

INNOVUS PHARMACEUTICALS, INC.

Form 10-K

March 09, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2016

Commission file number: 000-52991

INNOVUS PHARMACEUTICALS, INC.

(Name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

90-0814124

(IRS Employer Identification No.)

9171 Towne Centre Drive, Suite 440, San Diego, CA

(Address of principal executive offices)

92122

(Zip code)

Registrant's telephone number: 858-964-5123

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

Securities registered under Section 12 (g) of the Act:

Common Stock \$0.001 par value

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 15(d) of the Exchange 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 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 or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer 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

As of June 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately \$11.2 million, based on the closing price of \$0.21 for the registrant's common stock as quoted on the OTCQB Market on that date. For purposes of this calculation, it has been assumed that shares of common stock held by each director, each officer and each person who owns 10% or more of the outstanding common stock of the registrant are held by affiliates of the registrant. The treatment of these persons as affiliates for purposes of this calculation is not conclusive as to whether such persons are, affiliates of the registrant for any other purpose.

As of March 3, 2017, the registrant had 124,810,756 shares of common stock outstanding.

Portions of the registrant's definitive proxy statement for its 2016 Annual Meeting of Stockholders (Proxy Statement) are incorporated by reference in Part III of this annual report on Form 10-K (Annual Report), to the extent stated herein.

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PART I

This Annual Report on Form 10-K includes the accounts of Innovus Pharmaceuticals, Inc., a Nevada corporation (“Innovus Pharma”), together with its wholly-owned subsidiaries, as follows (collectively referred to as “Innovus”, “we”, “our”, “us” or the “Company”): Semprae Laboratories, Inc., a Delaware corporation (“Semprae”), FasTrack Pharmaceuticals, Inc., a Delaware corporation (“FasTrack”) and Novalere, Inc., a Delaware corporation (“Novalere”).

“Zestra®”, “Zestra Glide®”, “EjectDelay®”, “Sensum+®”, “Vesele®”, “Beyond Human®”, “Androferti®”, “RecalMax™”, “FlutiCare™”, “Xyralid™”, “AllerVarx™”, “Urocis™ XR”, “AndroVit™” and other trademarks and intellectual property of or in this report are our property. This report contains additional trade names and trademarks of other companies. We do not intend our use or display of other companies’ trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

FORWARD LOOKING STATEMENTS

Certain statements in this report, including information incorporated by reference, are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements reflect current views about future events and financial performance based on certain assumptions. They include opinions, forecasts, intentions, plans, goals, projections, guidance, expectations, beliefs or other statements that are not statements of historical fact. Words such as “will,” “may,” “should,” “could,” “would,” “expects,” “plans,” “believes,” “anticipates,” “intends,” “estimates,” “approximates,” “predicts,” “forecasts,” “potential,” “continue,” or “projects,” or the negative or other variation of such words, and similar expressions may identify a statement as a forward-looking statement. Any statements that refer to projections of our future financial performance, our anticipated growth and trends in our business, our goals, strategies, focus and plans, and other characterizations of future events or circumstances, including statements expressing general optimism about future operating results and the development of our products, are forward-looking statements.

Although forward-looking statements in this Annual Report on Form 10-K reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those specifically addressed under the heading “Risks Factors” below, as well as those discussed elsewhere in this Annual Report on Form 10-K. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. We file reports with the Securities and Exchange Commission (“SEC”). You can read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Annual Report on Form 10-K. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this Annual Report on Form 10-K, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

Item 1. Business

Overview

We are an emerging over-the-counter (“OTC”) consumer goods and specialty pharmaceutical company engaged in the commercialization, licensing and development of safe and effective non-prescription medicine and consumer care products to improve men’s and women’s health and vitality and respiratory diseases. We deliver innovative and uniquely presented and packaged health solutions through our (a) OTC medicines and consumer and health products, which we market directly, (b) commercial partners to primary care physicians, urologists, gynecologists and therapists, and (c) directly to consumers through our on-line channels, retailers and wholesalers. We are dedicated to being a leader in developing and marketing new OTC and branded Abbreviated New Drug Application (“ANDA”) products. We are actively pursuing opportunities where existing prescription drugs have recently, or are expected to, change from prescription (or Rx) to OTC. These “Rx-to-OTC switches” require Food and Drug Administration (“FDA”) approval through a process initiated by the New Drug Application (“NDA”) holder.

Our business model leverages our ability to (a) develop and build our current pipeline of products, and (b) to also acquire outright or in-license commercial products that are supported by scientific and/or clinical evidence, place them through our existing supply chain, retail and on-line (including Amazon®-based business platform) channels to tap new markets and drive demand for such products and to establish physician relationships. We currently have 17 products marketed in the United States with six of those being marketed and sold in multiple countries around the world through some of our 14 commercial partners. We currently expect to launch an additional five products in the U.S. in 2017 and we currently have approvals to launch certain of our already marketed products in 31 additional countries.

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Corporate Structure

We incorporated in the State of Nevada. In December 2011, we merged with FasTrack Pharmaceuticals, Inc. and changed our name to Innovus Pharmaceuticals, Inc.

In December 2013, we acquired Sempae Laboratories, Inc., which had two commercial products in the U.S. and one in Canada. As a result, Sempae became our wholly-owned subsidiary.

In February 2015, we entered into a merger agreement, whereby we acquired Novalere, Inc. and its worldwide rights to the Fluticare™ brand (fluticasone propionate nasal spray). We expect that the ANDA filed in November 2014 with the FDA may be approved in 2017, which will allow us to market and sell Fluticare™ over the counter in the U.S in the second half of 2017.

Our Strategy

Our corporate strategy focuses on two primary objectives:

1.
Developing a diversified product portfolio of exclusive, unique and patented non-prescription OTC and branded ANDA drugs and consumer health products through: (a) the introduction of line extensions and reformulations of either our or third-party currently marketed products; and (b) the acquisition of products or obtaining exclusive licensing rights to market such products; and
2.
Building an innovative, U.S. and global sales and marketing model through direct to consumer approaches such as our proprietary Beyond Human® Sales and Marketing platform, the addition of new online platforms such as Amazon® and commercial partnerships with established international complimentary partners that: (a) generates revenue, and (b) requires a lower cost structure compared to traditional pharmaceutical companies thereby increasing our gross margins.

We believe that our proven ability to market, license, acquire and develop brand name non-prescription pharmaceutical and consumer health products uniquely positions us to commercialize our products and grow in this market in a differentiated way. The following are additional details about our strategy:

Focusing on acquisition and licensing of commercial, non-prescription pharmaceutical and consumer health products that are well aligned with current therapeutic areas of male and female sexual health, pain, vitality and respiratory diseases . In general, we seek non-prescription pharmaceutical (OTC monograph, Rx to OTC ANDA switched drugs) and consumer health products that are already marketed with scientific and/or clinical data and evidence that are aligned with our therapeutic areas, which we then can grow through promotion to physicians and expanding sales through our existing retail and online channels and commercial partners on a worldwide basis. We have done this through our acquisitions and licensing of (1) Sensum+® from Centric Research Institute or CRI, (2) Zestra® and Zestra Glide® from Sempae, (3) Vesele® from Trōphikōs, LLC, (4) U.S. and Canada rights to Androferti® from Laboratorios Q Pharma (Spain), (5) FlutiCare™ from Novalere, and (6) UriVarx™ from Seipel Group;

Increasing the number of U.S. non-exclusive distribution channel partners for direct and online sales and also open more channels directly to physicians, urologists, gynecologists and therapists . One of our goals is to increase the

number of U.S. distribution channel partners that sell our products. To do this, we have devised a three-pronged approach. First, we are seeking to expand the number of OTC direct selling partners, such as the larger in-store distributors for selected products, and to expand sales to the more regional, statewide and local distributors, such as regional pharmacy chains, large grocery stores and supplement and health stores for selected products. Second, we are working to expand our online presence through relationships with well-known online sellers and the acquisition of additional platforms such as established Amazon® stores. Third, we are seeking to expand sales of our OTC products directly through sampling programs and detailing to physicians, urologists, gynecologists, therapists and to other healthcare providers who generally are used to recommending to their patients products that are supported by strong scientific and/or clinical data and evidence;

Seeking commercial partnerships outside the U.S. and developing consistent international commercial and distribution systems. We seek to develop a strong network of international distribution partners outside of the U.S. To do so, we are relying in part on past relationships that Dr. Bassam Damaj, our President and Chief Executive Officer, has had with certain commercial partners globally. In addition, we believe we have the ability to develop new relationships with commercial distributors who can demonstrate they have leading positions in their regions and can provide us with effective marketing and sales efforts and teams to detail our products to physicians and therapists. Our commercial partners outside the U.S. are responsible for storing, distributing and promoting our products to physicians, urologists, gynecologists, therapists and to other healthcare providers. We have already entered into 14 commercial partnerships covering our products in 65 countries outside the U.S.;

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Developing a proprietary patent portfolio to protect the therapeutic products and categories we desire to enter. We have filed and are working to secure patent claims in the U.S. and abroad covering product inventions and innovations that we believe are valuable. These patents, if issued and ultimately found to be valid, may enable us to create a barrier to entry for competitors on a worldwide basis; and

Achieving cost economies of scale from lower cost manufacturing, integrated distribution channels and multiple product discounts. We believe that we can achieve higher gross margins per product by shifting manufacturing to lower cost manufacturers. We also feel that we can acquire other OTC and consumer healthcare products and reintroduce them into our networks and sales and marketing platforms utilizing our integrated distribution and direct to consumer channels, thus receiving multiple product economies of scale from our distribution partners.

Our Products

Marketed Products

We currently market 17 products in the U.S. and six in multiple countries around the world through our commercial partners:

1.
Vesele® for promoting sexual and health (U.S. and U.K.);
2.
Zestra® for female arousal (U.S., U.K., Denmark, Canada, Morocco, the UAE and South Korea);
3.
Zestra Glide® (U.S, Canada and the MENA countries);
4.
EjectDelay® indicated for the treatment of premature ejaculation (U.S. and Canada);
5.
Sensum+® to alleviate reduced penile sensitivity (U.S., U.K. and Morocco);
6.
Beyond Human® Testosterone Booster;
7.
Beyond Human® Ketones;
8.
Beyond Human® Krill Oil;
9.
Beyond Human® Omega 3 Fish Oil;
- 10.

Beyond Human® Vision Formula;

11.

Beyond Human® Blood Sugar;

12.

Beyond Human® Colon Cleanse;

13.

Beyond Human® Green Coffee Extract;

14.

Beyond Human® Growth Agent;

15.

RecalMax™ for brain health;

16.

Androferti® (U.S. and Canada) supports overall male reproductive health and sperm quality; and

17.

UriVarx™ for overactive bladder and urinary incontinence.

Below is a more detailed description of each of our main products that we currently market and sell:

Vesele®

Vesele® is a proprietary oral supplement of Arginine with high absorption backed with clinical use data in men and women for sexual dysfunction. Vesele® contains a patented formulation of L-Arginine and L-Citrulline in combination with the natural absorption enhancer Bioperine®. The beneficial effects of Vesele® on sexual and cognitive functions were confirmed in a four month US clinical survey study involving 152 patients (69 men and 83 women). Results from the clinical survey have indicated (1) improvement of erectile hardness and maintenance in men and increased sexual intercourse frequency with their partners, and (2) lubrication in women, when taken separately by each.

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Sensum+®

Sensum+® is a non-medicated cream which moisturizes the head and shaft of the penis for enhanced feelings of sensation and greater sexual satisfaction. It is a patent-pending blend of essential oils and ingredients generally recognized as safe that recently commenced marketing in the U.S. We acquired the global ex-U.S. distribution rights to Sensum+® from CRI. The safety and efficacy of Sensum+® was evaluated in two post-marketing survey studies in circumcised and non-circumcised men. A total of 382 men used Sensum+® twice daily for 14 consecutive days followed by once daily for eight weeks and as needed thereafter. Study participants reported a ~50% increase in penile sensitivity with the use of Sensum+®.

Beyond Human® Testosterone Booster (BHT)

BHT is a proprietary oral supplement containing clinically tested ingredients to increase libido, vitality and sexual health endpoints in combination with the natural absorption enhancer Bioperine®.

Zestra®

Zestra® is our proprietary blend of essential oils proven in two peer-reviewed and published U.S. placebo controlled clinical trials in 276 women to increase desire, arousal and satisfaction. Zestra® is commercialized in the U.S. and Canada through major retailers, drug wholesalers such as McKesson and Cardinal Health and online.

Female Sexual Arousal Disorder, or FSAD, is a disorder part of the Female Sexual Dysfunction, or FSD, and is characterized by the persistent or recurrent inability to attain sexual arousal or to maintain arousal until completion of sexual activity. 43% of women age 18-59 experience some sort of sexual difficulties with one approved prescription product (Laumann, E.O. et al. Sexual Dysfunction in the United States: Prevalence and Predictors. JAMA, Feb. 10, 1999. vol. 281, No. 6.537-542). The U.S. arousal liquid market is estimated to be around \$500.0 million.

RecalMax™

RecalMax™ is a proprietary, novel oral dietary supplement to maximize nitric oxide's beneficial effects on brain health. RecalMax™ contains a patented formulation of low dose L-Arginine and L-Citrulline, in combination with the natural absorption enhancer Bioperine®. The beneficial effects of RecalMax™ on cognitive functions were confirmed in a four month U.S. clinical survey study involving 152 patients (69 men and 83 women). Results from the clinical survey have indicated improvement in multiple brain functions including word recall and focus.

UriVarx™

UriVarx™ is proprietary supplement clinically proven and to reduce urinary urgency, accidents and both day and night frequency in Overactive Bladder ("OAB") and Urinary Incontinence ("UI") patients. UriVarx™ was tested in OAB and UI patients in a 152 double blind placebo patient study over a period of eight weeks yielding up to 60% in reduction of urinary urgency and nocturia.

EjectDelay®

EjectDelay® is our proprietary, clinical proven OTC monograph compliant 7.5% benzocaine gel for premature ejaculation. Benzocaine acts to inhibit the voltage-dependent sodium channels on the nerve membrane, stopping the propagation of the action potential and resulting in temporary numbing of the application site. EjectDelay® is applied to the head of the penis ten minutes before intercourse. Premature Ejaculation, or PE, is the absence of

voluntary control over ejaculation resulting in ejaculation either preceding vaginal entry or occurring immediately upon vaginal entry and is defined as an ejaculation latency time of less than one minute. It is estimated that over 30% of males suffer from PE with a market size of \$1.0 billion with a 10.3% annual growth rate. Topical anesthetics make up 14% of the total PE market (The Journal of Sexual Medicine in 2007 Sex Med 2007).

Zestra Glide®

Zestra Glide® is a clinically tested water-based longer lasting lubricant. We acquired Zestra Glide® in our acquisition of Sempae in December 2013. In a 57 patient safety clinical study, Zestra Glide® proved to be safe and caused no irritation or skin side effects during the six week trial. To our knowledge, Zestra Glide® is the only water-based lubricant clinically tested for safety and has a viscosity of over 16000cps on the market. Increased viscosity usually translates into longer effects. The lubricant market is estimated to be around \$200.0 million in the U.S. (Symphony IRI Group Study, 2012).

Androferti®

Androferti® is a patented natural supplement that supports overall male reproductive health and sperm quality. Androferti®, has been shown in over five published clinical trials to statistically increase seminal quality (concentration, motility, morphology and vitality) and enhances spermatozoa quality (decreases of vacuoles in the sperm nucleus), decreases DNA fragmentation, decreases the dynamics of sperm DNA fragmentation and improvement on the inventory of mobile sperms.

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Pipeline Products

Fluticare™ (Fluticasone propionate nasal spray)

We expect that the ANDA filed in November 2014 with the FDA to be approved in 2017, which will allow us to market and sell Fluticare™ over the counter in the second half of 2017. FlutiCare™ is a nasal spray in the form of fluticasone propionate that has been the most prescribed nasal spray to patients in the U.S. for more than five consecutive years. The nasal steroid market is over \$1.0 billion annually in the U.S. (Reed, Lee and McCrory, "The Economic Burden of Allergic Rhinitis, Pharmacoeconomics 2004, 22 (6) 345-361).

Xyralid™

Xyralid™ is a lidocaine based cream for the relief of pain and symptoms caused by hemorrhoids. We expect to launch Xyralid™ in the first half of 2017 under our Beyond Human® sales and marketing platform.

AllerVarx™

AllerVarx™ is a patented formulation produced in bilayer tablets with a technology that allows a controlled release of the ingredients. The fast-release layer allows the rapid antihistaminic activity of perilla. The sustained-release layer enhances quercetin and vitamin D3 bioavailability, thanks to its lipidic matrix, and exerts antiallergic activity spread over time. AllerVarx™ was studied in a clinical trial assessing the reduction of both nasal and ocular symptoms in allergic patients, and daily consumption of anti-allergic drugs, over a period of 30 days. AllerVarx™ showed a reduction of approximately 70% in total symptom scores and a reduction of approximately 73% in the use of anti-allergic drugs. There were no side effects noted during the administration of AllerVarx™ and all the patients enrolled finished the study with good compliance. We expect to launch this product in the first half of 2017.

