

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

FORM 10-Q

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

For the quarterly period ended **September 30, 2014**

OR

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

For the transition period from _____ to _____

Commission file number: **000-54586**

BOSTON THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

27-0801073

(I.R.S. Employer
Identification No.)

1750 Elm Street, Suite 103, Manchester, NH

(Address of principal executive offices)

03104

(Zip Code)

603-935-9799

(Registrant's telephone number, including area code)

33 South Commercial Street Manchester, NH 03101

(Former address)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller Reporting Company

(Do not check if a smaller reporting company)

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

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 6, 2014
Common Stock, \$0.001 par value per share	38,472,016 shares

BOSTON THERAPEUTICS, INC.
FORM 10-Q

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Except as otherwise required by the context, all references in this report to "we", "us", "our", "BTI" or "Company" refer to the consolidated operations of Boston Therapeutics, Inc., a Delaware corporation, formerly called Avanyx Therapeutics, Inc., and its wholly owned subsidiaries.

PART I - FINANCIAL INFORMATION

Item 1. Unaudited Condensed Financial Statements

Boston Therapeutics, Inc.
 Balance Sheet (Unaudited)
 September 30, 2014 and December 31, 2013

	September 30, 2014	December 31, 2013
ASSETS		
Cash and cash equivalents	\$ 569,350	\$ 3,387,428
Accounts receivable	93,720	99,786
Prepaid expenses and other current assets	126,258	153,681
Inventory	<u>177,632</u>	<u>110,625</u>
Total current assets	966,960	3,751,520
Property and equipment, net	16,672	15,176
Intangible assets	648,214	696,429
Goodwill	69,782	69,782
Other assets	<u>2,125</u>	<u>2,125</u>
Total assets	<u>\$ 1,703,753</u>	<u>\$ 4,535,032</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 286,681	\$ 170,977
Accrued expenses and other current liabilities	<u>375,978</u>	<u>720,965</u>
Total current liabilities	662,659	891,942
Notes payable - related parties	<u>297,820</u>	<u>297,820</u>
Total liabilities	<u>960,479</u>	<u>1,189,762</u>
COMMITMENTS AND CONTINGENCIES (Note 7)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$0.001 par value, 200,000,000 shares authorized at September 30, 2014 and December 31, 2013, 38,469,016 and 37,362,160 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	38,469	37,362
Additional paid-in capital	11,941,151	10,606,810
Accumulated deficit	<u>(11,236,345)</u>	<u>(7,298,902)</u>
Total stockholders' equity	<u>743,274</u>	<u>3,345,270</u>
Total liabilities and stockholders' equity	<u>\$ 1,703,753</u>	<u>\$ 4,535,032</u>

See accompanying notes to unaudited condensed financial statements

Boston Therapeutics, Inc.
Statement of Operations (Unaudited)
For the Three and Nine Months Ended September 30, 2014 and 2013

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Revenue	\$ 121,493	\$ 217,520	\$ 186,711	\$ 242,974
Cost of goods sold	82,061	118,515	158,605	174,424
Gross margin	<u>39,432</u>	<u>99,005</u>	<u>28,106</u>	<u>68,550</u>
Operating expenses:				
Research and development	518,632	151,946	1,200,321	200,428
Sales and marketing	30,086	102,840	287,642	251,236
General and administrative	643,970	954,261	2,457,636	1,904,008
Total operating expenses	<u>1,192,688</u>	<u>1,209,047</u>	<u>3,945,599</u>	<u>2,355,672</u>
Operating loss	(1,153,256)	(1,110,042)	(3,917,493)	(2,287,122)
Interest expense	(5,310)	(4,842)	(14,978)	(14,431)
Other expense	(1,259)	-	(4,151)	-
Foreign currency loss	(101)	(1,979)	(822)	(1,979)
Net loss	<u>\$ (1,159,926)</u>	<u>\$ (1,116,863)</u>	<u>\$ (3,937,444)</u>	<u>\$ (2,303,532)</u>
Net loss per share- basic and diluted	\$ (0.03)	\$ (0.04)	\$ (0.10)	\$ (0.11)
Weighted average shares outstanding basic and diluted	38,435,195	26,025,815	38,094,498	21,411,649

