sold 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 dietary supplement and a cosmetic enhancement, and as a feed-additive for animal use. As of 2011, we began exiting this lower-margin market for feed-additive products, which exit we completed in 2013. Our sales and marketing efforts going forward are concentrated on our oral and topical-use products for healthcare professionals, distributors and direct-to-consumer sales. However, based on the Company's cash balance at March 31, 2014 and projected cash needs for the remainder of 2014, we estimate that we will need to raise additional capital to cover operating and capital requirements for the 2014 year.

Significant factors that we believe could affect our operating results are (i) marketing and advertising expenses; (ii) protection of our intellectual property rights; (iii) imposition of more stringent government regulations of our products; and (iv) lack of adequate capital to effectuate our business plans.

Our marketing strategy is to promote sales of our oral and topical-use products, which constitute our core business. We intend to capitalize on our development of proprietary and patented products and by focusing on commercializing sales on a more meaningful, global basis. We expect that a significant component of our selling, general and administration expenses going forward will consist of marketing and advertising expenses to increase our sales. The primary components of our marketing and advertising expenses may include online sales promotions through our website, trade advertising, direct marketing to nutraceutical companies and industry associations, consumer research and search engine and digital advertising. We expect our selling, general and administrative expenses to increase in absolute dollars as we incur increased costs related to our marketing strategy and growth of our business. These costs, along with the additional costs resulting from our operations as a public reporting company, could impact our future operating profitability.

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.

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, including reduced growth prospects, lost sales from products that we are required to remove from the market and potential product liability litigation.

We have limited operating 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. While we believe that we will begin to generate increased sales, it is likely that we will require additional operating capital to continue operations through the balance of 2014. Until we are in a position to obtain such capital from revenues to meet our normal business obligations, the Company will 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 the Company will be successful in its endeavors to raise additional capital. For additional information regarding these and other risks please see our Annual Report on Form 10K for the fiscal year ended December 31, 2013 filed with the SEC on March 28, 2014.

Results of Operations

Three Months Ended March 31, 2014, Compared to the Three Months Ended March 31, 2013

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

	2014		2013	
	$	*% of Sales*	$	*% of Sales*
Sales	192,429	-	230,258	-
Cost of sales	49,090	25.5%	52,900	23.0%
Gross profit	143,339	74.5%	177,358	77.0%
Operating expenses	(320,977)	(167) %	(248,145)	(107.8) %
Loss from operations	(177,638)	(92.5) %	(70,787)	(30.8) %
Other income	32,399	16.8%	25,000	10.9%
Income tax benefit	4,300	2.5%	4,300	1.9%
Net loss	(140,939)	(73.2) %	(41,487)	(18.0) %

Sales for the first quarter of 2014 were $192,429, a decrease of 16.4% from $230,258 for the same period in 2013. Our sales decreased as a customer who has historically accounted for more than 10% of our sales delayed certain orders that it typically placed in the first quarter to the second quarter of our fiscal year, due to the customer holding inventory of our product at the end of the 2013 fiscal year.

Cost of sales consists primarily of material costs, labor costs and related overhead directly attributable to the production of our products. Total cost of sales decreased 7.2% to $49,090 in the first quarter of 2014 compared to $52,900 for the same period in 2013. The decrease in our cost of sales was primarily attributable to our overall sales decrease.

Gross profit decreased 19.2% to $143,339 in the first quarter of 2014 compared to $177,358 for the same period in 2013 as result of our decreased sales. Gross profit as a percentage of sales decreased slightly to 74.5% from 77.0% as a result of the overhead expenses we typically incur matched with our lower sales volume.

Operating expenses consisted of general and administrative expense, compensation and related expense and professional fees. Operating expenses increased 29.4% to $320,977, in the first quarter of 2014 compared to $248,145 for the same period in 2013. General and administration expense increased by 25.6% to $102,363 compared to $81,513 for the same period in 2013 due to increased marketing expenses incurred to establish brand awareness for our legacy and new products. Compensation and related expenses increased by 36.8% to $164,021 in 2014, compared to $119,891 in 2013, due primarily to compensation paid to our chief marketing officer and the retention of a digital marketing consultant. Professional fees increased 16.8% to $54,593 in 2014, compared to $46,741 in 2013, as a result of an increase in legal expenses in the first quarter of 2014.

Other income, net, increased by $7,399 in 2014 resulting from the write-off of an old accounts payable.

Our net loss for the first quarter of 2014 was $140,939 compared to net loss of $41,487 for the same period in 2013, an increase of $99,452 or 240%. Net loss as a percentage of sales was 73.2% in the first quarter of 2014 compared to net loss as a percentage of sales of 18.0% for the same period in 2013. Our increased net loss was attributable to our decrease in sales and our increased operating expenses, which in turn were due to our additional expenditures in the first quarter of 2014 on marketing our products.

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 cash flows in 2012 and 2013 and may not have sufficient financial resources to fund operations through December 31, 2014. As a result, our auditors have raised substantial doubt about our ability to continue as a going concern. Based on our cash balance at March 31, 2014 and projected cash needs for the remainder of 2014, we will need to raise additional capital to cover operating and capital requirements for the 2014 fiscal year. We plan on raising the additional needed funds through increased sales volume, issuing additional shares of common stock or other equity securities, or obtaining debt financing. In 2013 and 2012, we raised $175,000 and $345,883, respectively, through sales of our common stock in private placements, as well as proceeds from the exercise of stock options. Historically, we also have funded operations through loans and advances from our directors and officers.. Although we have been successful to date in raising necessary funding, 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 could increase our debt service obligations and cause us to be subject to restrictive operating and financial covenants.