Urocis™ XR

Urocis™ XR, a proprietary 24-hour extended release of vaccinium marcocarpon for urinary tract infections in women shown to provide 24-hour coverage in the body to increase compliance of the use of the product to get full benefit. According to Business Insights in their "The Antibacterials Market Outlook to 2016" report, urinary tract infections are very common, with an estimated incidence of 9.6%, or 7.0 million people in the U.S. Urinary tract infections typically affect post-pubescent females and the elderly. We expect to launch this product in the second half of 2017.

AndroVit™

AndroVit™ is a proprietary supplement to support overall prostate and male sexual health currently marketed in Europe. AndroVit™ was specifically formulated with ingredients known to support the normal prostate health and vitality and male sexual health. We expect to launch this product in the second half of 2017.

Sales and Marketing Strategy U.S. and Internationally

Our sales and marketing strategy is based on (a) the use of direct to consumer advertisements in print and online media through our proprietary Beyond Human® sales and marketing platform acquired in March 2016, (b) working with direct commercial channel partners in the U.S. and also directly marketing the products ourselves to physicians, urologists, gynecologists and therapists and to other healthcare providers, and (c) working with exclusive commercial partners outside of the U.S. that would be responsible for sales and marketing in those territories. We have now fully integrated most of our existing line of products such as Vesele®, Sensum+®, UriVarx™, Zestra®, and RecalMax™ into

the Beyond Human® sales and marketing platform. We plan to integrate Xyralid™, AllerVarx™, AndroVit™, Urocis™ XR; and FlutiCare™, subject to regulatory approvals, upon their commercial launches in 2017. We also market and distribute our products in the U.S. through retailers, wholesalers and other online channels. Our strategy outside the U.S. is to partner with companies who can effectively market and sell our products in their countries through their direct marketing and sales teams. The strategy of using our partners to commercialize our products is designed to limit our expenses and fix our cost structure, enabling us to increase our reach while minimizing our incremental spending.

Our current OTC, Rx-to-OTC ANDA switch drugs and consumer care products marketing strategy is to focus on four main U.S. markets which we all believe to be each in excess of \$1.0 billion: (1) Sexual health (female and male sexual dysfunction and health); (2) Urology (bladder and prostate health); (3) Respiratory disease; and (4) Brain health. We will focus our current efforts on these four markets and will seek to develop, acquire or license products that we can sell through our sales channels in these fields.

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Manufacturers and Single Source Suppliers

We use third-party manufacturers for the production of our products for development and commercial purposes. We believe there is currently excess capacity for manufacturing in the marketplace and opportunities to lower manufacturing cost through outsourcing to regions and countries that can do it in a more cost-effective basis. Some of our products are currently available only from sole or limited suppliers. We currently have multiple contract manufacturers for our multiple products and we issue purchase orders to these suppliers each time we require replenishment of our product inventory. All of our current manufacturers are based in the U.S. except for two based in Italy and we are looking to establish contract manufacturing for certain of our products in Europe and the Middle East and Northern Africa regions to reduce the cost and risk of supply chain to our current and potential commercial partners in their territories.

Government Regulation

Our products are normally subject to regulatory approval or must comply with various U.S. and international regulatory requirements. Unlike pharmaceutical companies who primarily sell prescription products, we currently sell drug or health products into the OTC market. While prescription products normally must progress from pre-clinical to clinical to FDA approval and then can be marketed and sold, our products are normally subject to conformity to FDA monograph requirements and similar requirements in other countries, which requires a shorter time frame for us to satisfy regulatory requirements and permits us to begin commercialization.

Below is a brief description of the FDA regulatory process for our products in the U.S.

U.S. Food and Drug Administration

The FDA and other federal, state, local and foreign regulatory agencies impose substantial requirements upon the clinical development, approval, labeling, manufacture, marketing and distribution of drug products. These agencies regulate, among other things, research and development activities and the testing, approval, manufacture, quality control, safety, effectiveness, labeling, storage, record keeping, advertising and promotion of our product candidates. The regulatory approval process is generally lengthy and expensive, with no guarantee of a positive result. Moreover, failure to comply with applicable FDA or other requirements may result in civil or criminal penalties, recall or seizure of products, injunctive relief including partial or total suspension of production, or withdrawal of a product from the market.

The FDA regulates, among other things, the research, manufacture, promotion and distribution of drugs in the U.S. under the Federal Food, Drug and Cosmetic Act, or the ("FFDCA"), and other statutes and implementing regulations. The process required by the FDA before prescription drug product candidates may be marketed in the U.S. generally involves the following:

Completion of extensive nonclinical laboratory tests, animal studies and formulation studies, all performed in accordance with the FDA's Good Laboratory Practice regulations;

Submission to the FDA of an investigational new drug application, or IND, which must become effective before human clinical trials may begin;

For some products, performance of adequate and well-controlled human clinical trials in accordance with the FDA's regulations, including Good Clinical Practices, to establish the safety and efficacy of the product candidate for each proposed indication;

Submission to the FDA of a new drug application, or NDA;

Submission to the FDA of an abbreviated new drug application, or ANDA;

Satisfactory completion of an FDA preapproval inspection of the manufacturing facilities at which the product is produced to assess compliance with current Good Manufacturing Practice, or cGMP, regulations; and

FDA review and approval of the NDA prior to any commercial marketing, sale or shipment of the drug.

The testing and approval process requires substantial time, effort and financial resources, and we cannot be certain that any approvals for our product candidates will be granted on a timely basis, if at all.

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Nonclinical tests include laboratory evaluations of product chemistry, formulation and stability, as well as studies to evaluate toxicity in animals and other animal studies. The results of nonclinical tests, together with manufacturing information and analytical data, are submitted as part of an IND to the FDA. Some nonclinical testing may continue even after an IND is submitted. The IND also includes one or more protocols for the initial clinical trial or trials and an investigator's brochure. An IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, raises concerns or questions relating to the proposed clinical trials as outlined in the IND and places the clinical trial on a clinical hold. In such cases, the IND sponsor and the FDA must resolve any outstanding concerns or questions before any clinical trials can begin. Clinical trial holds also may be imposed at any time before or during studies due to safety concerns or non-compliance with regulatory requirements. An independent institutional review board, or IRB, at each of the clinical centers proposing to conduct the clinical trial must review and approve the plan for any clinical trial before it commences. An IRB considers, among other things, whether the risks to individuals participating in the trials are minimized and are reasonable in relation to anticipated benefits. The IRB also approves the consent form signed by the trial participants and must monitor the study until completed.

Abbreviated New Drug Application

An ANDA contains data which when submitted to FDA's Center for Drug Evaluation and Research, Office of Generic Drugs, provides for the review and ultimate approval of a generic drug product. Once approved, an applicant may manufacture and market the generic drug product to provide a safe, effective, low cost alternative to the public than a bioequivalent prescription product.

A generic drug product is one that is comparable to an innovator drug product in dosage form, strength, route of administration, quality, performance characteristics and intended use. Generic drug applications are termed "abbreviated" because they are generally not required to include preclinical (animal) and clinical (human) data to establish safety and effectiveness. Instead, generic applicants must scientifically demonstrate that their product is bioequivalent (i.e., performs in the same manner as the innovator drug). One way scientists demonstrate bioequivalence is to measure the time it takes the generic drug to reach the bloodstream in 24 to 36 healthy, volunteers. This gives them the rate of absorption, or bioavailability, of the generic drug, which they can then compare to that of the innovator drug. The generic version must deliver the same amount of active ingredients into a patient's bloodstream in the same amount of time as the innovator drug.

Using bioequivalence as the basis for approving generic copies of drug products was established by the Drug Price Competition and Patent Term Restoration Act of 1984, also known as the Waxman-Hatch Act. This Act expedites the availability of less costly generic drugs by permitting FDA to approve applications to market generic versions of brand-name drugs without conducting costly and duplicative clinical trials. At the same time, the Act granted companies the ability to apply for up to five additional years of patent protection for the innovator drugs developed to make up for time lost while their products were going through the FDA's approval process. Brand-name drugs are subject to the same bioequivalence tests as generics upon reformulation.

BioEquivalency Studies

Studies to measure bioavailability and/or establish bioequivalence of a product are important elements in support of investigational new drug applications, or INDs, new drug applications, or NDAs, ANDAs and their supplements. As part of INDs and NDAs for orally administered drug products, bioavailability studies focus on determining the process by which a drug is released from the oral dosage form and moves to the site of action. Bioavailability data provide an estimate of the fraction of the drug absorbed, as well as its subsequent distribution and elimination. Bioavailability can be generally documented by a systemic exposure profile obtained by measuring drug and/or metabolite concentration in the systemic circulation over time. The systemic exposure profile determined during clinical trials in the IND

period can serve as a benchmark for subsequent bioequivalence studies. Studies to establish bioequivalence between two products are important for certain changes before approval for a pioneer product in NDA and ANDA submissions and in the presence of certain post-approval changes in NDAs and ANDAs. In bioequivalence studies, an applicant compares the systemic exposure profile of a test drug product to that of a reference drug product. For two orally or intra-nasally administered drug products to be bioequivalent, the active drug ingredient or active moiety in the test product must exhibit the same rate.

OTC Monograph Process

The FDA regulates certain non-prescription drugs using an OTC Monograph product designation which, when final, is published in the Code of Federal Regulations at 21 C.F.R. Parts 330-358. Such products that meet each of the conditions established in the OTC Monograph regulations, as well as all other applicable regulations, may be marketed without prior approval by the FDA.

The general conditions set forth for OTC Monograph products include, among other things:

The product is manufactured at FDA registered establishments and in accordance with cGMPs;

The product label meets applicable format and content requirements including permissible “Indications” and all required dosing instructions and limitations, warnings, precautions and contraindications that have been established in an applicable OTC Monograph;

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The product contains only permissible active ingredients in permissible strengths and dosage forms;

The product contains only suitable inactive ingredients which are safe in the amounts administered and do not interfere with the effectiveness of the preparation; and

The product container and container components meet FDA's requirements.

The advertising for OTC drug products is regulated by the Federal Trade Commission, or FTC, which generally requires that advertising claims be truthful, not misleading, and substantiated by adequate and reliable scientific evidence. False, misleading or unsubstantiated OTC drug advertising may be subject to FTC enforcement action and may also be challenged in court by competitors or others under the federal Lanham Act or similar state laws. Penalties for false or misleading advertising may include monetary fines or judgments as well as injunctions against further dissemination of such advertising claims.

A product marketed pursuant to an OTC Monograph must be listed with the FDA's Drug Regulation and Listing System and have a National Drug Code listing which is required for all marketed drug products. After marketing, the FDA may test the product or otherwise investigate the manufacturing and development of the product to ensure compliance with the OTC Monograph. Should the FDA determine that a product is not marketed in compliance with the OTC Monograph or is advertised outside of its regulations, the FDA may require corrective action up to and including market withdrawal and recall.

Other Regulatory Requirements

Maintaining substantial compliance with appropriate federal, state, local and international statutes and regulations requires the expenditure of substantial time and financial resources. Drug manufacturers are required to register their establishments with the FDA and certain state agencies and, after approval, the FDA and these state agencies conduct periodic unannounced inspections to ensure continued compliance with ongoing regulatory requirements, including cGMPs. In addition, after approval, some types of changes to the approved product, such as adding new indications, manufacturing changes and additional labeling claims, are subject to further FDA review and approval. The FDA may require post-approval testing and surveillance programs to monitor safety and the effectiveness of approved products that have been commercialized. Any drug products manufactured or distributed by us pursuant to FDA approvals are subject to continuing regulation by the FDA, including:

Meeting record-keeping requirements;

Reporting of adverse experiences with the drug;

Providing the FDA with updated safety and efficacy information;

Reporting on advertisements and promotional labeling;

Drug sampling and distribution requirements; and

Complying with electronic record and signature requirements.

In addition, the FDA strictly regulates labeling, advertising, promotion and other types of information on products that are placed on the market. There are numerous regulations and policies that govern various means for disseminating information to health-care professionals as well as consumers, including to industry sponsored scientific and educational activities, information provided to the media and information provided over the Internet. Drugs may be promoted only for the approved indications and in accordance with the provisions of the approved label.

The FDA has very broad enforcement authority and the failure to comply with applicable regulatory requirements can result in administrative or judicial sanctions being imposed on us or on the manufacturers and distributors of our approved products, including warning letters, refusals of government contracts, clinical holds, civil penalties, injunctions, restitution and disgorgement of profit, recall or seizure of products, total or partial suspension of production or distribution, withdrawal of approvals, refusal to approve pending applications and criminal prosecution resulting in fines and incarceration. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label or unapproved uses may be subject to significant liability. In addition, even after regulatory approval is obtained, later discovery of previously unknown problems with a product may result in restrictions on the product or even complete withdrawal of the product from the market.

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Competition

The OTC pharmaceutical market is highly competitive with many established manufacturers, suppliers and distributors that are actively engaged in all phases of the business. We believe that competition in the sale of our products will be based primarily on efficacy, regulatory compliance, brand awareness, availability, product safety and price. Our brand name OTC pharmaceutical products may be subject to competition from alternate therapies during the period of patent protection and thereafter from generic or other competitive products. All of our existing products, and products we have agreements to acquire, compete with generic and other competitive products in the marketplace.

Competing in the branded product business requires us to identify and quickly bring to market new products embodying technological innovations. Successful marketing of branded products depends primarily on the ability to communicate the efficacy, safety and value to healthcare professionals in private practice, group practices and managed care organizations. We anticipate that our branded product offerings will support our existing lines of therapeutic focus. Based upon business conditions and other factors, we regularly reexamine our business strategies and may from time to time reallocate our resources from one therapeutic area to another, withdraw from a therapeutic area or add an additional therapeutic area in order to maximize our overall growth opportunities.

Some of our existing products, and products we have agreements to acquire, compete with one or more products marketed by very large pharmaceutical companies that have much greater financial resources for marketing, selling and developing their products. These competitors, as well as others, have been in business for a longer period of time, have a greater number of products on the market and have greater financial and other resources than we do. If we directly compete with them for the same markets and/or products, their financial and market strength could prevent us from capturing a meaningful share of those markets.

We also compete with other OTC pharmaceutical companies for product line acquisitions as well as for new products and acquisitions of other companies.

Research and Development

We have used outside contract research organizations to carry out our research and development activities. During the years ended December 31, 2016 and 2015, we incurred research and development costs totaling \$77,804, and \$0, respectively. This increase was a result of the cost of salary and the related health benefits for an employee, conclusion of testing, non-human primate safety studies, clinical studies for our products Zestra®, Zestra Glide®, EjectDelay® and Sensum+®, as well as the fair value of the shares of common stock issued to CRI totaling \$23,000 for the settlement of certain clinical and regulatory milestone payments due under the in-license agreement for Sensum+®.

Employees

We currently have five full-time employees, including Dr. Bassam Damaj, who serves as our President and Chief Executive Officer. We also rely on a number of consultants. Our employees are not represented by a labor union or by a collective bargaining agreement. Subject to the availability of financing, we intend to expand our staff to implement our growth strategy.

Intellectual Property Protection

Our ability to protect our intellectual property, including our technology, will be an important factor in the success and continued growth of our business. We protect our intellectual property through trade secrets law, patents, copyrights,

trademarks and contracts. Some of our technology relies upon third-party licensed intellectual property.

We currently hold four patents in the U.S. and six patents registered outside the U.S. We currently have no patent applications pending in the U.S. and 11 patent applications pending in countries other than the U.S. We also have exclusive U.S. rights to multiple patents in the U.S. and Europe licensed under the product license agreements we have with NTC Pharma and Q Pharma.

We own nine trademark registrations and have four trademark applications pending in the U.S. We also own 19 trademarks registered outside of the U.S., with no applications currently pending.

We have established business procedures designed to maintain the confidentiality of our proprietary information, including the use of confidentiality agreements and assignment-of-inventions agreements with employees, independent contractors, consultants and companies with which we conduct business.

Company Information

Our executive offices are located at 9171 Towne Centre Drive, Suite 440, San Diego, California 92122 and our telephone number at such office is (858) 964-5123. Our website address is innovuspharma.com. Information contained on our website is not deemed part of this Annual Report.

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Item 1A. Risk Factors.

Our business endeavors and our common stock involve a high degree of risk. You should carefully consider the risks described below with all of the other information included in this report. If any of the following risks actually occur, they may materially harm our business and our financial condition and results of operations. In that event, the market price of our common stock could decline, and investors could lose part or all of their investment.

Risks Associated with Our Financial Condition

We have a history of significant recurring losses and these losses may continue in the future, therefore negatively impacting our ability to achieve our business objectives.

As of December 31, 2016, we had an accumulated deficit of approximately \$29.1 million. In addition, we incurred net losses of approximately \$13.7 million and \$4.2 million for the years ended December 31, 2016 and 2015, respectively. These losses may continue in the future. We expect to continue to incur significant sales and marketing, research and development, and general and administrative expense. As a result, we will need to generate significant revenue to achieve profitability, and we may never achieve profitability. Revenue and profit, if any, will depend upon various factors, including (1) growing the current sales of our products, (2) the successful acquisition of additional commercial products, (3) raising capital to implement our growth strategy, (4) obtaining any applicable regulatory approvals of our proposed product candidates, (5) the successful licensing and commercialization of our proposed product candidates, and (6) growth and development of our operations. We may not achieve our business objectives and the failure to achieve such goals would have an adverse impact on us.