See accompanying notes to unaudited condensed financial statements

Boston Therapeutics, Inc.
Statement of Cash Flows (Unaudited)
For the Nine Months Ended September 30, 2014 and 2013

	For the Nine Months Ended	
	September 30,	September
	2014	2013
Cash flows from operating activities:		
Net loss	\$ (3,937,444)	\$ (2,303,532)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	53,229	49,710
Stock-based compensation	681,697	857,851
Issuance of common stock for consulting services	117,415	104,115
Issuance of common stock warrants	35,836	-
Changes in operating assets and liabilities:		
Accounts receivable	6,066	(199,767)
Inventory	(67,007)	(173,163)
Prepaid expenses and other current assets	27,423	(60,063)
Accounts payable	115,704	(179,368)
Accrued expenses	(94,987)	80,728
Net cash used in operating activities	<u>(3,062,068)</u>	<u>(1,823,489)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(6,510)	(4,698)
Net cash used in investing activities	<u>(6,510)</u>	<u>(4,698)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock upon option exercises	500	-
Proceeds from issuance of common stock and common stock warrants (net of issuance costs)	250,000	5,139,428
Net cash provided by financing activities	<u>250,500</u>	<u>5,139,428</u>
Net (decrease) increase in cash and cash equivalents	(2,818,078)	3,311,241
Cash and cash equivalents, beginning of period	3,387,428	552,315
Cash and cash equivalents, end of period	<u>\$ 569,350</u>	<u>\$ 3,863,556</u>
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ 3,753</u>	<u>\$ -</u>
Non-cash financing activities:		
Issuance of common stock for stock subscription received in 2013	<u>\$ 250,000</u>	<u>\$ -</u>
Value of common stock issued to settle accrued liabilities	<u>\$ -</u>	<u>\$ 14,000</u>

See accompanying notes to unaudited condensed financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company Overview

Boston Therapeutics, Inc., headquartered in Manchester, NH, (OTC: BTHE) is a leader in the field of complex carbohydrate chemistry. The Company's initial product pipeline is focused on developing and commercializing therapeutic molecules for diabetes: BTI-320, a non-systemic, non-toxic, therapeutic compound designed to reduce post-meal glucose elevation; IPOXYN, a continuous intravenous drug for the prevention of necrosis and treatment of ischemia with an initial target indication of lower limb ischemia often associated with diabetes; and SUGARDOWN®, a non-systemic complex carbohydrate designed to moderate post-meal blood glucose.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company has limited resources and operating history. As shown in the accompanying financial statements, the Company has an accumulated deficit of approximately \$11.2 million and \$569,000 cash on hand as of September 30, 2014. We anticipate that our cash resources will be sufficient to fund our planned operations into December 2014. The Company raised \$250,000 in gross proceeds in private placements during the nine months ended September 30, 2014. The future of the Company is dependent upon its ability to obtain financing and upon future profitable operations from the development of its new business opportunities. Management is seeking additional capital through private placements and public offerings of its stock. There can be no assurance that the Company will be successful in accomplishing its objectives. Without such additional capital, the Company may be required to cease operations.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial information and the rules of the Securities and Exchange Commission ("SEC") for quarterly reports on Form 10-Q. These condensed financial statements should be read in conjunction with the Company's financial statements for its year ended December 31, 2013 included in its Form 10-K filed with the SEC on March 14, 2014. In the opinion of management, the statements contain all adjustments, including normal recurring adjustments necessary in order to present fairly the financial position as of September 30, 2014 and the results of operations for the three and nine month periods ended September 30, 2014 and 2013.

The year-end balance sheet data was derived from the audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. The results disclosed in the statements of operations for the three and nine month periods ended September 30, 2014 are not necessarily indicative of the results to be expected for the full fiscal year.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management establishes a reserve for doubtful accounts based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off against the allowance. There were no allowances for doubtful accounts as of September 30, 2014 and December 31, 2013. At September 30, 2014 and December 31, 2013, the Company had one customer that accounted for 100% of its accounts receivable. The Company believes there is minimal risk associated with this receivable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Inventory

Inventory consists of raw materials, work-in-process and finished goods of SUGARDOWN®. Inventories are stated at the lower of cost (first-in, first-out) or market, not in excess of net realizable value. The Company adjusts the carrying value of its inventory for excess and obsolete inventory. The Company continues to monitor the valuation of its inventory.