We had net working capital of $22,169 at March 31, 2014, resulting in an increase of $1,810 from net working capital of $20,359 at March 31, 2013. The ratio of current assets to current liabilities was 1.1 to 1 at March 31, 2014.

The following is a summary of cash provided by or used in each of the indicated types of activities during the three months ended March 31, 2014 and 2013:

	2014	2013
Cash provided by (used in):		
Operating activities	$ (6,647)	$ (60,013)
Financing activities	(12,000)	-

Net cash flow used in operating activities was $6,647 for the three months ended March 31, 2014, compared to net cash flow used in operating activities of $60,013 for the same period in 2013. The decrease in net cash outflow in operating activities was attributable primarily to our receipt of legal settlement proceeds in the first quarter of 2014.

Net cash flows from financing activities was $12,000 in 2014 for the repayment of a note payable issued by one of our directors.

Private Placements

In June 2013, we issued 500,000 shares of our common stock (and three-year warrants to purchase 250,000 shares of our common stock at $0.40 per share) to accredited investors at $0.25 per unit for $125,000 in gross proceeds.

Indebtedness

From time to time, our directors, officers and other related individuals have made short-term advances to us for our operating needs. At December 31, 2013, notes payable due to officer and other related individuals totaled $40,200. During the quarter ended March 31, 2014, a total of $12,000 was repaid. Interest expense on notes payable amounted to $478 for the quarter ended March 31, 2014.

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. At March 31, 2014, we included $102,000 in accounts payable and accrued expenses relating to this royalty agreement, with the remaining commitment under the royalty agreement at approximately $51,000. Our President, Mr. McLaughlin, has a 60% interest in the royalties paid under the agreement and has voluntarily deferred payments due without interest until we have the financial wherewithal to pay such royalties.

Legal Matters

In October 2013, the Company agreed to a judgment against the estate of a former officer and related individuals in connection with a judgment in favor of the Company rendered in June 2000, finding that defendants in question had failed to use their best efforts in support of the Company in violation of an agreement between the parties. Subsequently, a settlement was reached with these parties in the amount of $386,000. During the year ended December 31, 2013, the Company received net proceeds of $78,000 and the balance, $132,000, net of related legal costs, in March 2014.

In November 2005, we filed suit in Texas against Biopolymer Engineering, Inc. d/b/a Biothera who was claiming ownership of certain patents we own covering our yeast beta glucan products. Biothera subsequently filed suit against us in Federal Court in Minnesota alleging infringement of the same patents. The state court case proceeded to trial in which it was adjudicated that we were the owner of all of the patents at issue. In November 2009, we entered into a settlement agreement that resolved all litigation aspects of the federal and state court proceedings. The settlement agreement stipulated that we were the owner of all of the patents at issue. As part of the settlement agreement, we received $440,000 as reimbursement for litigation costs. In addition, we were awarded $200,000 in eight installments of $25,000 every six months beginning on January 15, 2011, in return for an exclusive patent license to Biothera for U.S. Patent No. 5,702,719, covering our beta glucan derived from yeast for dermatological and nutritional use. The term of the license agreement is consistent with the term of the $25,000 semi-annual payments. The $25,000 installments are being recorded as revenue only upon receipt of the funds. At March 31, 2014, $25,000 remained to be paid to us under this agreement.

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

Inventory

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

Revenue Recognition

The Company's policy is to record revenue as earned when a firm commitment, indicating sales quantity and price exists, delivery has taken place and collectability is reasonably assured. The Company generally records sales once the product is shipped to the customer. If applicable, 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 have not been significant.

Delivery is considered to have occurred when title and risk of loss have transferred to the customer. Sales to international distributors are recognized in the same manner. 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. There are no special post shipment obligations or acceptance provisions that exist with any sales arrangements

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. 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.

New Accounting Pronouncements

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 financial statements upon adoption.

Going Concern

Based on the our cash balance at March 31, 2014 and projected cash needs for the remainder of 2014, management estimates that it will need to raise additional capital to cover operating and capital requirements for the 2014 year. Management plans on raising the additional needed funds through increased sales volume, issuing additional shares of common stock or other equity securities, or obtaining debt financing. Although we have been successful to date in raising necessary funding, there can be no assurance that required future financing can be successfully completed on a timely basis, or on terms acceptable to the Company.

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.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the quarter ended March 31, 2014, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

You should consider carefully the factors discussed in the "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2013.

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

In January 2014, the Company issued 100,000 shares of its restricted common stock to a consultant in reliance upon Section 4(a)(2) of the Securities Act for services valued at approximately $28,000.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

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

SIGNATURES

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

IMMUDYNE INC.
(Registrant)

Date: May 15, 2014

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

EXHIBIT INDEX

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

† Filed herewith
‡ Furnished herewith

Exhibit 31.1

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

I, Mark McLaughlin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2014, 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 15, 2014

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

Exhibit 32.1

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

I, Mark McLaughlin, hereby certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of Immudyne, Inc. for the quarterly period ended March 31, 2014, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of SmartHeat Inc.

Date: May 15, 2014

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