We may require additional financing to satisfy our current contractual obligations and execute our business plan.

We have not been profitable since inception. As of December 31, 2016, we had approximately \$0.8 million in cash. We had a net loss of approximately \$13.7 million and \$4.2 million for the years ended December 31, 2016 and 2015, respectively. Additionally, sales of our existing products are significantly below the levels necessary to achieve positive cash flow. Although we expect that our existing capital resources, revenue from sales of our products will be sufficient to allow us to continue our operations, commence the product development process and launch selected products through at least January 1, 2018, no assurances can be given that we will not need to raise additional capital to fund our business plan. Although no assurances can be given, we currently plan to raise additional capital through the sale of equity or debt securities. If we are not able to raise sufficient capital, our continued operations may be in jeopardy and we may be forced to cease operations and sell or otherwise transfer all or substantially all of our remaining assets.

If we issue additional shares of common stock in the future, it will result in the dilution of our existing shareholders.

Our Amended and Restated Articles of Incorporation authorize the issuance of up to 292.5 million shares of common stock and up to 7.5 million shares of preferred stock. The issuance of any such shares of common stock may result in a decrease in value of your investment. If we do issue any such additional shares of common stock, such issuance also will cause a reduction in the proportionate ownership and voting power of all other shareholders. Further, any such issuance may result in a change of control of our corporation.

If we issue additional debt securities, our operations could be materially and negatively affected.

We have historically funded our operations partly through the issuance of debt securities. If we obtain additional debt financing, a substantial portion of our operating cash flow may be dedicated to the payment of principal and interest

on such indebtedness, thus limiting funds available for our business activities. If adequate funds are not available, we may be required to delay, reduce the scope of or eliminate our research and development programs, reduce our commercialization efforts or curtail our operations. In addition, we may be required to obtain funds through arrangements with collaborative partners or others that may require us to relinquish rights to technologies or products that we would otherwise seek to develop or commercialize ourselves or license rights to technologies or products on terms that are less favorable to us than might otherwise be available.

Our ability to use our net operating loss carry-forwards and certain other tax attributes may be limited.

We have incurred substantial losses during our history. To the extent that we continue to generate taxable losses, unused losses will carry forward to offset future taxable income, if any, until such unused losses expire. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an “ownership change,” generally defined as a greater than 50% change (by value) in its equity ownership over a three-year period, the corporation’s ability to use its pre-change net operating loss carry-forwards, or NOLs, and other pre-change tax attributes (such as research tax credits) to offset its post-change income may be limited. We may experience ownership changes in the future as a result of subsequent shifts in our stock ownership. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss carry-forwards to offset U.S. federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us. In addition, at the state level, there may be periods during which the use of NOLs is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed.

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Risks Associated with Our Business Model

We have a short operating history and have not produced significant revenue over a period of time. This makes it difficult to evaluate our future prospects and increases the risk that we will not be successful.

We have a short operating history with our current business model, which involves the commercialization, licensing and development of over-the-counter healthcare products. While we have been in existence for years, we only began our current business model in 2013 and have only generated approximately \$1.0 million in net revenue in 2014, approximately \$736,000 in 2015 and approximately \$4.8 million in net revenue for the year ended December 31, 2016, and our operations have not yet been profitable. No assurances can be given that we will generate any significant revenue in the future. As a result, we have a very limited operating history for you to evaluate in assessing our future prospects. Our operations have not produced significant revenue over a period of time, and may not produce significant revenue in the near term, which may harm our ability to obtain additional financing and may require us to reduce or discontinue our operations. You must consider our business and prospects in light of the risks and difficulties we will encounter as an early-stage company. We may not be able to successfully address these risks and difficulties, which could significantly harm our business, operating results and financial condition.

The success of our business currently depends on the successful continuous commercialization of our main products and these products may not be successfully grown beyond their current levels.

We currently have a limited number of products for sale. The success of our business currently depends on our ability, directly or through a commercial partner, to successfully market and sell those limited products outside the U.S. and to expand our retail and online channels in the U.S.

Although we have commercial products that we can currently market and sell, we will continue to seek to acquire or license other products and we may not be successful in doing so.

We currently have a limited number of products. We may not be successful in marketing and commercializing these products to the extent necessary to sustain our operations. In addition, we will continue to seek to acquire or license non-prescription pharmaceutical and consumer health products. The successful consummation of these types of acquisitions and licensing arrangements is subject to the negotiation of complex agreements and contractual relationships and we may be unable to negotiate such agreements or relationships on a timely basis, if at all, or on terms acceptable to us.

If we fail to successfully introduce new products, we may lose market position.

New products, product improvements, line extensions and new packaging will be an important factor in our sales growth. If we fail to identify emerging consumer trends, to maintain and improve the competitiveness of our existing products or to successfully introduce new products on a timely basis, we may lose market position. Continued product development and marketing efforts have all the risks inherent in the development of new products and line extensions, including development delays, the failure of new products and line extensions to achieve anticipated levels of market acceptance and the cost of failed product introductions.

Our sales and marketing function is currently very limited and we currently rely on third parties to help us promote our products to physicians in the U.S. and rely on our partners outside the U.S. We will need to maintain the commercial partners we currently have and attract others or be in a position to afford qualified or experienced marketing and sales personnel for our products.

We have had only approximately \$736,000 in net revenue in 2015, and approximately \$4.8 million during the year ended December 31, 2016. We will need to continue to develop strategies, partners and distribution channels to promote and sell our products.

We have no commercial manufacturing capacity and rely on third-party contract manufacturers to produce commercial quantities of our products.

We do not have the facilities, equipment or personnel to manufacture commercial quantities of our products and therefore must rely on qualified third-party contract manufactures with appropriate facilities and equipment to contract manufacture commercial quantities of products. These third-party contract manufacturers are also subject to current good manufacturing practice, or cGMP regulations, which impose extensive procedural and documentation requirements. Any performance failure on the part of our contract manufacturers could delay commercialization of any approved products, depriving us of potential product revenue.

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Failure by our contract manufacturers to achieve and maintain high manufacturing standards could result in patient injury or death, product recalls or withdrawals, delays or failures in testing or delivery, cost overruns or other problems that could materially adversely affect our business. Contract manufacturers may encounter difficulties involving production yields, quality control and quality assurance. These manufacturers are subject to ongoing periodic unannounced inspection by the FDA and corresponding state and foreign agencies to ensure strict compliance with cGMP and other applicable government regulations; however, beyond contractual remedies that may be available to us, we do not have control over third-party manufacturers' compliance with these regulations and standards.

If for some reason our contract manufacturers cannot perform as agreed, we may be required to replace them. Although we believe there are a number of potential replacements, we may incur added costs and delays in identifying and qualifying any such replacements.

The inability of a manufacturer to ship orders of our products in a timely manner or to meet quality standards could cause us to miss the delivery date requirements of our customers for those items, which could result in cancellation of orders, refusal to accept deliveries or a reduction in purchase prices, any of which could have a material adverse effect as our revenue would decrease and we would incur net losses as a result of sales of the product, if any sales could be made.

We are also dependent on certain third parties for the supply of the raw materials necessary to develop and manufacture our products, including the active and inactive pharmaceutical ingredients used in our products. We are required to identify the supplier of all the raw materials for our products in any drug applications that we file with the FDA and all FDA-approved products that we acquire from others. If raw materials for a particular product become unavailable from an approved supplier specified in a drug application, we would be required to qualify a substitute supplier with the FDA, which would likely delay or interrupt manufacturing of the affected product. To the extent practicable, we attempt to identify more than one supplier in each drug application. However, some raw materials are available only from a single source and, in some of our drug applications, only one supplier of raw materials has been identified, even in instances where multiple sources exist.

In addition, we obtain some of our raw materials and products from foreign suppliers. Arrangements with international raw material suppliers are subject to, among other things, FDA regulation, various import duties, foreign currency risk and other government clearances. Acts of governments outside the U.S. may affect the price or availability of raw materials needed for the development or manufacture of our products. In addition, any changes in patent laws in jurisdictions outside the U.S. may make it increasingly difficult to obtain raw materials for research and development prior to the expiration of the applicable U.S. or foreign patents.

Our U.S. business could be adversely affected by changes in the U.S. presidential administration.

A new U.S. presidential administration came to power in January 2017 and President Trump has publicly stated that he will take certain efforts to impose importation tariffs from certain countries such as China and Mexico which could affect the cost of certain of our product components. In addition, the Trump Administration has and will appoint and employ many new secretaries, directors and the like into positions of authority in the U.S. Federal government dealing with the pharmaceutical and healthcare industries that may potentially have a negative impact on the prices and the regulatory pathways for certain pharmaceuticals, nutritional supplements and health care products such as those developed, marketed and sold by us. Such changes in the regulatory pathways could adversely affect and or delay our ability to market and sell our products in the U.S.

The business that we conduct outside the U.S. may be adversely affected by international risk and uncertainties.

Although our operations are based in the U.S., we conduct business outside the U.S and expect to continue to do so in the future. In addition, we plan to seek approvals to sell our products in foreign countries. Any business that we conduct outside the U.S. will be subject to additional risks that may materially adversely affect our ability to conduct business in international markets, including:

Potentially reduced protection for intellectual property rights;

Unexpected changes in tariffs, trade barriers and regulatory requirements;

Economic weakness, including inflation or political instability in particular foreign economies and markets;

Workforce uncertainty in countries where labor unrest is more common than in the United States;

Production shortages resulting from any events affecting a product candidate and/or finished drug product supply or manufacturing capabilities abroad;

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Business interruptions resulting from geo-political actions, including war and terrorism or natural disasters, including earthquakes, hurricanes, typhoons, floods and fires; and

Failure to comply with Office of Foreign Asset Control rules and regulations and the Foreign Corrupt Practices Act, or FCPA.

These factors or any combination of these factors may adversely affect our revenue or our overall financial performance.

Acquisitions involve risks that could result in a reduction of our operating results, cash flows and liquidity.

We have made and in the future may, continue to make strategic acquisitions including licenses of third-party products. However, we may not be able to identify suitable acquisition and licensing opportunities. We may pay for acquisitions and licenses with our common stock or with convertible securities, which may dilute your investment in our common stock, or we may decide to pursue acquisitions and licenses that investors may not agree with. In connection with one of our latest acquisitions, we have also agreed to substantial earn-out arrangements. To the extent we defer the payment of the purchase price for any acquisition or license through a cash earn-out arrangement, it will reduce our cash flows in subsequent periods. In addition, acquisitions or licenses may expose us to operational challenges and risks, including:

The ability to profitably manage acquired businesses or successfully integrate the acquired business' operations and financial reporting and accounting control systems into our business;

Increased indebtedness and contingent purchase price obligations associated with an acquisition;

The ability to fund cash flow shortages that may occur if anticipated revenue is not realized or is delayed, whether by general economic or market conditions or unforeseen internal difficulties;

The availability of funding sufficient to meet increased capital needs;

Diversion of management's attention; and

The ability to retain or hire qualified personnel required for expanded operations.

Completing acquisitions may require significant management time and financial resources. In addition, acquired companies may have liabilities that we failed, or were unable, to discover in the course of performing due diligence investigations. We cannot assure you that the indemnification granted to us by sellers of acquired companies will be sufficient in amount, scope or duration to fully offset the possible liabilities associated with businesses or properties we assume upon consummation of an acquisition. We may learn additional information about our acquired businesses

that materially adversely affect us, such as unknown or contingent liabilities and liabilities related to compliance with applicable laws. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business.

Failure to successfully manage the operational challenges and risks associated with, or resulting from, acquisitions could adversely affect our results of operations, cash flows and liquidity. Borrowings or issuances of convertible securities associated with these acquisitions may also result in higher levels of indebtedness, which could impact our ability to service our debt within the scheduled repayment terms.

We will need to expand our operations and increase our size, and we may experience difficulties in managing growth.

As we increase the number of products we own or have the right to sell, we will need to increase our sales, marketing, product development and scientific and administrative headcount to manage these programs. In addition, to meet our obligations as a public company, we will need to increase our general and administrative capabilities. Our management, personnel and systems currently in place may not be adequate to support this future growth. Our need to effectively manage our operations, growth and various projects requires that we:

Successfully attract and recruit new employees with the expertise and experience we will require;

Successfully grow our marketing, distribution and sales infrastructure; and

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Continue to improve our operational, manufacturing, financial and management controls, reporting systems and procedures.

If we are unable to successfully manage this growth and increased complexity of operations, our business may be adversely affected.

If we fail to attract and keep senior management and key scientific personnel, we may be unable to successfully operate our business.

Our success depends to a significant extent upon the continued services of Dr. Bassam Damaj, our President and Chief Executive Officer. Dr. Damaj has overseen our current business strategy since inception and provides leadership for our growth and operations strategy as well as being our sole employee with any significant scientific or pharmaceutical experience. Loss of the services of Dr. Damaj would have a material adverse effect on our growth, revenue and prospective business. The loss of any of our key personnel, or the inability to attract and retain qualified personnel, may significantly delay or prevent the achievement of our research, development or business objectives and could materially adversely affect our business, financial condition and results of operations.

Any employment agreement we enter into will not ensure the retention of the employee who is a party to the agreement. In addition, we have only limited ability to prevent former employees from competing with us. Furthermore, our future success will also depend in part on the continued service of our key scientific and management personnel and our ability to identify, hire and retain additional personnel. We experience intense competition for qualified personnel and may be unable to attract and retain the personnel necessary for the development of our business. Moreover, competition for personnel with the scientific and technical skills that we seek is extremely high and is likely to remain high. Because of this competition, our compensation costs may increase significantly. We presently have no scientific employees.

We may not be able to continue to pay consultants, vendors and independent contractors through the issuance of equity instruments in order to conserve cash.

We have paid numerous consultants and vendor fees through the issuance of equity instruments in order to conserve our cash, however there can be no assurance that we, our vendors, consultants or independent contractors, current or future, will continue to agree to this arrangement. As a result, we may be asked to spent more cash for the same services, or we may not be able to retain the same consultants, vendors, etc.

We face significant competition and have limited resources compared to our competitors.

We are engaged in a highly competitive industry. We can expect competition from numerous companies, including large international enterprises and others entering the market for products similar to ours. Most of these companies have greater research and development, manufacturing, patent, legal, marketing, financial, technological, personnel and managerial resources. Acquisitions of competing companies by large pharmaceutical or healthcare companies could further enhance such competitors' financial, marketing and other resources. Competitors may complete clinical trials, obtain regulatory approvals and commence commercial sales of their products before we could enjoy a significant competitive advantage. Products developed by our competitors may be more effective than our product candidates.

Competition and technological change may make our product candidates and technologies less attractive or obsolete.

We compete with established pharmaceutical and biotechnology companies that are pursuing other products for the same markets we are pursuing and that have greater financial and other resources. Other companies may succeed in developing or acquiring products earlier than us, developing products that are more effective than our products or achieve greater market acceptance. As these companies develop their products, they may develop competitive positions that may prevent, make futile, or limit our product commercialization efforts, which would result in a decrease in the revenue we would be able to derive from the sale of any products.

Risks Relating to Intellectual Property

If we fail to protect our intellectual property rights, our ability to pursue the development of our technologies and products would be negatively affected.

Our success will depend in part on our ability to obtain patents and maintain adequate protection of our technologies and products. If we do not adequately protect our intellectual property, competitors may be able to use our technologies to produce and market products in direct competition with us and erode our competitive advantage. Some foreign countries lack rules and methods for defending intellectual property rights and do not protect proprietary rights to the same extent as the U.S. Many companies have had difficulty protecting their proprietary rights in these foreign countries. We may not be able to prevent misappropriation of our proprietary rights.

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We have received, and are currently seeking, patent protection for numerous compounds and methods of use. However, the patent process is subject to numerous risks and uncertainties, and there can be no assurance that we will be successful in protecting our products by obtaining and defending patents. These risks and uncertainties include the following: patents that may be issued or licensed may be challenged, invalidated or circumvented, or otherwise may not provide any competitive advantage; our competitors, many of which have substantially greater resources than us and many of which have made significant investments in competing technologies, may seek, or may already have obtained, patents that will limit, interfere with or eliminate our ability to make, use and sell our potential products either in the U.S. or in international markets and countries other than the U.S. may have less restrictive patent laws than those upheld by U.S. courts, allowing foreign competitors the ability to exploit these laws to create, develop and market competing products.

Moreover, any patents issued to us may not provide us with meaningful protection or others may challenge, circumvent or narrow our patents. Third parties may also independently develop products similar to our products, duplicate our unpatented products or design around any patents on products we develop. Additionally, extensive time is required for development, testing and regulatory review of a potential product. While extensions of patent term due to regulatory delays may be available, it is possible that, before any of our products candidates can be commercialized, any related patent, even with an extension, may expire or remain in force for only a short period following commercialization, thereby reducing any advantages of the patent.