Revenue Recognition

The Company generates revenues from sales of SUGARDOWN®. Revenue is recognized when there is persuasive evidence that an arrangement exists, the price is fixed and determinable, the product is shipped in accordance with the customers' FOB shipping point terms and collectability is reasonably assured. In practice, the Company has not experienced or granted significant returns of product. Shipping fees charged to customers are included in revenue and shipping costs are included in costs of sales.

As disclosed in Note 5 of the Notes to Unaudited Condensed Financial Statements, Advance Pharmaceutical Company Ltd., a related party, accounted for 98% and 99% of the Company's revenue during the three months ended September 30, 2014 and 2013, respectively. During the nine months ended September 30, 2014 and 2013, Advance Pharmaceutical accounted for 97% of the Company's revenue.

Stock-Based Compensation

Stock-based compensation, including grants of employee and non-employee stock options and modifications to existing stock options, is recognized in the income statement based on the estimated fair value of the awards. The Company uses the Black-Scholes option pricing model to determine the fair value of options granted and recognizes the compensation cost of share-based awards on a straight-line basis over the vesting period of the award.

The determination of the fair value of share-based payment awards utilizing the Black-Scholes model is affected by the stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. The Company has a limited history of market prices of the common stock as, and as such volatility is estimated using historical volatilities of similar public entities. The expected life of the awards is estimated based on the simplified method. The risk-free interest rate assumption is based on observed interest rates appropriate for the terms of our awards. The dividend yield assumption is based on history and expectation of paying no dividends. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Stock-based compensation expense is recognized in the financial statements on a straight-line basis over the vesting period, based on awards that are ultimately expected to vest.

The Company grants stock options to non-employee consultants from time to time in exchange for services performed for the Company. Equity instruments granted to non-employees are subject to periodic revaluation over their vesting terms. In general, the options vest over the contractual period of the respective consulting arrangement and, therefore, the Company revalues the options periodically and records additional compensation expense related to these options over the remaining vesting period.

Loss per Share

Basic net loss per share is computed based on the net loss for the period divided by the weighted average actual shares outstanding during the period. Diluted net loss per share is computed based on the net loss for the period divided by the weighted average number of common shares and common equivalent shares outstanding during each period unless the effect of such common equivalent shares would be anti-dilutive. Common stock equivalents represent the dilutive effect of the assumed exercise of certain outstanding stock options using the treasury stock method. The weighted average number of common shares for both the three and nine month periods ended September 30, 2014 did not include 6,727,150 and 12,516,669 options and warrants, respectively, because of their anti-dilutive effect. The weighted average number of common shares for both the three and nine month periods ended September 30, 2013 did not include 5,886,400 and 11,633,337 options and warrants, respectively, because of their anti-dilutive effect.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2014-09, “*Revenue from Contracts with Customers (Topic 606)*.” ASU No 2014-09 supersedes the revenue recognition requirements in “Topic 605, Revenue Recognition” and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective retrospectively for annual or interim reporting periods beginning after December 15, 2016, with early application not permitted. The Company is currently evaluating the impact of this standard on its financial statements.

In August 2014, the FASB issued Accounting Standard Update (ASU) 2014-15, *Presentation of Financial Statements – Going Concern*. The new standard addresses management’s responsibility to evaluate whether there is a substantial doubt about the Company’s ability to continue as a going concern. It requires management to perform interim and annual assessments of the Company ability to continue as a going concern and to provide related disclosures. The standard will be effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. The Company is currently evaluating the impact of this standard on its financial statements.

2. INVENTORIES

Inventories consist of material, labor and manufacturing overhead and are recorded at the lower of cost, using the weighted average cost method, or net realizable value.