In addition, the U.S. Patent and Trademark Office (the "PTO") and patent offices in other jurisdictions have often required that patent applications concerning pharmaceutical and/or biotechnology-related inventions be limited or narrowed substantially to cover only the specific innovations exemplified in the patent application, thereby limiting the scope of protection against competitive challenges. Thus, even if we or our licensors are able to obtain patents, the patents may be substantially narrower than anticipated.

Our success depends on our patents, patent applications that may be licensed exclusively to us and other patents to which we may obtain assignment or licenses. We may not be aware, however, of all patents, published applications or published literature that may affect our business either by blocking our ability to commercialize our products, by preventing the patentability of our products to us or our licensors or by covering the same or similar technologies that may invalidate our patents, limit the scope of our future patent claims or adversely affect our ability to market our products.

In addition to patents, we rely on a combination of trade secrets, confidentiality, nondisclosure and other contractual provisions and security measures to protect our confidential and proprietary information. These measures may not adequately protect our trade secrets or other proprietary information. If they do not adequately protect our rights, third parties could use our technology and we could lose any competitive advantage we may have. In addition, others may independently develop similar proprietary information or techniques or otherwise gain access to our trade secrets, which could impair any competitive advantage we may have.

Patent protection and other intellectual property protection are crucial to the success of our business and prospects, and there is a substantial risk that such protections will prove inadequate.

We may be involved in lawsuits to protect or enforce our patents, which could be expensive and time consuming.

The pharmaceutical industry has been characterized by extensive litigation regarding patents and other intellectual property rights, and companies have employed intellectual property litigation to gain a competitive advantage. We may become subject to infringement claims or litigation arising out of patents and pending applications of our

competitors or additional interference proceedings declared by the PTO to determine the priority of inventions. The defense and prosecution of intellectual property suits, PTO proceedings and related legal and administrative proceedings are costly and time-consuming to pursue and their outcome is uncertain. Litigation may be necessary to enforce our issued patents, to protect our trade secrets and know-how, or to determine the enforceability, scope and validity of the proprietary rights of others. An adverse determination in litigation or interference proceedings to which we may become a party could subject us to significant liabilities, require us to obtain licenses from third parties or restrict or prevent us from selling our products in certain markets. Although patent and intellectual property disputes might be settled through licensing or similar arrangements, the costs associated with such arrangements may be substantial and could include our paying large fixed payments and ongoing royalties. Furthermore, the necessary licenses may not be available on satisfactory terms or at all.

Competitors may infringe our patents and we may file infringement claims to counter infringement or unauthorized use. This can be expensive, particularly for a company of our size, and time-consuming. In addition, in an infringement proceeding, a court may decide that a patent of ours is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover its technology. An adverse determination of any litigation or defense proceedings could put one or more of our patents at risk of being invalidated or interpreted narrowly.

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Also, a third party may assert that our patents are invalid and/or unenforceable. There are no unresolved communications, allegations, complaints or threats of litigation related to the possibility that our patents are invalid or unenforceable. Any litigation or claims against us, whether merited or not, may result in substantial costs, place a significant strain on our financial resources, divert the attention of management and harm our reputation. An adverse decision in litigation could result in inadequate protection for our product candidates and/or reduce the value of any license agreements we have with third parties.

Interference proceedings brought before the PTO may be necessary to determine priority of invention with respect to our patents or patent applications. During an interference proceeding, it may be determined that we do not have priority of invention for one or more aspects in our patents or patent applications and could result in the invalidation in part or whole of a patent or could put a patent application at risk of not issuing. Even if successful, an interference proceeding may result in substantial costs and distraction to our management.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation or interference proceedings, there is a risk that some of our confidential information could be compromised by disclosure. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If investors perceive these results to be negative, the price of our common stock could be adversely affected.

If we infringe the rights of third parties we could be prevented from selling products, forced to pay damages and defend against litigation.

If our products, methods, processes and other technologies infringe the proprietary rights of other parties, we could incur substantial costs and we may have to: obtain licenses, which may not be available on commercially reasonable terms, if at all; abandon an infringing product candidate; redesign our products or processes to avoid infringement; stop using the subject matter claimed in the patents held by others; pay damages; and/or defend litigation or administrative proceedings which may be costly whether we win or lose, and which could result in a substantial diversion of our financial and management resources.

We may be subject to potential product liability and other claims, creating risks and expense.

We are also exposed to potential product liability risks inherent in the development, testing, manufacturing, marketing and sale of human therapeutic products. Product liability insurance for the pharmaceutical industry is extremely expensive, difficult to obtain and may not be available on acceptable terms, if at all. We have no guarantee that the coverage limits of such insurance policies will be adequate. A successful claim against us, which is in excess of our insurance coverage, could have a material adverse effect upon us and on our financial condition.

Changes in trends in the pharmaceutical and biotechnology industries, including difficult market conditions, could adversely affect our operating results.

The biotechnology, pharmaceutical and medical device industries generally, and drug discovery and development companies more specifically, are subject to increasingly rapid technological changes. Our competitors and others might develop technologies or products that are more effective or commercially attractive than our current or future technologies or products or that render our technologies or products less competitive or obsolete. If competitors introduce superior technologies or products and we cannot make enhancements to our technologies or products to remain competitive, our competitive position and, in turn, our business, revenue and financial condition, would be materially and adversely affected.

We may encounter new FDA rules, regulations and laws that could impede our ability to sell our OTC products

The FDA regulates most of our OTC or non-prescription drugs using its OTC Monograph, which when final, is published in the Code of Federal Regulations at 21 CFR Parts 330-358. Such of our products that meet each of these conditions established in the OTC Monograph regulations, as well as all other regulations, may be marketed without prior approval by the FDA. If the FDA changes its OTC Monograph regulatory process, it may subject us to additional FDA rules, regulations and laws that may be more time consuming and costly to us and could negatively affect our business.

We may never receive ANDA approval for our product Fluticare™, which we are relying upon to generate a significant amount of future revenue.

Because of the unpredictability of the FDA review process for generic drugs, the ANDA filed for our product Fluticare™ may never be approved by the FDA for a variety of reasons. If such ANDA is not approved, we will not be able to realize revenue from the sale of this drug and our revenue will not grow as quickly as we anticipate.

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If the Fluticare™ ANDA is approved, we have no assurances as to the additional costs associated with launching our new product, and may need to raise additional capital in the future to fund such efforts.

Since approval is dependent upon a complex FDA review and regulatory process, should we receive approval for our product Fluticare™, it is unclear the extent of the additional work and costs associated with launching the new product. There can be no assurances to the time frame in which we could get approval, and so no assurances as to the timing and extent of the possible additional expenses. As a result, additional funding may be required to cover such expenses.

Risks Related to Ownership of our Common Stock

Sales of additional shares of our common stock could cause the price of our common stock to decline.

As of December 31, 2016, we had 121,694,293 shares of common stock outstanding. A substantial number of those shares are restricted securities and such shares may be sold under Rule 144 of the Securities Act of 1933, as amended ("Securities Act"), subject to any applicable holding period. As such, sales of the above shares or other substantial amounts of our common stock in the public or private markets, or the availability of such shares for sale by us, including the issuance of common stock upon conversion and/or exercise of outstanding convertible securities, warrants and options, could adversely affect the price of our common stock. We may sell additional shares or securities convertible into shares of common stock, which could adversely affect the market price of shares of our common stock. In addition, the sale of a substantial number of shares of our common stock, or anticipation of such sales, could make it more difficult for us to obtain future financing. To the extent the trading price of our common stock at the time of exercise of any of our outstanding options or warrants exceeds their exercise price, such exercise will have a dilutive effect on our stockholders.

If we default on our Convertible Notes, or if such Convertible Notes are voluntarily converted, it could result in a significant dilution of stockholders' position.

As of December 31, 2016, we have issued and outstanding convertible promissory notes in the aggregate principal amount of approximately \$1.6 million (the "Convertible Notes"). Upon the occurrence of an Event of Default, as such term is defined in the Convertible Notes, a "Default Amount" equal to the sum of (i) the outstanding principal amount, together with accrued interest due thereon through the date of payment, and (ii) an additional amount equal to the outstanding principal amount is payable, either in cash or shares of common stock. Assuming the Convertible Notes are in default on their maturity date, we may be required to issue up to 16,027,339 shares of our common stock to the holders of the Convertible Notes.

The holders of our Convertible Notes also have the right to convert such Convertible Notes into common stock at \$0.25 per share. In the event the holders of such Convertible Notes elect to convert their Convertible Notes into common stock, an additional 6,414,132 shares of our common stock will be issued, resulting in substantial dilution to existing stockholders. In the event such holders elect to sell their common stock issued upon conversion of such Convertible Notes, the price of our common stock may be negatively and materially impacted.

The market price for our common stock may be volatile and your investment in our common stock could decline in value.

The stock market in general has experienced extreme price and volume fluctuations. The market prices of the securities of biotechnology and specialty pharmaceutical companies, particularly companies like ours with limited product revenue, have been highly volatile and may continue to be highly volatile in the future. This volatility has often been unrelated to the operating performance of particular companies. The following factors, in addition to other

risk factors described in this section, may have a significant impact on the market price of our common stock:

Announcements of technological innovations or new products by us or our competitors;

Announcement of FDA approval or disapproval of our product candidates or other product-related actions;

Developments involving our discovery efforts and clinical trials;

Developments or disputes concerning patents or proprietary rights, including announcements of infringement, interference or other litigation against us or our potential licensees;

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Developments involving our efforts to commercialize our products, including developments impacting the timing of commercialization;

Announcements concerning our competitors or the biotechnology, pharmaceutical or drug delivery industry in general;

Public concerns as to the safety or efficacy of our products or our competitors' products;

Changes in government regulation of the pharmaceutical or medical industry;

Actual or anticipated fluctuations in our operating results;

Changes in financial estimates or recommendations by securities analysts;

Developments involving corporate collaborators, if any;

Changes in accounting principles; and

The loss of any of our key management personnel.

In the past, securities class action litigation has often been brought against companies that experience volatility in the market price of their securities. Whether meritorious or not, litigation brought against us could result in substantial costs and a diversion of management's attention and resources, which could adversely affect our business, operating results and financial condition.

We do not anticipate paying dividends on our common stock and, accordingly, shareholders must rely on stock appreciation for any return on their investment.

We have never declared or paid cash dividends on our common stock and do not expect to do so in the foreseeable future. The declaration of dividends is subject to the discretion of our board of directors and will depend on various factors, including our operating results, financial condition, future prospects and any other factors deemed relevant by our board of directors. You should not rely on an investment in our Company if you require dividend income from your investment in our Company. The success of your investment will likely depend entirely upon any future appreciation of the market price of our common stock, which is uncertain and unpredictable. There is no guarantee that our common stock will appreciate in value.

Nevada law and provisions in our charter documents may delay or prevent a potential takeover bid that would be beneficial to common stockholders.

Our articles of incorporation and our bylaws contain provisions that may enable our board of directors to discourage, delay or prevent a change in our ownership or in our management. In addition, these provisions could limit the price that investors would be willing to pay in the future for shares of our common stock. These provisions include the following:

Our board of directors may increase the size of the board of directors up to nine directors and fill vacancies on the board of directors; and

Our board of directors is expressly authorized to make, alter or repeal our bylaws.

In addition, Chapter 78 of the Nevada Revised Statutes also contains provisions that may enable our board of directors to discourage, delay or prevent a change in our ownership or in our management. The combinations with interested stockholders provisions of the Nevada Revised Statutes, subject to certain exceptions, restrict our ability to engage in any combination with an interested stockholder for three years after the date a stockholder becomes an interested stockholder, unless, prior to the stockholder becoming an interested stockholder, our board of directors gave approval for the combination or the acquisition of shares which caused the stockholder to become an interested stockholder. If the combination or acquisition was not so approved prior to the stockholder becoming an interested stockholder, the interested stockholder may effect a combination after the three-year period only if either the stockholder receives approval from a majority of the outstanding voting shares, excluding shares beneficially owned by the interested stockholder or its affiliates or associates, or the consideration to be paid by the interested stockholder exceeds certain thresholds set forth in the statute. For purposes of the foregoing provisions, "interested stockholder" means either a person, other than us or our subsidiaries, who directly or indirectly beneficially owns 10% or more of the voting power of our outstanding voting shares, or one of our affiliates or associates which at any time within three years immediately before the date in question directly or indirectly beneficially owned 10% or more of the voting power of our outstanding shares.

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In addition, the acquisition of controlling interest provisions of the Nevada Revised Statutes provide that a stockholder acquiring a controlling interest in our Company, and those acting in association with that stockholder, obtain no voting rights in the control shares unless voting rights are conferred by stockholders holding a majority of our voting power (exclusive of the control shares). For purposes of these provisions, "controlling interest" means the ownership of outstanding voting shares enabling the acquiring person to exercise (either directly or indirectly or in association with others) one-fifth or more but less than one-third, one-third or more but less than a majority, or a majority or more of the voting power in the election of our directors, and "control shares" means those shares the stockholder acquired on the date it obtained a controlling interest or in the 90-day period preceding that date.

Accordingly, the provisions could require multiple votes with respect to voting rights in share acquisitions effected in separate stages, and the effect of these provisions may be to discourage, delay or prevent a change in control of our Company.

The rights of the holders of common stock may be impaired by the potential issuance of preferred stock.

Our articles of incorporation give our board of directors the right to create new series of preferred stock. As a result, the board of directors may, without stockholder approval, issue preferred stock with voting, dividend, conversion, liquidation or other rights, which could adversely affect the voting power and equity interest of the holders of common stock. Preferred stock, which could be issued with the right to more than one vote per share, could be utilized as a method of discouraging, delaying or preventing a change of control. The possible impact on takeover attempts could adversely affect the price of our common stock. Although we have no present intention to issue any shares of preferred stock or to create a series of preferred stock, we may issue such shares in the future.

Our common stock is subject to the "penny stock" rules of the Securities and Exchange Commission and the trading market in our securities is limited, which makes transactions in our stock cumbersome and may reduce the value of an investment in our stock.

The SEC has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

That a broker or dealer approve a person's account for transactions in penny stocks; and

The broker or dealer receives from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

Obtain financial information and investment experience objectives of the person; and

Make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, in highlight form:

Sets forth the basis on which the broker or dealer made the suitability determination; and

That the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

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FINRA sales practice requirements may also limit a shareholder's ability to buy and sell our stock.

In addition to the "penny stock" rules described above, the Financial Industry Regulatory Authority ("FINRA") has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

Item 1B. Unresolved Staff Comments.

There are no unresolved staff comments at December 31, 2016.

Item 2. Properties.

We lease 2,578 square feet of office space in San Diego, California that commenced on December 10, 2013 and continues until January 31, 2019. This facility serves as our corporate headquarters. Monthly rent at December 31, 2016 is in the amount of \$7,347, with an approximate 4% increase in the base rent amount on an annual basis.

We believe that our existing facilities are suitable and adequate to meet our current business requirements, but we will require a larger, more permanent space as we add personnel consistent with our business plan. We anticipate we will be able to acquire additional facilities as needed on terms consistent with our current lease.

Item 3. Legal Proceedings.

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe 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.

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PART II

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

Market Information

Our common stock is available for quotation on the OTCQB Marketplace under the trading symbol “INNV.” The market for our common stock is limited. The prices at which our common stock may trade may be volatile and subject to broad price movements.

The following table sets forth the high and low bid prices per share of our common stock for the periods indicated as reported on the OTCQB Marketplace. The quotes represent inter-dealer prices, without adjustment for retail mark-up, markdown or commission and may not represent actual transactions. The trading volume of our securities fluctuates and may be limited during certain periods. As a result of these volume fluctuations, the liquidity of an investment in our securities may be adversely affected.

	2016		2015	
	High	Low	High	Low
First Quarter	\$0.10	\$0.03	\$0.28	\$0.13
Second Quarter	\$0.37	\$0.05	\$0.19	\$0.11
Third Quarter	\$0.66	\$0.21	\$0.16	\$0.05
Fourth Quarter	\$0.33	\$0.16	\$0.12	\$0.05

As of March 3, 2017, we had 544 record holders of our common stock. The number of record holders does not include holders who hold their stock in “street name” or “nominee name” inside bank or brokerage accounts.

Dividend Policy

We have never declared or paid any cash dividends on our common stock and do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future. We expect to retain all available funds and any future earnings to support operations and fund the development and growth of our business. Our board of directors will determine whether we pay and the amount of future dividends (including cash dividends), if any.

Recent Sales of Unregistered Securities

In the fourth quarter of 2016, we issued 2,206,786 restricted shares of common stock valued at \$641,783 in exchange for services under our existing consulting and service agreements with third parties.

In the fourth quarter of 2016, certain 2016 Notes holders elected to convert \$328,805 in principal and interest into 1,315,220 shares of common stock.

In January and February 2017, we issued 1,159,023 shares of common stock to various consultants for services rendered. The fair value of the common stock issued was approximately \$321,000.

On January 1, 2017, we issued restricted shares of common stock totaling 225,000 to Centric Research Institute as a prepayment of royalties due on net profits of Sensum+® in the U.S. in 2017. The royalty prepayment amount is \$45,000.

In March 2017, certain 2016 Notes holders elected to convert \$350,610 in principal and interest into 1,402,440 shares of common stock.

In November 2016, we issued 12,808,796 shares of common stock to Novalere Holdings, LLC in connection with the Amendment and Supplement to a Registration Rights and Stock Restriction Agreement and \$2,971,641 of the acquisition contingent consideration was reclassified from liabilities to stockholders' equity.

We entered into a private financing for \$550,000 on December 5, 2016 with three institutional investors and for \$165,000 with one institutional investor on January 19, 2017. We issued 1,441,111 restricted shares of common stock to the investors in connection with the notes payable. Each of the securities were offered and sold in transactions exempt from registration under the Securities Act, in reliance on Section 4(a)(2) thereof and Rule 506 of Regulation D thereunder and/or Section 3(a)(9) of the Securities Act. Each of the investors represented that it was an "accredited investor" as defined in Regulation D under the Securities Act.

There were no issuances of unregistered securities to report which were sold or issued by us without the registration of these securities under the Securities Act of 1933 in reliance on exemptions from such registration requirements, within the period covered by this report, which have not been previously included in an Annual Report on Form 10-K, a Quarterly Report on Form 10-Q or a Current Report on Form 8-K.

Item 6. Selected Financial Data.

Under SEC rules and regulations, because of the aggregate worldwide market value of our common stock held by non-affiliates as of the last business day of our most recently completed second fiscal quarter, we are considered to be a "smaller reporting company." Accordingly, we are not required to provide the information required by this item in this report.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and the related notes contained in this annual report on Form 10-K (Annual Report). Our consolidated financial statements have been prepared and, unless otherwise stated, the information derived therefrom as presented in this discussion and analysis is presented, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). In addition to historical information, the following discussion contains forward-looking statements based upon our current views, expectations and assumptions that are subject to risks and uncertainties. Actual results may differ substantially from those expressed or implied by any forward-looking statements due to a number of factors, including, among others, the risks described in the "Risk Factors" section and elsewhere in this Annual Report.

As used in this discussion and analysis, unless the context indicates otherwise, the terms the "Company", "Innovus" "we", "us" and "our" refer to Innvovus Pharmaceuticals, Inc. and its consolidated subsidiaries, consisting of FasTrack Pharmaceuticals, Inc. (FasTrack), Semprae Laboratories, Inc. (Semprae), and Novalere, Inc. (Novalere).

Overview

We are an emerging over-the-counter ("OTC") consumer goods and specialty pharmaceutical company engaged in the commercialization, licensing and development of safe and effective non-prescription medicine and consumer care products to improve men's and women's health and vitality and respiratory diseases. We deliver innovative and uniquely presented and packaged health solutions through our (a) OTC medicines and consumer and health products, which we market directly, (b) commercial partners to primary care physicians, urologists, gynecologists and therapists, and (c) directly to consumers through our on-line channels, retailers and wholesalers. We are dedicated to being a leader in developing and marketing new OTC and branded Abbreviated New Drug Application ("ANDA") products. We are actively pursuing opportunities where existing prescription drugs have recently, or are expected to, change from prescription (or Rx) to OTC. These "Rx-to-OTC switches" require Food and Drug Administration ("FDA") approval through a process initiated by the New Drug Application ("NDA") holder.

Our business model leverages our ability to (a) develop and build our current pipeline of products and (b) to also acquire outright or in-license commercial products that are supported by scientific and/or clinical evidence, place them through our existing supply chain, retail and on-line (including Amazon®-based business platform) channels to tap new markets and drive demand for such products and to establish physician relationships. We currently have 17 products marketed in the U.S. with six of those being marketed and sold in multiple countries around the world through some of our 14 commercial partners. We currently expect to launch an additional five products in the U.S. in 2017 and we currently have approvals to launch certain of our already marketed products in 31 additional countries.

Our Strategy

Our corporate strategy focuses on two primary objectives:

1.

Developing a diversified product portfolio of exclusive, unique and patented non-prescription OTC and branded ANDA drugs and consumer health products through: (a) the introduction of line extensions and reformulations of either our or third-party currently marketed products; and (b) the acquisition of products or obtaining exclusive licensing rights to market such products; and

2.

Building an innovative, U.S. and global sales and marketing model through direct to consumer approaches such as our proprietary Beyond Human® Sales and Marketing platform, the addition of new online platforms such as Amazon® and commercial partnerships with established international complimentary partners that: (a) generates revenue, and (b) requires a lower cost structure compared to traditional pharmaceutical companies thereby increasing our gross margins.

Our Products

We currently generate revenue from 17 products in the U.S. and six in international countries, as follows:

1.

Vesele® for promoting sexual and health (U.S. and U.K.);

2.

Zestra® for female arousal (U.S., U.K., Denmark, Canada, Morocco, the UAE and South Korea);

3.

Zestra Glide® (U.S, Canada and the MENA countries);

4.

EjectDelay® indicated for the treatment of premature ejaculation (U.S. and Canada);

5.

Sensum+® to alleviate reduced penile sensitivity (U.S., U.K. and Morocco);

6.

Beyond Human® Testosterone Booster;

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7.
Beyond Human® Ketones;
8.
Beyond Human® Krill Oil;
9.
Beyond Human® Omega 3 Fish Oil;
10.
Beyond Human® Vision Formula;
11.
Beyond Human® Blood Sugar;
12.
Beyond Human® Colon Cleanse;
13.
Beyond Human® Green Coffee Extract;
14.
Beyond Human® Growth Agent;
15.
RecalMax™ for brain health;
16.
Androferti® (U.S. and Canada) for the support of overall male reproductive health and sperm quality; and
17.
UriVarx™ for overactive bladder and urinary incontinence.

In addition, we currently expect to launch in the U.S. the following products in 2017, subject to the applicable regulatory approvals, if required:

1.
Xyralid™ for the relief of the pain and symptoms caused by hemorrhoids (first half of 2017);
2.
AllerVarx™ for allergic rhinitis symptoms (first half of 2017);
3.
AndroVit™ for prostate and sexual health (second half of 2017);
4.
Urocis™ XR for urinary tract infections (second half of 2017); and
5.
FlutiCare™ for allergic rhinitis subject to FDA ANDA approval (second half of 2017).

Sales and Marketing Strategy U.S. and Internationally

Our sales and marketing strategy is based on (a) the use of direct to consumer advertisements in print and online media through our proprietary Beyond Human® sales and marketing infrastructure acquired in March 2016, (b) working with direct commercial channel partners in the U.S. and also directly marketing the products ourselves to physicians, urologists, gynecologists and therapists and to other healthcare providers, and (c) working with exclusive commercial partners outside of the U.S. that would be responsible for sales and marketing in those territories. We have now fully integrated most of our existing line of products such as Vesele®, Sensum+®, UriVarx™, Zestra®, and RecalMax™ into the Beyond Human® sales and marketing platform. We plan to integrate Xyralid™, AllerVarx™, AndroVit™, Urocis™ XR; and FlutiCare™, subject to regulatory approvals, upon their commercial launches in 2017. We also market and distribute our products in the U.S. through retailers, wholesalers and other online channels. Our strategy outside the U.S. is to partner with companies who can effectively market and sell our products in their countries through their direct marketing and sales teams. The strategy of using our partners to commercialize our products is designed to limit our expenses and fix our cost structure, enabling us to increase our reach while minimizing our incremental spending.

Our current OTC monograph, Rx-to-OTC ANDA switch drugs and consumer care products marketing strategy is to focus on four main U.S. markets which we believe each to be in excess of \$1.0 billion: (1) Sexual health (female and male sexual dysfunction and health); (2) Urology (bladder and prostate health); (3) Respiratory disease; and (4) Brain health. We will focus our current efforts on these four markets and will seek to develop, acquire or license products that we can sell through our sales channels in these fields.

Recent Developments

Acquisition of Assets of Beyond Human®

On February 8, 2016 we entered into an Asset Purchase Agreement (“APA”), pursuant to which Innovus agreed to purchase substantially all of the assets of Beyond Human® (the “Acquisition”) for a total cash payment of \$630,000 (the “Purchase Price”). The Purchase Price was paid in the following manner: (1) \$300,000 in cash at the closing of the Acquisition (the “Initial Payment”), (2) \$100,000 in cash four months from the closing upon the occurrence of certain milestones as described in the APA, (3) \$100,000 in cash eight months from the closing upon the occurrence of certain milestones as described in the APA, and (4) \$130,000 in cash in twelve months from the closing upon the occurrence of certain milestones as described in the APA. On September 6, 2016, the Company and the sellers entered into an agreement in which we agreed to pay the sellers \$150,000 to settle all of the contingent consideration payments under the APA.

2016 and 2017 Notes Payable Financing

On December 5, 2016 and January 19, 2017, we entered into securities purchase agreements with three unrelated third party investors in which the investors loaned us gross proceeds of \$650,000 pursuant to 5% promissory notes. The notes have an OID of \$65,000 and requires payment of \$715,000 in principal upon maturity. The notes bear interest at the rate of 5% per annum and the principal amount and interest are payable at maturity on October 4, 2017 and November 18, 2017.

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Zestra® and Zestra Glide® License Agreement

On November 9, 2016, we entered into an exclusive ten-year license agreement with J&H Co. LTD, a South Korea company (“J&H”), under which Innovus granted to J&H an exclusive license to market and sell Zestra® and Zestra Glide® in South Korea. Under the agreement, J&H is obligated to order minimum annual quantities of Zestra® and Zestra Glide® totaling \$2,000,000 at a pre-negotiated transfer price per unit. On February 3, 2017, we announced that J&H received approval from the South Korean government to market and sell the two products in South Korea.

Product In-License Agreements

On December 15, 2016, we entered into a license and distribution agreement with NTC S.r.l (“NTC”) pursuant to which we acquired the rights to use, market and sell NTC’s proprietary modified release bilayer tablet formerly known as LERTAL® for the management of allergic rhinitis in the U.S. and Canada. Under this agreement, we are obligated to pay a non-refundable upfront license fee of €15,000 (\$15,806 USD based on December 31, 2016 exchange rate) and cash payments of up to €120,000 (\$126,448 USD based on December 31, 2016 exchange rate) upon the achievement of certain sales milestones. Such licensed product will be sold by us under the name AllerVarx™ in the U.S. and Canada and is expected to launch in the first of 2017.

On September 29, 2016, we entered into a license and purchase agreement with Seipel Group Pty Ltd. (“SG”) pursuant to which we acquired the rights to use, market and sell SG’s proprietary dietary supplement formula known as Urox® for bladder support in the U.S. and worldwide. Under this agreement, we have agreed to minimum purchase order requirements to retain our exclusivity of 25,000 units per calendar quarter beginning 12 months after our initial order and paid a brokerage fee of \$200,000. We launched this product in the U.S. under the name UriVarx™ in December 2016.

Results of Operations

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

	Year Ended December 31, 2016	Year Ended December 31, 2015	\$ Change	% Change
NET REVENUE:				
Product sales, net	\$4,817,603	\$730,717	\$4,086,886	\$559.3%
License revenue	1,000	5,000	(4,000)	(80.0)%
Net revenue	4,818,603	735,717	4,082,886	555.0%
OPERATING EXPENSE:				
Cost of product sales	1,083,094	340,713	742,381	217.9%
Research and development	77,804	-	77,804	100.0%
Sales and marketing	3,621,045	82,079	3,538,966	4,311.7%
General and administrative	5,870,572	3,828,113	2,042,459	53.4%
Impairment of goodwill	-	759,428	(759,428)	(100.0)%

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Total operating expense	10,652,515	5,010,333	5,642,182	112.6%
LOSS FROM OPERATIONS	(5,833,912)	(4,274,616)	(1,559,296)	36.5%
OTHER INCOME (EXPENSE):				
Interest expense	(6,661,694)	(1,153,376)	(5,508,318)	477.6%
Loss on extinguishment of debt	-	(32,500)	32,500	(100.0)%
Other income (expense), net	1,649	(8,495)	10,144	(119.4)%
Change in fair value of contingent consideration	(1,269,857)	115,822	(1,385,679)	(1,196.4)%
Change in fair value of derivative liabilities	65,060	393,509	(328,449)	(83.5)%
LOSS BEFORE PROVISION FOR (BENEFIT FROM)	(13,698,754)	(4,959,656)	(8,739,098)	176.2%
INCOME TAXES				
Provision for (benefit from) income taxes	2,400	(757,028)	759,428	(100.3)%
NET LOSS	\$(13,701,154)	\$(4,202,628)	\$(9,498,526)	226.0%

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Net Revenue

We recognized net revenue of approximately \$4.8 million for the year ended December 31, 2016 compared to \$0.7 million for the year ended December 31, 2015. The increase in revenue in 2016 was primarily the result of the product sales generated through the sales and marketing platform acquired in the Beyond Human® asset acquisition. The increase was also due to an increase in sales of Vesele® and Sensum+® which generated net revenue of approximately \$2.2 million and \$0.4 million during the year ended December 31, 2016, respectively, compared to approximately \$7,000 and less than \$1,000 during the year ended December 31, 2015, respectively. We generated additional net revenue of approximately \$0.8 million and \$0.2 million when selling Vesele® and Sensum+® with other Beyond Human® products during the year ended December 31, 2016, respectively. The increase in net revenue from the sale of products through the Beyond Human® sales and marketing platform was offset by decreases in our other existing product sales channels to major retailers and wholesalers as we concentrated our sales efforts and resources on integrating our existing products into the Beyond Human® sales and marketing platform. The decreases in existing product sales channels resulted in net revenue from the Zestra® products decreasing approximately \$0.3 million during the year ended December 31, 2016 when compared to the same period in 2015. We signed an exclusive licensed and distribution agreement in November 2016 which is expected to lead to an increase in product sales of Zestra® and Zestra Glide® through that sales channel in 2017.

Cost of Product Sales

We recognized cost of product sales of approximately \$1.1 million for the year ended December 31, 2016 compared to \$0.3 million for the year ended December 31, 2015. The cost of product sales includes the cost of inventory, shipping and royalties. The increase in cost of product sales is a result of higher shipping costs due to an increase in the number of units shipped. The increase in the gross margin to 78% in 2016 compared to 54% in 2015 is due to the higher margins earned on the increased volume of our product sales through the Beyond Human® sales and marketing platform. The increased margin in 2016 is also due to fewer sales when compared to 2015 through our retail and wholesale sales channels which have lower margins.

Research and Development

We recognized research and development expense of approximately \$78,000 for the year ended December 31, 2016 compared to no expense for the year ended December 31, 2015. The research and development expense includes salary and the related health benefits for an employee, the fair value of the shares of common stock issued to CRI totaling \$23,000 for the settlement of certain clinical and regulatory milestone payments due under the in-license agreement for Sensum+®, as well as, clinical costs incurred related to post marketing studies for Vesele® and Beyond Human® Testosterone Booster.

Sales and Marketing

We recognized sales and marketing expense of approximately \$3.6 million for the year ended December 31, 2016 compared to \$82,000 for the year ended December 31, 2015. Sales and marketing expense of \$3.6 million during the year ended December 31, 2016 consist primarily of print advertisements and sales and marketing support. The increase in sales and marketing expense during the year ended December 31, 2016 when compared to the same period in 2015 is due to the costs of integration of our existing products into the Beyond Human® sales and marketing platform and the increase in the number of print and online media advertisements of our existing products through the Beyond Human® platform. The increase is also attributable to increased costs in sales and marketing support services due to the higher volume of sales orders received as a result of the Beyond Human® asset acquisition and the integration of more products into this platform.

General and Administrative

We recognized general and administrative expense of approximately \$5.9 million for the year ended December 31, 2016 compared to \$3.8 million for the year ended December 31, 2015. General and administrative expense consists primarily of investor relation expense, legal, accounting, public reporting costs and other infrastructure expense related to the launch of our products. Additionally, our general and administrative expense includes professional fees, insurance premiums and general corporate expense. The increase is primarily due to the increase in non-cash stock-based compensation to consultants for services rendered, an increase in merchant processing fees due to increased credit card sales volume, an increase in the amortization of intangible assets as a result of the acquisitions in 2016 and 2015 and increased payroll and related costs due to the increase in headcount when compared to 2015.

Other Income and Expense

We recognized interest expense of approximately \$6.7 million for the year ended December 31, 2016 compared to \$1.2 million for the year ended December 31, 2015. Interest expense primarily includes interest related to our debt, amortization of debt discounts and the fair value of the embedded conversion feature derivative liability in excess of the proceeds allocated to the debt (see Notes 5, 6 and 9 to the accompanying consolidated financial statements included elsewhere in this Annual Report). Due to the shares, warrants and cash discounts provided to our lenders, the effective interest rate is significantly higher than the coupon rate. The increase in interest expense reflects the larger amount of debt discount amortization of approximately \$2.7 million when compared to 2015 due to the convertible debt and note payable financings completed in 2016 and 2015 and the increase in the fair value in excess of the allocated proceeds of the embedded conversion feature in the convertible debt financings in June and July of 2016 of approximately \$2.7 million.