The components of inventories at September 30, 2014 and December 31, 2013, net of inventory reserves, were as follows:

	2014	2013
Raw materials	\$ 63,498	\$ 7,672
Work in process	-	-
Finished goods	114,134	102,953
	<u>\$ 177,632</u>	<u>\$ 110,625</u>

The Company periodically reviews quantities of inventory on hand and compares these amounts to expected usage of each particular product or product line. The Company records, as a charge to cost of sales, any amounts required to reduce the carrying value to net realizable value.

3. STOCKHOLDERS’ EQUITY

The Company is authorized to issue up to 5,000,000 shares of its \$0.001 par value preferred stock and up to 200,000,000 shares of its \$0.001 par value common stock. During the year ended December 31, 2013, the Company amended its certificate of incorporation to increase the number of common shares from 100,000,000 to 200,000,000. The amendment went into effect on September 7, 2013.

Common Stock

During the three months ended March 31, 2014, the Company issued 99,000 shares of its common stock with a fair value of \$74,160 in exchange for consulting services rendered during those periods in connection with three separate consulting agreements.

On March 31, 2014, the Company issued 833,340 shares of common stock at a price per share of \$0.60 and issued warrants to purchase 416,670 additional shares of common stock with an exercise price of \$1.00 per share for gross proceeds of \$500,000. The Company had received \$250,000 of these proceeds during the fourth quarter of 2013 which was recorded as a stock subscription in accrued expenses and other current liabilities as of December 31, 2013. The warrants are exercisable immediately and have a five year term. The Company has evaluated these warrants for proper classification based on terms of the warrant agreement and has determined that equity classification is appropriate. The Company estimated the relative fair value of the warrant to be \$125,251 using the Black Scholes model, which has been recorded as a component of permanent equity in additional paid in capital.

3. STOCKHOLDERS' EQUITY- continued

Common Stock - continued

During the three months ended June 30, 2014, the Company issued 36,000 shares of its common stock with a fair value of \$21,540 in exchange for consulting services rendered during those periods in connection with two separate consulting agreements.

During the three months ended September 30, 2014, the Company issued 54,500 shares of its common stock with a fair value of \$21,715 in exchange for consulting services rendered during those periods in connection with seven separate consulting agreements.

In August 2014, the Company issued warrants to purchase 125,000 of common stock with an exercise price of \$0.60 to the March 2014 common stock investors in lieu of their registration rights. The warrants are exercisable immediately and have a five year term. The Company has evaluated these warrants for proper classification based on terms of the warrant agreement to be \$35,836 using the Black Scholes model, which has been recorded as a component of permanent equity in additional paid-in capital.

4. STOCK OPTION PLAN AND STOCK-BASED COMPENSATION

During the year ended December 31, 2010, the Company adopted a stock option plan entitled "The 2010 Stock Plan" (2010 Plan) under which the Company may grant options to purchase up to 5,000,000 shares of common stock. On September 7, 2013, the 2010 plan was amended to increase the number of shares of common stock issuable under the 2010 Plan to 7,500,000. As of September 30, 2014 and December 31, 2013, there were 1,359,650 and 578,400 options outstanding under the 2010 Plan, respectively.

During the year ended December 31, 2011, the Company adopted a non-qualified stock option plan entitled "2011 Non-Qualified Stock Plan" (2011 Plan) under which the Company may grant options to purchase 2,100,000 shares of common stock. In December 2012, the 2011 Plan was amended to increase the number of shares of common stock issuable under the 2011 Plan to 12,000,000 shares. During the period ended March 31, 2013, the 2011 Plan was amended to increase the number of shares of common stock issuable under the 2011 Plan to 17,500,000. As of September 30, 2014 and December 31, 2013, there were 5,367,500 and 5,163,000 options outstanding under the 2011 Plan, respectively.

Under the terms of the stock plans, the Board of Directors shall specify the exercise price and vesting period of each stock option on the grant date. Vesting of the options is typically one to four years and the options typically expire in five to ten years.