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We recognized a loss from the change in fair value of contingent consideration of approximately \$1.3 million for the year ended December 31, 2016 compared to a gain from the change in fair value of consideration of \$0.1 million for the year ended December 31, 2015. Change in fair value of contingent consideration consists primarily of the increase in the fair value of the contingent ANDA shares of common stock issuable to Novalere Holdings, LLC in connection with our acquisition in 2015 totaling approximately \$1.4 million and the increase in the royalty contingent consideration to Sempra of approximately \$103,000 (see Note 3 to the accompanying consolidated financial statements included elsewhere in this Annual Report). Such amount was offset with the gain on contingent consideration of \$180,000 as a result of the settlement agreement entered into with the sellers of the Beyond Human® assets in September 2016 (see Note 3 to the accompanying consolidated financial statements included elsewhere in this Annual Report).

We recognized a gain from the change in fair value of derivative liabilities of approximately \$65,000 for the year ended December 31, 2016 compared a gain from the change in fair value of derivative liabilities of \$0.4 million for the year ended December 31, 2015. Change in fair value of derivative liabilities primarily includes the change in the fair value of the warrants and embedded conversion features classified as derivative liabilities. The decrease in the gain on change in fair value of derivative liabilities during the year ended December 31, 2016 is due to the increase in our stock price during that period when compared to 2015.

Income Taxes

We recognized a provision for income taxes of \$2,400 for the year ended December 31, 2016 compared to a benefit from income taxes of approximately \$0.8 million for the year ended December 31, 2015. The benefit from income taxes during the year ended December 31, 2015 is due to the release of a portion of the deferred tax valuation allowance as a result of the Novalere acquisition.

Net Loss

Net loss for the year ended December 31, 2016 was approximately \$(13.7 million), or \$(0.15) basic and diluted net loss per share, compared to a net loss for the same period in 2015 of \$(4.2 million), or \$(0.08) basic and diluted net loss per share.

Liquidity and Capital Resources

Historically, we have funded losses from operations through the sale of equity and issuance of debt instruments. Combined with revenue, these funds have provided us with the resources to operate our business, to sell and support our products, attract and retain key personnel, and add new products to our portfolio. To date, we have experienced net losses each year since our inception. As of December 31, 2016, we had an accumulated deficit of \$29.1 million and a working capital deficit of \$1.7 million.

As of February 28, 2017, we had approximately \$0.7 million in cash and \$150,000 of cash collections held by our third-party merchant service provider, which is expected to be remitted to us by April 2017. Although no assurances can be given, we currently plan to raise additional capital through the sale of equity or debt securities. We expect, however, that our existing capital resources, revenue from sales of our products and upcoming new product launches and sales milestone payments from the commercial partners signed for our products, and equity instruments available to pay certain vendors and consultants, will be sufficient to allow us to continue our operations, commence the product development process and launch selected products through at least the next 12 months. In addition, our Chief Executive Officer, who is also a significant shareholder, has deferred the payment of his salary earned thru June 30, 2016 for at least the next 12 months.

Our principle debt instruments include the following:

February 2016 Note Payable

On February 24, 2016, the Company and SBI Investments, LLC, 2014-1 (“SBI”) entered into an agreement in which SBI loaned us gross proceeds of \$550,000 pursuant to a purchase agreement, 20% secured promissory note and security agreement (“February 2016 Note Payable”), all dated February 19, 2016 (collectively, the “Finance Agreements”), to purchase substantially all of the assets of Beyond Human®. Of the \$550,000 gross proceeds, \$300,000 was paid into an escrow account held by a third-party bank and was released to Beyond Human® upon closing of the transaction, \$242,500 was provided directly to us for use in building the Beyond Human® business and \$7,500 was provided for attorneys’ fees.

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Pursuant to the Finance Agreements, the principal amount of the February 2016 Note Payable is \$550,000 and the interest rate thereon is 20% per annum. We began to pay principal and interest on the February 2016 Note Payable on a monthly basis beginning on March 19, 2016 for a period of 24 months and the monthly mandatory principal and interest payment amount thereunder is \$28,209. The monthly amount shall be paid by us through a deposit account control agreement with a third-party bank in which SBI shall be permitted to take the monthly mandatory payment amount from all revenue received by us from the Beyond Human® assets in the transaction. The maturity date for the February 2016 Note Payable is February 19, 2018. The February 2016 Note Payable is secured by SBI through a first priority secured interest in all of the Beyond Human® assets acquired by us in the transaction including all revenue received by us from these assets.

Convertible Debentures - 2016 Financing

In the second and third quarter of 2016, we entered into Securities Purchase Agreements with eight accredited investors (the “Investors”), pursuant to which we received aggregate gross proceeds of \$3,000,000 (net of OID). We sold nine convertible promissory notes totaling \$3,303,889 (each a “2016 Note” and collectively the “2016 Notes”) (the 2016 Notes were sold at a 10% OID and we received an aggregate total of \$2,657,500 in funds thereunder after debt issuance costs of \$342,500). The 2016 Notes and accrued interest are convertible into shares of our common stock at a conversion price of \$0.25 per share, with certain adjustment provisions noted below. The maturity date of the 2016 Notes issued on June 30, 2016 and July 15, 2016 is July 30, 2017 and the maturity date of the 2016 Notes issued on July 25, 2016 is August 25, 2017. The 2016 Notes bear interest on the unpaid principal amount at the rate of 5% per annum from the date of issuance until the same becomes due and payable, whether at maturity or upon acceleration or by prepayment or otherwise.

Notwithstanding the foregoing, upon the occurrence of an Event of Default as defined in such 2016 Notes, a Default Amount is equal to the sum of (i) the principal amount, together with accrued interest due thereon through the date of payment payable at the holder’s option in cash or common stock and (ii) an additional amount equal to the principal amount payable at our option in cash or common stock. For purposes of payments in common stock, the following conversion formula shall apply: the conversion price shall be the lower of: (i) the fixed conversion price (\$0.25) or (ii) 75% multiplied by the volume weighted average price of our common stock during the ten consecutive trading days immediately prior to the later of the Event of Default or the end of the applicable cure period. For purposes of the Investors request of repayment in cash but we are unable to do so, the following conversion formula shall apply: the conversion price shall be the lower of: (i) the fixed conversion price (\$0.25) or (ii) 60% multiplied by the lowest daily volume weighted average price of our common stock during the ten consecutive trading days immediately prior to the conversion. Certain other conversion rates apply in the event of our sale or merger, default and other defined events.

We may prepay the 2016 Notes at any time on the terms set forth in the 2016 Notes at the rate of 110% of the then outstanding balance of the 2016 Notes. Under the terms of the 2016 Notes, we shall not effect certain corporate and business actions during the term of the 2016 Notes, although some may be done with proper notice. Pursuant to the Securities Purchase Agreements, with certain exceptions, the Investors have a right of participation during the term of the 2016 Notes; additionally, we granted the 2016 Note holders registration rights for the shares of common stock underlying the 2016 Notes up to \$1,000,000 pursuant to Registration Rights Agreements.

December 2016 and January 2017 Notes Payable

On December 5, 2016 and January 19, 2017, we entered into a securities purchase agreement with three unrelated third-party investors in which the investors loaned us gross proceeds of \$650,000 pursuant to 5% promissory notes. The notes have an OID of \$65,000 and requires payment of \$715,000 in principal upon maturity. The notes bear interest at the rate of 5% per annum and the principal amount and interest are payable at maturity on October 4,

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2017 and November 18, 2017. In connection with the notes, we issued the investors restricted shares of common stock totaling 1,441,111. The fair value of the restricted shares of common stock issued was based on the market price of our common stock on the date of issuance of the notes.

Net Cash Flows

For the Year Ended December 31, 2016 For the Year Ended December 31, 2015

Net cash used in operating activities	\$(1,784,258)	\$(1,031,727)
Net cash used in investing activities	(172,103)	(12,816)
Net cash provided by financing activities	2,730,393	1,092,965
Net change in cash	774,032	48,422
Cash at beginning of the year	55,901	7,479
Cash at the end of the year	\$829,933	\$55,901

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Operating Activities

For the year ended December 31, 2016, cash used in operating activities was approximately \$1.8 million, consisting primarily of the net loss for the period of approximately \$13.7 million, which was primarily offset by non-cash common stock, restricted stock units and stock options issued for services and compensation of approximately \$2.7 million, amortization of debt discount of \$3.6 million, fair value of the embedded conversion feature in excess of allocated proceeds of \$2.8 million, change in fair value of contingent consideration of \$1.4 million and amortization of intangible assets of \$0.6 million. The non-cash expense was offset with the non-cash gain on contingent consideration of \$0.2 million and change in fair value of derivative liabilities of \$65,000. Additionally, working capital changes consisted of cash increases of approximately \$1.0 million related to a decrease in accounts receivable from cash collections from customers of approximately \$48,000, \$0.9 million related to an increase in accrued compensation, and \$0.7 million related to an increase in accounts payable and accrued expense, partially offset by a cash decrease related to the increase in prepaid expense and other current assets of \$0.3 million and inventories of \$0.3 million. The increase in net cash used in operating activities from 2015 was mainly due to expanding our operations, including hiring additional personnel, commercialization and marketing activities related to our existing products and those acquired in 2016, as well as, purchasing more finished goods inventory to fulfill the forecasted increase in revenue in 2017.

Investing Activities

For the year ended December 31, 2016, cash used in investing activities was approximately \$0.2 million which consisted of the contingent consideration payment of approximately \$0.2 million made to the seller of the Beyond Human® assets, as well as, a contingent royalty payment to Sempra for Zestra® product sales in 2015. Cash used in investing activities in 2015 was primarily related to the purchase of property and equipment.

Financing Activities

For the year ended December 31, 2016, cash provided by financing activities was approximately \$2.7 million, consisting primarily of the net proceeds from notes payable and convertible debentures of approximately \$3.6 million and proceeds from warrant exercises of \$0.3 million, offset by the repayment of short-term loans payable of \$0.3 million, notes payable of \$0.4 million and the related party line of credit convertible debenture of \$0.4 million. Cash provided by financing activities in 2015 was primarily related to net proceeds from notes payable and convertible debentures of approximately \$1.5 million and proceeds from short-term loans payable of \$0.3 million, offset by the repayment of notes payable of \$0.4 million and related party non-convertible debentures of \$0.1 million.

Sources of Capital

Our operations have been financed primarily through the sale of equity and issuance of debt instruments and revenue generated from the launch of our products and commercial partnerships signed for the sale and distribution of our products domestic and internationally. These funds have provided us with the resources to operate our business, sell and support our products, attract and retain key personnel and add new products to our portfolio. We have experienced net losses and negative cash flows from operations each year since our inception. As of December 31, 2016, we had an accumulated deficit of approximately \$29.1 million and a working capital deficit of \$1.7 million.

We have raised funds through the issuance of debt and the sale of common stock. We have also issued equity instruments in certain circumstances to pay for services from vendors and consultants. For the year ended December 31, 2016, we raised approximately \$3.6 million in funds, which included net proceeds of \$2.7 million from the issuance of convertible debentures (with warrants and common stock) and \$0.9 million from the issuance of notes

payable. The funds raised through the issuance of the convertible debentures were used to pay off other debt instruments and accounts payable, to increase inventory and for the expanded operations in 2016. In the event we do not pay the convertible debentures upon their maturity, or after the remedy period, the note holder has the right to convert the principal amount and accrued interest into shares of common stock at the lower of \$0.25 per share or 60% multiplied by the lowest daily volume weighted average price of our shares of common stock. The outstanding convertible debentures principal and interest balance at December 31, 2016 was approximately \$1.6 million.

Our actual needs will depend on numerous factors, including timing of introducing our products to the marketplace, our ability to attract additional Ex-U.S. distributors for our products and our ability to in-license in non-partnered territories and/or develop new product candidates. In addition, we continue to seek new licensing agreements from third-party vendors to commercialize our products in territories outside the U.S., which could result in upfront, milestone, royalty and/or other payments.

We currently intend to raise additional capital through the sale of debt or equity securities to provide additional working capital, for further expansion and development of our business, and to meet current obligations, although no assurances can be given. If we issue equity or convertible debt securities to raise additional funds, our existing stockholders may experience substantial dilution, and the newly issued equity or debt securities may have more favorable terms or rights, preferences and privileges senior to those of our existing stockholders. If we raise funds by incurring additional debt, we may be required to pay significant interest expense and our leverage relative to our earnings or to our equity capitalization may increase. Obtaining commercial loans, assuming they would be available, would increase our liabilities and future cash commitments and may impose restrictions on our activities, such as financial and operating covenants. Further, we may incur substantial costs in pursuing future capital and/or financing transactions, including investment banking fees, legal fees, accounting fees, printing and distribution expense and other costs. We may also be required to recognize non-cash expense in connection with certain securities we may issue, such as convertible notes and warrants, which would adversely impact our financial results. We may be unable to obtain financing when necessary as a result of, among other things, our performance, general economic conditions, conditions in the pharmaceuticals industries, or our operating history. In addition, the fact that we are not and have never been profitable could further impact the availability or cost to us of future financings. As a result, sufficient funds may not be available when needed from any source or, if available, such funds may not be available on terms that are acceptable to us. If we are unable to raise funds to satisfy our capital needs when needed, then we may need to forego pursuit of potentially valuable development or acquisition opportunities, we may not be able to continue to operate our business pursuant to our business plan, which would require us to modify our operations to reduce spending to a sustainable level by, among other things, delaying, scaling back or eliminating some or all of our ongoing or planned investments in corporate infrastructure, business development, sales and marketing and other activities, or we may be forced to discontinue our operations entirely.

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Critical Accounting Policies and Management Estimates

The SEC defines critical accounting policies as those that are, in management's view, important to the portrayal of our financial condition and results of operations and demanding of management's judgment. Our discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expense and related disclosures. We base our estimates on historical experience and on various assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ significantly from those estimates.

While our significant accounting policies are described in more detail in Note 1 to our consolidated financial statements, we believe that the accounting policies described below are critical to understanding our business, results of operations and financial condition because they involve the use of more significant judgments and estimates in the preparation of our consolidated financial statements. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and any changes in the assumptions used in making the accounting estimates that are reasonably likely to occur could materially impact our consolidated financial statements.

Revenue Recognition and Deferred Revenue

We generate revenue from product sales and the licensing of the rights to market and commercialize its products.

We recognize revenue in accordance with FASB Accounting Standards Codification ("ASC") 605, Revenue Recognition. Revenue is recognized when all of the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) title to the product has passed or services have been rendered; (3) price to the buyer is fixed or determinable and (4) collectability is reasonably assured.

Product Sales: We ship product directly to consumers pursuant to phone or online orders and to our wholesale and retail customers pursuant to purchase agreements or sales orders. Revenue from sales transactions where the buyer has the right to return the product is recognized at the time of sale only if (1) the seller's price to the buyer is substantially fixed or determinable at the date of sale, (2) the buyer has paid the seller, or the buyer is obligated to pay the seller and the obligation is not contingent on resale of the product, (3) the buyer's obligation to the seller would not be changed in the event of theft or physical destruction or damage of the product, (4) the buyer acquiring the product for resale has economic substance apart from that provided by the seller, (5) the seller does not have significant obligations for future performance to directly bring about resale of the product by the buyer and (6) the amount of future returns can be reasonably estimated.

License Revenue: The license agreements we enter into normally generate three separate components of revenue: 1) an initial payment due on signing or when certain specific conditions are met; 2) royalties that are earned on an ongoing basis as sales are made or a pre-agreed transfer price and 3) sales-based milestone payments that are earned when cumulative sales reach certain levels. Revenue from the initial payments or licensing fee is recognized when all required conditions are met. Royalties are recognized as earned based on the licensee's sales. Revenue from the sales-based milestone payments is recognized when the cumulative revenue levels are reached. The achievement of the sales-based milestone underlying the payment to be received predominantly relates to the licensee's performance of future commercial activities. FASB ASC 605-28, Milestone Method, ("ASC 605-28") is not used by us as these milestones do not meet the definition of a milestone under ASC 605-28 as they are sales-based and similar to a royalty

and the achievement of the sales levels is neither based, in whole or in part, on our performance, a specific outcome resulting from our performance, nor is it a research or development deliverable.

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Sales Allowances

We accrue for product returns, volume rebates and promotional discounts in the same period the related sale is recognized.

Our product returns accrual is primarily based on estimates of future product returns over the period customers have a right of return, which is in turn based in part on estimates of the remaining shelf-life of products when sold to customers. Future product returns are estimated primarily based on historical sales and return rates. We estimate our volume rebates and promotional discounts accrual based on our estimates of the level of inventory of our products in the distribution channel that remain subject to these discounts. The estimate of the level of products in the distribution channel is based primarily on data provided by our customers.

In all cases, judgment is required in estimating these reserves. Actual claims for rebates and returns and promotional discounts could be materially different from the estimates.

We provide a customer satisfaction warranty on all of our products to customers for a specified amount of time after product delivery. Estimated return costs are based on historical experience and estimated and recorded when the related sales are recognized. Any additional costs are recorded when incurred or when they can reasonably be estimated.

Stock-Based Compensation

We account for stock-based compensation in accordance with FASB ASC 718, Stock Based Compensation. All stock-based payments to employees and directors, including grants of stock options, warrants, restricted stock units ("RSUs") and restricted stock, are recognized in the consolidated financial statements based upon their estimated fair values. We use Black-Scholes to estimate the fair value of stock-based awards. The estimated fair value is determined at the date of grant. FASB ASC 718 requires that stock-based compensation expense be based on awards that are ultimately expected to vest. Stock-based compensation for the years ended December 31, 2016 and 2015 have been reduced for estimated forfeitures. When estimating forfeitures, voluntary termination behaviors, as well as trends of actual option forfeitures, are considered. To the extent actual forfeitures differ from our current estimates, cumulative adjustments to stock-based compensation expense are recorded.