In February 2014 the Board of Directors approved a grant of non-qualified stock options to the independent directors of the Company to purchase an aggregate of 279,000 shares of the Company's common stock. The options were allocated among the directors based on service in, and chairmanship of the Company's committees and service as lead independent director. The options vest as of December 31, 2014, provided that the directors remain directors on that date and have attended at least 75% of the scheduled meetings of the Board and the committees on which such directors serve during the 2014 calendar year. In addition, during the period ended March 31, 2014, the Company granted incentive stock options to members of management, non-management, and directors of the Company to purchase an aggregate of 800,000 shares of the Company's common stock at exercise prices ranging from \$0.69 to \$1.21 per share, of which 450,000 of these options vested immediately. The remaining unvested stock options vest quarterly over a period of one to four years. In addition, the Company granted, to consultants of the Company, non-qualified stock options to purchase up to 140,000 shares of the Company's common stock at exercise prices ranging from \$1.00 to \$1.21 per share vesting over a one to two year period. There were no stock options granted during the three months ended June 30, 2014.

During the three months ended September 30, 2014, the Company granted incentive stock options to new management and non-management employees and directors of the Company to purchase an aggregate of 518,000 shares of the Company's common stock at exercise prices ranging from \$0.37 to \$0.50, of which 18,000 of these options vested immediately. The remaining unvested stock options vest quarterly or annually over a period of three to four years. In addition, the Company granted to one consultant of the Company, a non-qualified stock option to purchase up to 40,000 shares of the Company's common stock at an exercise price of \$0.37 of which 20,000 of these options vested immediately and the remaining 20,000 options are to vest over a one year period.

4. STOCK OPTION PLAN AND STOCK-BASED COMPENSATION - continued

The fair value of stock options granted or revalued for the three and nine months ended September 30, 2014 and 2013 was calculated with the following assumptions:

	2014	2013
Risk-free interest rate	0.5% - 2.3%	0.5% - 1.6%
Expected dividend yield	0%	0%
Volatility factor	85 - 98%	85%
Expected life of option	2.50 to 7 years	3.25 to 6 years

The weighted-average fair value of stock options granted during the nine month periods ended September 30, 2014 and 2013, under the Black-Scholes option pricing model was \$0.68 and \$0.21 per share, respectively.

The Company recognized \$71,710 and \$472,820 of stock-based compensation costs in the accompanying statement of operations for the three months ended September 30, 2014 and 2013, respectively. The Company recognized \$681,697 and \$857,851 of stock-based compensation costs in the accompanying statement of operations for the nine months ended September 30, 2014 and 2013, respectively. As of September 30, 2014, there was approximately \$240,000 of unrecognized compensation expense related to non-vested stock option awards that is expected to be recognized over a weighted average period of 2.2 years.

The following table summarizes the Company's stock option activity during the nine months ended September 30, 2014:

	Shares	Exercise Price per Share	Weighted Average Exercise Price per Share
Outstanding as of December 31, 2013	5,741,400	\$ 0.10-1.85	\$ 0.40
Granted	1,777,000	0.37-1.21	0.94
Exercised	(84,016)	0.10-0.57	0.54
Options forfeited/cancelled	(707,234)	0.57-1.21	0.99
Outstanding as of September 30, 2014	<u>6,727,150</u>	<u>\$ 0.10-1.85</u>	<u>\$ 0.48</u>

During the quarter ended March 31, 2014, the Company received a notice of cashless stock options exercise in which the holder elected to exercise 133,280 common stock options. The stock options which were exercised had an exercise price of \$0.57 per share. Based upon the Company's stock price on the date of exercise, as well as the cashless exercise formula, 79,016 shares were issued to the holder during the quarter ended March 31, 2014 with the remaining 54,264 options forfeited. In addition, the Company also received \$500 for stock options exercised. There were no additional stock option exercises during the nine months ended September 30, 2014. There were no stock option exercises during the nine months ended September 30, 2013.