Except for transactions with employees and directors that are within the scope of FASB ASC 718, all transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

Equity Instruments Issued to Non-Employees for Services

Our accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows FASB guidance. As such, the value of the applicable stock-based compensation is periodically remeasured and income or expense is recognized during the vesting terms of the equity instruments. The measurement date for the estimated fair value of the equity instruments issued is the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. In the case of equity instruments issued to consultants, the estimated fair value of the equity instrument is primarily recognized over the term of the consulting agreement. According to FASB guidance, an asset acquired in exchange for the issuance of fully vested, nonforfeitable equity instruments should not be presented or classified as an offset to equity on the grantor's balance sheet once the equity instrument is granted for accounting purposes.

Accordingly, we record the estimated fair value of nonforfeitable equity instruments issued for future consulting services as prepaid expense and other current assets in its consolidated balance sheets.

Business Combinations

We account for business combinations by recognizing the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair values on the acquisition date. The final purchase price may be adjusted up to one year from the date of the acquisition. Identifying the fair value of the tangible and intangible assets and liabilities acquired requires the use of estimates by management and was based upon currently available data. Examples of critical estimates in valuing certain of the intangible assets we have acquired or may acquire in the future include but are not limited to future expected cash flows from product sales, support agreements, consulting contracts, other customer contracts, and acquired developed technologies and patents and discount rates utilized in valuation estimates.

Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results. Additionally, any change in the fair value of the acquisition-related contingent consideration subsequent to the acquisition date, including changes from events after the acquisition date, such as changes in our estimate of relevant revenue or other targets, will be recognized in earnings in the period of the estimated fair value change. A change in fair value of the acquisition-related contingent consideration or the occurrence of events that cause results to differ from our estimates or assumptions could have a material effect on the consolidated statements of operations, financial position and cash flows in the period of the change in the estimate.

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Goodwill and Intangible Assets

We test our goodwill for impairment annually, or whenever events or changes in circumstances indicates an impairment may have occurred, by comparing our reporting unit's carrying value to its implied fair value. The goodwill impairment test consists of a two-step process as follows:

Step 1. We compare the fair value of each reporting unit to its carrying amount, including the existing goodwill. The fair value of each reporting unit is determined using a discounted cash flow valuation analysis. The carrying amount of each reporting unit is determined by specifically identifying and allocating the assets and liabilities to each reporting unit based on headcount, relative revenue or other methods as deemed appropriate by management. If the carrying amount of a reporting unit exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and we then perform the second step of the impairment test. If the fair value of a reporting unit exceeds its carrying amount, no further analysis is required.

Step 2. If further analysis is required, we compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets and its liabilities in a manner similar to a purchase price allocation, to its carrying amount. If the carrying amount of the reporting unit's goodwill exceeds its fair value, an impairment loss will be recognized in an amount equal to the excess.

Impairment may result from, among other things, deterioration in the performance of the acquired business, adverse market conditions, adverse changes in applicable laws or regulations and a variety of other circumstances. If we determine that an impairment has occurred, it is required to record a write-down of the carrying value and charge the impairment as an operating expense in the period the determination is made. In evaluating the recoverability of the carrying value of goodwill, we must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the acquired assets. Changes in strategy or market conditions could significantly impact those judgments in the future and require an adjustment to the recorded balances.

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives, which range from one to fifteen years. The useful life of the intangible asset is evaluated each reporting period to determine whether events and circumstances warrant a revision to the remaining useful life.

Long-Lived Assets

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. We evaluate assets for potential impairment by comparing estimated future undiscounted net cash flows to the carrying amount of the assets. If the carrying amount of the assets exceeds the estimated future undiscounted cash flows, impairment is measured based on the difference between the carrying amount of the assets and fair value. Assets to be disposed of would be separately presented in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheet, if material.

Derivative Liabilities

Certain of our embedded conversion features on debt and issued and outstanding common stock purchase warrants, which have exercise price reset features and other anti-dilution protection clauses, are treated as derivatives for accounting purposes. The common stock purchase warrants were not issued with the intent of effectively hedging any future cash flow, fair value of any asset, liability or any net investment in a foreign operation. The warrants do not

qualify for hedge accounting, and as such, all future changes in the fair value of these warrants are recognized currently in earnings until such time as the warrants are exercised, expire or the related rights have been waived. These common stock purchase warrants do not trade in an active securities market, and as such, we estimate the fair value of these warrants using a Probability Weighted Black-Scholes Model and the embedded conversion features using a Path-Dependent Monte Carlo Simulation Model.

Recent Accounting Pronouncements

See Note 1 to our consolidated financial statements for the years ended December 31, 2016 and 2015 included elsewhere in this Annual Report.

Off-Balance Sheet Arrangements

Since our inception, except for standard operating leases, we have not engaged in any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K, including the use of structured finance, special purpose entities or variable interest entities. We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenue or expense, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

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Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Not required under Regulation S-K for “smaller reporting companies.”

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements and supplementary data required by this item are included in this Annual Report beginning on page F-1 immediately following the Exhibits Index and are incorporated herein by reference.

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

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer (“CEO”), our principal executive officer, and our Chief Financial Officer (“CFO”), our principal financial and accounting officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2016, the end of the period covered by this Annual Report, pursuant to Rules 13a-15(b) and 15d-15(b) under the Securities Exchange Act of 1934, as amended (“Exchange Act”).

In connection with that evaluation, our CEO and CFO concluded that, as of December 31, 2016, our disclosure controls and procedures were effective. For the purpose of this review, disclosure controls and procedures means controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal accounting and financial officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, our CEO and CFO and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with accepted accounting principles generally accepted in the United States of America. Our management, under the supervision and with the participation of our CEO and CFO, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations (“COSO”). Based on such evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2016.

This Annual Report does not include an attestation report by our independent registered public accounting firm regarding internal control over financial reporting. As a smaller reporting company, our management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. During 2016, we have expanded our financial and accounting department with the employment of a new CFO and a vice president of finance to maintain the effectiveness of our internal controls.

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Inherent Limitations on Effectiveness of Controls

Our management, including our CEO and CFO, do not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Item 9B. Other Information.

None.

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PART III

Item 10. Directors, Executive Officers, and Corporate Governance.

The information required by this item is incorporated by reference to information contained in the Proxy Statement or an amendment to this Annual Report, in either case to be filed with the Securities and Exchange Commission on or before the 120th day after the end of the fiscal year covered by this Annual Report.

Item 11. Executive Compensation.

The information required by this item is incorporated by reference to information contained in the Proxy Statement or an amendment to this Annual Report, in either case to be filed with the Securities and Exchange Commission on or before the 120th day after the end of the fiscal year covered by this Annual Report.

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

The information required by this item is incorporated by reference to information contained in the Proxy Statement or an amendment to this Annual Report, in either case to be filed with the Securities and Exchange Commission on or before the 120th day after the end of the fiscal year covered by this Annual Report.

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

The information required by this item is incorporated by reference to information contained in the Proxy Statement or an amendment to this Annual Report, in either case to be filed with the Securities and Exchange Commission on or before the 120th day after the end of the fiscal year covered by this Annual Report.

Item 14. Principal Accountant Fees and Services.

The information required by this item is incorporated by reference to information contained in the Proxy Statement or an amendment to this Annual Report, in either case to be filed with the Securities and Exchange Commission on or before the 120th day after the end of the fiscal year covered by this Annual Report.

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PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Documents Filed. The following documents are filed as part of this report:

(1) Consolidated Financial Statements:

Report of Hall and Company, Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2016 and 2015

Consolidated Statements of Operations for the Years Ended December 31, 2016 and 2015

Consolidated Statements of Stockholders' Equity (Deficit) for the Years Ended December 31, 2016 and 2015

Consolidated Statements of Cash Flows for the Years Ended December 31, 2016 and 2015

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules. See subsection (c) below.

(3) Exhibits. See subsection (b) below.

(b) Exhibits. The exhibits filed or furnished with this report are set forth on the Exhibit Index immediately following the signature page of this report, which Exhibit Index is incorporated herein by reference.

(c) Financial Statement Schedules. All schedules are omitted because they are not applicable, the amounts involved are not significant or the required information is shown in the financial statements or notes thereto.

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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:

Date: March 9, 2017 Innovus Pharmaceuticals, Inc.

By: /s/ Bassam Damaj
 Bassam Damaj, Ph.D.
 President and Chief Executive Officer
 (Principal Executive Officer)

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Bassam Damaj and Robert E. Hoffman, and each of them individually, as his true and lawful attorneys-in-fact and agents, with full powers of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents or any of them the full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his substitutes or resubstitutes, may lawfully 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/ Bassam Damaj Bassam Damaj, Ph.D.	Director, President and Chief Executive Officer (Principal Executive Officer)	March 9, 2017
/s/ Robert E. Hoffman Robert E. Hoffman	Executive Vice President and Chief Financial Officer (Principal Accounting and Financial Officer)	March 9, 2017
/s/ Henry Esber Henry Esber, Ph.D.	Chairman of the Board of Directors	March 9, 2017
/s/ Ziad Mirza Ziad Mirza, M.D.	Director	March 9, 2017
/s/ Vivian Liu Vivian Liu	Director	March 9, 2017

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INDEX TO EXHIBITS

Exhibit No. Description

2.1 Merger Agreement and Plan of Merger, dated as of July 13, 2011, by and among FasTrack, Inc., a Delaware corporation, North Horizon, Inc., a Nevada corporation and North First General, Inc., a Utah corporation, a wholly-owned subsidiary of North Horizon, Inc. filed as an exhibit to the Registrant's current report on Form 8-K, filed with the SEC on July 20, 2011 and incorporated herein by reference.

2.2 Asset Purchase Agreement dated April 19, 2013, between Innovus Pharmaceuticals, Inc. and Centric Research Institute, Inc. filed as an exhibit to the Registrant's current report on Form 8-K, filed with the SEC on April 24, 2013 and incorporated herein by

reference.

Agreement and
Plan of Merger,
made as of
December 24,
2013, by and
among Innovus
Pharmaceuticals,
Inc., Innovus
Acquisition
Corporation,
Semprae
Laboratories,
Inc., the major
stockholders of
Semprae
Laboratories, Inc.
party thereto and

2.3

Quaker
Bioventures II,
L.P., as principal
stockholder of
Semprae
Laboratories,
Inc., filed as an
exhibit to the
Registrant's
current report on
Form 8-K, filed
with the SEC on
December 30,
2013 and
incorporated
herein by
reference.

2.4

Agreement and
Plan of Merger,
dated February 4,
2015, by and
among Innovus
Pharmaceuticals,
Inc., Innovus
Pharma
Acquisition
Corporation,
Innovus Pharma
Acquisition
Corporation II,
Novalere FP, Inc.
and Novalere
Holdings, LLC,

filed as an exhibit
to the Registrant's
current report on
Form 8-K, filed
with the SEC on
February 5, 2015
and incorporated
herein by
reference.

Asset Purchase
Agreement, dated
February 8, 2016,
by and between
Innvous

Pharmaceuticals,
Inc. and Beyond
Human LLC,
filed as an exhibit
to the Registrant's
current report on
Form 8-k, filed
with the SEC on
February 11,
2016, and
incorporated
herein by
reference.

Amended and
Restated Articles
of Incorporation
of the Registrant
as filed with the
Office of the
Secretary of State
of the State of
Nevada on

October 10,
2016, filed as an
exhibit to the
Registrant's
registration
statement on
Form S-8, filed
with the SEC on
November 28,
2016, and
incorporated
herein by
reference.

Amended and
Restated Bylaws

2.5

3.1

3.2

of the Registrant,
filed as an exhibit
to the Registrant's
registration
statement on
Form S-8, filed
with the SEC on
November 28,
2016, and
incorporated
herein by
reference.

Certificate of
Amendment to
Articles of
Incorporation of
the Registrant as
filed with the
Office of the
Secretary of State
of the State of
Nevada on
October 13, 2011
changing the
Registrant's name
from North

3.3

Horizon, Inc., a
Nevada
corporation to
Innovus
Pharmaceuticals,
Inc., a Nevada
corporation, filed
as an exhibit to
the Registrant's
current report on
Form 8-K, filed
with the SEC on
December 12,
2011 and
incorporated
herein by
reference.

3.4

Certificate of
Correction to the
Company's
Articles of
Incorporation,
dated July 30,
2013, filed with
the Secretary of

- State for the State
of Nevada, filed
as an exhibit to
the Registrant's
annual report on
Form 10-K, filed
with the SEC on
March 28, 2014
and incorporated
herein by
reference.
- Employment
Agreement, dated
January 22, 2013,
between Innovus
Pharmaceuticals,
Inc. and Bassam
Damaj, Ph.D.,
10.1# filed as an exhibit
to the Registrant's
annual report on
Form 10-K, filed
with the SEC on
March 19, 2013,
and incorporated
herein by
reference.
- 2013 Equity
Incentive Plan of
the Registrant,
effective
February 15,
2013, filed as an
exhibit to the
10.2# Registrant's
registration
statement on
Form S-8, filed
with the SEC on
February 15,
2013, and
incorporated
herein by
reference.
- 10.3# Form of
Restricted Stock
Agreement under
the Registrant's
2013 Equity
Incentive Plan,
effective February

15, 2013, filed as
an exhibit to the
Registrant's
registration
statement on
Form S-8, filed
with the SEC on
February 15,
2013, and
incorporated
herein by
reference.

Form of Stock
Unit Agreement
under the
Registrant's 2013
Equity Incentive
Plan, effective
February 15,
2013, filed as an
exhibit to the

10.4#

Registrant's
registration
statement on
Form S-8, filed
with the SEC on
February 15,
2013, and
incorporated
herein by
reference.

Form of
Nonstatutory
Stock Option
Agreement under
the Registrant's
2013 Equity
Incentive Plan,
effective February
15, 2013, filed as

10.5#

an exhibit to the
Registrant's
registration
statement on
Form S-8, filed
with the SEC on
February 15,
2013, and
incorporated
herein by
reference.

- 10.6# Form of Incentive Stock Option Agreement under the Registrant's 2013 Equity Incentive Plan, effective February 15, 2013, filed as an exhibit to the Registrant's registration statement on Form S-8, filed with the SEC on February 15, 2013, and incorporated herein by reference.
- 10.7 Form of Officer and Director Indemnification Agreement, dated June 2013, filed as an exhibit to the Registrant's quarterly report on Form 10-Q, filed with the SEC on August 13, 2013, and incorporated herein by reference.
- 10.8# Amended and Restated Innovus Pharmaceuticals, Inc. Non-Employee Director Compensation Plan, dated October 1, 2013, filed as an exhibit to the Registrant's quarterly report on Form 10-Q, filed with the SEC on

November 14,
2013, and
incorporated
herein by
reference.

Innovus
Pharmaceuticals,
Inc. 2014 Equity
Incentive Plan,
filed as an exhibit
to the registration
statement on
Form S-8, filed
with the SEC on
January 2, 2015,
and incorporated
herein by
reference.

10.9#

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- Form of Warrant
between the
Company and
Lynnette Dillen,
dated January 21,
2015, filed as an
exhibit to the
- 10.10 Registrant's
current report on
Form 8-K, filed
with the SEC on
January 23, 2015,
and incorporated
herein by
reference.
Form of Warrant
Amendment
between the
Company and
Lynnette Dillen,
dated January 21,
2015, filed as an
exhibit to the
- 10.11 Registrant's
current report on
Form 8-K, filed
with the SEC on
January 23, 2015,
and incorporated
herein by
reference.
- 10.12# Employment
Agreement
Amendment,
between Innovus
Pharmaceuticals,
Inc. and Bassam
Damaj, dated
January 21, 2015,
filed as an exhibit
to the Registrant's
current report on
Form 8-K, filed
with the SEC on
January 23, 2015,
and incorporated
herein by

reference.

Registration

Rights and Stock

Restriction

Agreement, dated

February 4, 2015,

by and between

Innovus

Pharmaceuticals,

Inc., and

Novalere

10.13

Holdings, LLC,

filed as an exhibit

to the Registrant's

current report on

Form 8-K, filed

with the SEC on

February 5, 2015,

and incorporated

herein by

reference.

Voting

Agreement, dated

February 4, 2015,

by and between

Innovus

Pharmaceuticals,

Inc., and

Novalere

10.14

Holdings, LLC,

filed as an exhibit

to the Registrant's

current report on

Form 8-K, filed

with the SEC on

February 5, 2015,

and incorporated

herein by

reference.