4. STOCK OPTION PLAN AND STOCK-BASED COMPENSATION - continued

The following table summarizes information about stock options that are vested or expected to vest at September 30, 2014:

Vested or Expected to Vest					Exercisable Options			
Exercise Price	Number of Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value	Number of Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
\$ 0.10	1,795,000	\$ 0.10	2.13	\$ 448,750	1,795,000	\$ 0.10	2.13	\$ 448,750
0.37	58,000	0.37	7.92	-	38,000	0.37	8.41	-
0.42	63,000	0.42	6.26	-	63,000	0.42	6.26	-
0.43	100,000	0.43	9.86	-	-	0.43	-	-
0.50	3,710,000	0.50	4.25	-	3,343,333	0.50	3.65	-
0.57	100,000	0.57	0.06	-	100,000	0.57	0.06	-
0.69	100,000	0.69	9.46	-	100,000	0.69	9.46	-
1.00	112,500	1.00	0.13	-	112,500	1.00	0.13	-
1.21	610,250	1.21	8.84	-	243,750	1.21	8.18	-
1.85	78,400	1.85	1.00	-	78,400	1.85	1.00	-
<u>\$ 0.10-1.85</u>	<u>6,727,150</u>	<u>\$ 0.48</u>	<u>4.14</u>	<u>\$ 448,750</u>	<u>5,873,983</u>	<u>\$ 0.43</u>	<u>3.36</u>	<u>\$ 448,750</u>

The weighted-average remaining contractual life for stock options exercisable at September 30, 2014 is 3.36 years. At September 30, 2014, the Company has 12,035,380 and 6,140,350 options available for grant under the 2011 Plan and 2010 Plan, respectively. The intrinsic value for fully vested, exercisable options was \$448,570 and \$5,061,256 at September 30, 2014 and December 31, 2013, respectively. The aggregate intrinsic value of options exercised during the quarter ended March 31, 2014 was \$71,083. There were no additional options exercised in the nine months ended September 30, 2014. No actual tax benefit was realized from stock option exercises during these periods.

The following table sets forth the status of the Company's non-vested stock options as of September 30, 2014:

	Number of Options	Weighted-Average Grant-Date Fair Value
Non-vested as of December 31, 2013	862,135	\$ 0.25
Granted	1,777,000	0.68
Forfeited	(552,970)	0.62
Vested	(1,282,998)	0.51
Non-vested as of September 30, 2014	<u>803,167</u>	<u>\$ 0.56</u>

5. RELATED PARTY TRANSACTIONS

Through December 31, 2011, Dr. Platt advanced \$257,820 to the Company to fund start-up costs and operations. Advances by Dr. Platt carry an interest rate of 6.5% and were due on June 29, 2013. On May 7, 2012, Dr. Platt and the Company's former President entered into promissory notes to advance to the Company an aggregate of \$40,000. The notes accrue interest at 6.5% per year and were due June 30, 2013. On August 6, 2012, the outstanding notes of \$297,820 were amended to extend the maturity dates to June 29, 2014. On August 2, 2013, the outstanding notes of \$297,820 were amended to extend the maturity dates to June 29, 2015. Effective June 30, 2014, the outstanding notes of \$297,820 were amended to extend the maturity dates to June 30, 2016. As of September 30, 2014 and December 31, 2013, \$77,881 and \$63,447, respectively, of accrued interest had been included in accrued expenses and other current liabilities on the accompanying balance sheet.

5. RELATED PARTY TRANSACTIONS - continued

On June 24, 2011, the Company entered into a definitive Licensing and Manufacturing Agreement (the "Agreement") with Advance Pharmaceutical Company Ltd. ("Advance Pharmaceutical"), a Hong Kong-based privately-held company. Under terms of the Agreement, the Company manufactures and supplies product in bulk for Advance Pharmaceutical. Advance Pharmaceutical is responsible for the packaging, marketing and distribution of SUGARDOWN® in China, Hong Kong and Macau. Advance Pharmaceutical, through a wholly owned subsidiary, has purchased an aggregate 1,799,800 shares of the Company's common stock in conjunction with the Company's private placement offerings during the years ended December 31, 2012 and 2011. The shares were purchased on the same terms as the other participants acquiring shares in the respective offerings. Conroy Chi-Heng Cheng is a director of Advance Pharmaceutical and joined the Company's Board of Directors in December 2013. Revenue generated pursuant to the Agreement for the three and nine month periods ended September 30, 2014 were \$119,280 and \$181,647, respectively. Revenue generated for the three and nine month periods ended September 30, 2013 were \$215,798 and \$236,485, respectively.