10.15

Form of

Securities

Purchase

Agreement, dated

July 15, 2015,

filed as an exhibit

to the

Registrant's

current report on

Form 8-K, filed

with the SEC on

August 3, 2015,

- and incorporated
herein by
reference.
Form of
Securities
Purchase
Agreement, dated
August 25, 2015,
filed as an exhibit
to the
- 10.16 Registrant's
current report on
Form 8-K, filed
with the SEC on
September 2,
2015, and
incorporated
herein by
reference.
Form of
Common Stock
Purchase Warrant
Agreement, dated
August 25, 2015,
filed as an exhibit
to the
- 10.17 Registrant's
current report on
Form 8-K, filed
with the SEC on
September 2,
2015, and
incorporated
herein by
reference.
Form of
Registration
Rights
Agreement, dated
August 25, 2015,
filed as an exhibit
to the
- 10.18 Registrant's
current report on
Form 8-K, filed
with the SEC on
September 2,
2015, and
incorporated
herein by
reference.

- Form of Share
Issuance
Agreement, dated
August 27, 2015,
filed as an exhibit
to the
Registrant's
- 10.19 current report on
Form 8-K, filed
with the SEC on
September 2,
2015, and
incorporated
herein by
reference.
Form of Purchase
Agreement, dated
February 19,
2016, by and
among the
Company and
SBI Investments,
LLC 2014-1,
- 10.20 filed as an exhibit
to the Registrant's
report on Form
8-K with the SEC
on March 1,
2016, and
incorporated
herein by
reference.
20% Secured
Promissory Note,
dated February
19, 2016 by and
among the
Company and SGI
Investments,
LLC 2014-1,
- 10.21 filed as an exhibit
to the Registrant's
report on Form
8-K with the SEC
on March 1,
2016, and
incorporated
herein by
reference.
- 10.22 Security
Agreement, dated

February 19,
2016 by and
among the
Company and
SGU
Investments,
LLC 2014-1,
filed as an exhibit
to the Registrant's
report on Form
8-K with the SEC
on March 1,
2016, and
incorporated
herein by
reference.
Form of
Securities
Purchase
Agreement, dated
June 30, 2016,
filed as an exhibit
to the

10.23 Registrant's
current report on
Form 8-K, filed
with the SEC on
July 6, 2016, and
incorporated
herein by
reference.

Form of
Convertible
Promissory Note,
dated June 30,
2016, filed as an
exhibit to the

10.24 Registrant's
current report on
Form 8-K, filed
with the SEC on
July 6, 2016, and
incorporated
herein by
reference.

10.25 Form of
Common Stock
Purchase Warrant
Agreement, dated
June 30, 2016,
filed as an exhibit

to the
Registrant's
current report on
Form 8-K, filed
with the SEC on
July 6, 2016, and
incorporated
herein by
reference.

Form of
Registration
Rights
Agreement, filed
as an exhibit to
the Registrant's

10.26 current report on
Form 8-K, filed
with the SEC on
July 6, 2016, and
incorporated
herein by
reference.

Garden State
Securities
Engagement
Agreement, filed
as an exhibit to
the Registrant's

10.27 Registration
Statement on
Form S-1, filed
with the SEC on
August 9, 2016,
and incorporated
herein by
reference.

H.C. Wainwright
and Co., LLC
Engagement
Agreement filed
as an exhibit to
the Registrant's

10.28 Registration
Statement on
Form S-1, filed
with the SEC on
August 9, 2016,
and incorporated
herein by
reference.

10.29

- First Amendment
to the Securities
Purchase
Agreement filed
as an exhibit to
the Registrant's
Registration
Statement on
Form S-1, filed
with the SEC on
August 9, 2016,
and incorporated
herein by
reference.
- 10.30 10% Debenture,
filed as an exhibit
to the
Registrant's
Current Report
on Form 8-K,
filed with the
SEC on August
15, 2016, and
incorporated
herein by
reference.
- 10.31 Securities
Purchase
Agreement, filed
as an exhibit to
the Registrant's
Current Report
on Form 8-K,
filed with the
SEC on August
15, 2016, and
incorporated
herein by
reference.
- 10.32 Promissory Note,
filed as an exhibit
to the
Registrant's
Current Report
on Form 8-K,
filed with the
SEC on August
15, 2016, and
incorporated
herein by
reference.

- Employment Agreement, between Innovus Pharmaceuticals, Inc. and Robert Hoffman, dated September 6, 2016, filed as an exhibit to the Registrant's current report on Form 8-K, filed with the SEC on August 29, 2016 and incorporated herein by reference.
- 10.33# Employment Agreement, between Innovus Pharmaceuticals, Inc. and Randy Berholtz, dated January 9, 2017, filed as an exhibit to the Registrant's current report on Form 8-K, filed with the SEC on January 6, 2017, and incorporated herein by reference.
- 10.34# Innovus Pharmaceuticals, Inc. 2014 Equity Incentive Plan, filed as an exhibit to the registration statement on Form S-8, filed with the SEC on January 2, 2015, and incorporated herein by reference.
- 10.35# Amended and Restated 2016 Equity Incentive Plan of the Registrant, filed
- 10.36#

as an exhibit to
the Registrant's
registration
statement on
Form S-8, filed
with the SEC on
November 28,
2016, and
incorporated
herein by
reference.

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14.1*	Code of Ethics
21.1*	List of Subsidiaries
23.1*	Consent of Hall and Company, Independent Registered Public Accounting Firm Power of Attorney, included as part of signature page to this Annual Report.
24.1*	Certification of the Registrant's Principal Executive Officer pursuant to Securities Exchange Act
31.1*	Rules 13a-14(a) and 15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Certification of the Registrant's Principal Financial Officer pursuant to Securities Exchange Act
31.2*	Rules 13a-14(a) and 15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	

Certification of
 the Registrant's
 Principal
 Executive
 Officer pursuant
 to 18 U.S.C. SS.
 1350, as
 adopted
 pursuant to
 Section. 906 of
 the
 Sarbanes-Oxley
 Act of 2002.
 Certification of
 the Registrant's
 Principal
 Financial
 Officer pursuant
 to 18 U.S.C. SS.
 1350, as
 adopted
 pursuant to
 Section. 906 of
 the
 Sarbanes-Oxley
 Act of 2002.
 XBRL Instance
 Document
 XBRL
 Taxonomy
 Extension
 Schema
 Document
 XBRL
 Taxonomy
 Extension
 Calculation
 Linkbase
 Document
 XBRL
 Taxonomy
 Extension
 Definition
 Linkbase
 Document
 XBRL
 Taxonomy
 Extension Label
 Linkbase
 Document
 101.PRE*

XBRL
Taxonomy
Extension
Presentation
Linkbase
Document

*

Filed herewith

**

Furnished herewith

#

Management contract or compensatory plan or arrangement

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Innovus Pharmaceuticals, Inc.

We have audited the accompanying consolidated balance sheets of Innovus Pharmaceuticals, Inc. and subsidiaries (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of operations, stockholders’ equity (deficit), and cash flows for each of the years in the two-year period ended December 31, 2016. 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 the Company as of December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

/s/ Hall & Company Certified Public Accountants & Consultants, Inc.
Hall & Company Certified Public Accountants & Consultants, Inc.

Irvine, CA
March 9, 2017

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INNOVUS PHARMACEUTICALS, INC.
Consolidated Balance Sheets

	As of December 31,	
	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	\$829,933	\$55,901
Accounts receivable, net	33,575	83,097
Prepaid expense and other current assets	863,664	53,278
Inventories	599,856	254,443
Total current assets	2,327,028	446,719
PROPERTY AND EQUIPMENT, NET	29,569	35,101
OTHER ASSETS		
Deposits	14,958	14,958
Goodwill	952,576	549,368
Intangible assets, net	4,903,247	5,300,859
TOTAL ASSETS	\$8,227,378	\$6,347,005
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued expense	\$1,210,050	\$155,503
Accrued compensation	767,689	535,862
Deferred revenue and customer deposits	11,000	24,079
Accrued interest payable	47,782	79,113
Short-term loans payable	-	230,351
Derivative liabilities – embedded conversion features	319,674	301,779
Derivative liabilities – warrants	164,070	432,793
Contingent consideration	170,015	-
Current portion of notes payable and non-convertible debenture, net of debt discount of \$216,403 and \$0, respectively	626,610	73,200
Line of credit convertible debenture and non-convertible debenture – related parties, net of debt discount of \$0 and \$17,720, respectively	-	391,472
Convertible debentures, net of debt discount of \$845,730 and \$1,050,041, respectively	714,192	407,459
Total current liabilities	4,031,082	2,631,611

NON-CURRENT LIABILITIES

Accrued compensation – less current portion	1,531,904	906,928
Notes payable and non-convertible debenture, net of current portion and debt discount of \$468 and \$0, respectively	54,517	-
Line of credit convertible debenture and non-convertible debenture – related parties, net of current portion	-	25,000
Contingent consideration – less current portion	1,515,902	3,229,804
Total non-current liabilities	3,102,323	4,161,732
TOTAL LIABILITIES	7,133,405	6,793,343

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY (DEFICIT)

Preferred stock: 7,500,000 shares authorized, at \$0.001 par value, no shares issued and outstanding at December 31, 2016 and 2015, respectively	-	-
Common stock: 292,500,000 shares authorized, at \$0.001 par value, 121,694,293 and 47,141,230 shares issued and outstanding at December 31, 2016 and 2015, respectively	121,694	47,141
Additional paid-in capital	30,108,028	14,941,116
Accumulated deficit	(29,135,749)	(15,434,595)
Total stockholders' equity (deficit)	1,093,973	(446,338)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$8,227,378	\$6,347,005

See accompanying notes to these consolidated financial statements.

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INNOVUS PHARMACEUTICALS, INC.
Consolidated Statements of Operations

	For the Year Ended December 31,	
	2016	2015
NET REVENUE:		
Product sales, net	\$4,817,603	\$730,717
License revenue	1,000	5,000
Net revenue	4,818,603	735,717
OPERATING EXPENSE:		
Cost of product sales	1,083,094	340,713
Research and development	77,804	-
Sales and marketing	3,621,045	82,079
General and administrative	5,870,572	3,828,113
Impairment of goodwill	-	759,428
Total operating expense	10,652,515	5,010,333
LOSS FROM OPERATIONS	(5,833,912)	(4,274,616)
OTHER INCOME AND (EXPENSE):		
Interest expense	(6,661,694)	(1,153,376)
Change in fair value of derivative liabilities	65,060	393,509
Other income (expense), net	1,649	(8,495)
Fair value adjustment for contingent consideration	(1,269,857)	115,822
Loss on extinguishment of debt	-	(32,500)
Total other expense, net	(7,864,842)	(685,040)
LOSS BEFORE PROVISION FOR (BENEFIT FROM) INCOME TAXES	(13,698,754)	(4,959,656)
Provision for (benefit from) income taxes	2,400	(757,028)
NET LOSS	\$(13,701,154)	\$(4,202,628)
NET LOSS PER SHARE OF COMMON STOCK – BASIC AND DILUTED	\$(0.15)	\$(0.08)
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING – BASIC AND DILUTED	94,106,382	52,517,530

See accompanying notes to these consolidated financial statements.

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Consolidated Statements of Cash FlowsFor the Year Ended
December 31,

2016 2015

CASH FLOWS FROM OPERATING ACTIVITIES

NET LOSS	\$(13,701,154)	\$(4,202,628)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	5,532	28,950
Allowance for doubtful accounts	2,066	5,892
Common stock, restricted stock units and stock options issued to employees, board of directors and consultants for compensation and services	2,684,602	1,508,769
Gain on purchase price adjustment to goodwill	-	(759,428)
Impairment of goodwill	-	759,428
Loss on extinguishment of debt	-	32,500
Change in fair value of contingent consideration	1,449,857	(115,822)
Non-cash gain on settlement of contingent consideration	(180,000)	-
Change in fair value of derivative liabilities	(65,060)	(393,509)
Shares of common stock issued for debt amendment	-	15,500
Fair value of embedded conversion feature in convertible debentures in excess of allocated proceeds	2,756,899	71,224
Amortization of debt discount	3,646,161	960,061
Amortization of intangible assets	624,404	550,789
Changes in operating assets and liabilities, net of acquisition amounts:		
Accounts receivable	47,456	102,612
Prepaid expense and other current assets	(279,786)	27,653
Deposits	-	6,961
Inventories	(345,413)	11,516
Accounts payable and accrued expense	694,547	(206,657)
Accrued compensation	856,803	535,862
Accrued interest payable	31,907	29,745
Deferred revenue and customer deposits	(13,079)	(1,145)
Net cash used in operating activities	(1,784,258)	(1,031,727)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	-	(9,540)
Purchase of intangible assets	-	(3,276)
Payments on contingent consideration	(172,103)	-

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Net cash used in investing activities	(172,103)	(12,816)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of line of credit convertible debenture – related party	(409,192)	(14,886)
Financing costs in connection with issuance of convertible debentures	(40,000)	(82,500)
Proceeds from short-term loans payable	21,800	258,278
Payments on short-term loans payable	(252,151)	(27,927)
Proceeds from notes payable and convertible debentures	3,574,000	1,455,000
Payments on notes payable	(449,204)	(440,000)
Proceeds from warrant exercises	310,140	-
Proceeds from non-convertible debentures – related party	-	50,000
Payments on non-convertible debentures – related party	(25,000)	(105,000)
Net cash provided by financing activities	2,730,393	1,092,965
NET CHANGE IN CASH	774,032	48,422
CASH AT BEGINNING OF YEAR	55,901	7,479
CASH AT END OF YEAR	\$829,933	\$55,901

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SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION :

Cash paid for income taxes	\$-	\$2,400
Cash paid for interest	\$229,046	\$107,764

SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

Common stock issued for conversion of notes payable, convertible debentures and accrued interest	\$3,264,705	\$167,000
Reclassification of the fair value of the embedded conversion features from derivative liability to additional paid-in capital upon conversion	\$3,111,828	\$-
Cashless exercise of warrants	\$3,385	\$-
Reclassification of the fair value of the warrants from derivative liability to additional paid-in capital upon cashless exercise	\$518,224	\$-
Common stock issued for acquisition	\$-	\$2,071,625
Relative fair value of common stock issued in connection with notes payable recorded as debt discount	\$276,167	\$-
Relative fair value of warrants issued in connection with convertible debentures recorded as debt discount	\$445,603	\$89,551
Relative fair value of common stock issued in connection with convertible debentures recorded as debt discount	\$1,127,225	\$374,474
Fair value of embedded conversion feature derivative liabilities recorded as debt discount	\$687,385	\$830,560
Fair value of warrants issued to placement agents in connection with convertible debentures recorded as debt discount	\$357,286	\$68,419
Fair value of the contingent consideration for acquisition	\$330,000	\$2,905,425
Fair value of warrant derivative liabilities recorded as debt discount	\$-	\$226,297
Proceeds from note payable paid to seller in connection with acquisition	\$300,000	\$-
Financing costs paid with proceeds from note payable	\$7,500	\$-
Common stock issued to Novalere Holdings for payment of the acquisition contingent consideration as a result of an amendment and supplement to the registration rights and stock restriction agreement	\$2,971,641	\$-
Fair value of unamortized non-forfeitable common stock issued to consultant included in prepaid expense and other current assets	\$170,600	\$-
Fair value of non-forfeitable common stock to be issued to consultant included in prepaid expense and other current assets and accounts payable and accrued expense	\$360,000	\$-
Issuance of shares of common stock for vested restricted stock units	\$19,316	\$500
Return of shares of common stock related to license agreement	\$-	\$38,000
Accrued interest added to principal in connection with amendment of notes payable	\$-	\$3,200
Fair value of beneficial conversion feature on line of credit convertible debenture – related party	\$3,444	\$8,321

See accompanying notes to these consolidated financial statements.

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INNOVUS PHARMACEUTICALS, INC.

Consolidated Statements of Stockholders' Equity (Deficit)

For the Years Ended December 31, 2016 and 2015

	Common Stock		Additional Paid-in	Accumulated	Stockholders' Equity
	Shares	Amount	Capital	Deficit	(Deficit)
Balance at January 1, 2015	27,112,263	\$27,113	\$10,778,807	\$(11,231,967)	\$(426,047)
Common stock issued for services	1,780,625	1,780	208,749	-	210,529
Stock compensation expense	-	-	1,298,240	-	1,298,240
Common stock issued for product acquisition	12,947,657	12,948	2,058,677	-	2,071,625
Common stock issued upon conversion of convertible debentures, note payable and debentures – related party	699,260	699	166,301	-	167,000
Common stock issued for vested restricted stock units	500,000	500	(500)	-	-
Return of shares of common stock from CRI license transaction	(200,000)	(200)	(37,800)	-	(38,000)
Return of shares of common stock from Sempra merger transaction	(386,075)	(386)	(115,436)	-	(115,822)
Fair value of beneficial conversion feature on line of credit convertible debenture – related party	-	-	8,321	-	8,321
Shares of common stock issued for extension of February 2014 convertible debentures	250,000	250	32,250	-	32,500
Shares of common stock issued for amendment of January 2015 convertible debentures	100,000	100	15,400	-	15,500
Relative fair value of shares of common stock issued in connection with convertible debentures	4,337,500	4,337	370,137	-	374,474
Relative fair value of warrants issued in connection with convertible debentures	-	-	89,551	-	89,551
Fair value of warrants issued to placement agents in connection with convertible debentures	-	-	68,419	-	68,419
Net loss for year ended December 31, 2015	-	-	-	-	-