On March 14, 2013, the Company issued 500,000 shares of its common stock at a price per share of \$0.50 and issued a warrant to purchase 250,000 additional shares with an exercise price of \$1.00 per share for gross proceeds of \$250,000 to CJY Holdings Limited ("CJY"). The warrant is exercisable immediately and has a five year term. In July 2013 CJY Holdings Limited purchased 6,666,660 shares of the Company's common stock and warrants to purchase an aggregate of 3,333,320 shares of the Company's common stock for an aggregate purchase price of \$2,000,000 in the private placement conducted by the Company between July 2013 and September 2013. The warrants are exercisable immediately over a five year term with an exercise price of \$0.50 per share. CJY is an entity that is controlled by Cheng Chi Him, a brother of our Director, Conroy Chi-Heng Cheng.

In December 2013, the Board of Directors agreed to indemnify Dr. Platt for legal costs incurred in connection with an arbitration (now concluded) initiated before the American Arbitration Association by Galectin Therapeutics, Inc. (formerly named Pro-Pharmaceuticals, Inc.) for which Dr. Platt previously served as CEO and Chairman. Galectin sought to rescind or reform the Separation Agreement entered into with Dr. Platt upon his resignation from Galectin to remove a \$1.0 million milestone payment which Dr. Platt asserted he was entitled to receive and to be repaid all separation benefits paid to Dr. Platt. The Company initially capped the amount for which it would indemnify Dr. Platt at \$150,000 and Dr. Platt agreed to reimburse the indemnification amounts paid by the Company should he prevail in the arbitration. The Board decided to indemnify Dr. Platt after considering a number of factors, including the scope of the Company's existing indemnification obligations to officers and directors and the potential impact of the arbitration on the Company. On May 27, 2014, the Board agreed to increase the indemnification cap by \$50,000 to cover outside expenses associated with the arbitration hearings. As of December 31, 2013, the Company recorded legal expense associated with this indemnification of \$119,401. The remaining \$30,599 was recorded as legal expense during the three months ended March 31, 2014. The Company recorded an additional \$32,697 related to the increased indemnification during the three months ended June 30, 2014. In July 2014, the arbitration was concluded in favor of Dr. Platt.

6. INTANGIBLE ASSETS

The SUGARDOWN® technology and provisional patents are being amortized on a straight-line basis over their useful lives of 14 years. Goodwill is not amortized, but is evaluated annually for impairment.

Intangible assets consist of the following at September 30, 2014 and December 31, 2013:

	2014	2013
SUGARDOWN® technology and patent applications	\$ 900,000	\$ 900,000
Less accumulated amortization	(251,786)	(203,571)
Intangible assets, net	<u>\$ 648,214</u>	<u>\$ 696,429</u>

Amortization expense was \$16,072 and \$48,215 for the three and nine months ended September 30, 2014 and 2013, respectively.

7. COMMITMENTS AND CONTINGENCIES

The Company entered into a three year lease agreement for their office lease facility commencing July 1, 2012, with escalating rental payments. On February 21, 2013, the Company amended the lease agreement to extend the lease through March 2018 and increase rental space. The effects of variable rent disbursements have been expensed on a straight-line basis over the life of the lease. The Company recognized rent expense of \$14,381 and \$10,132 during the three months ended September 30, 2014 and 2013, respectively. The Company recognized rent expense of \$43,143 and \$59,372 during the nine months ended September 30, 2014 and 2013, respectively. As of September 30, 2014 and December 31, 2013, there was \$23,583 and \$25,381, respectively, of deferred rent included in accrued expenses and other current liabilities in the accompanying balance sheets.

Future minimum lease payments under all non-cancelable operating leases as of September 30, 2014 are as follows:

Fiscal year	
2014	\$ 15,153
2015	62,169
2016	64,299
2017	66,519
2018	16,770
	<u>\$ 224,910</u>

8. SUBSEQUENT EVENTS

The Company has evaluated events and transactions that occurred from September 30, 2014 through the date of filing, for possible disclosure and recognition in the financial statements and has determined there are no material subsequent events that impact its financial statements or disclosures.

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

The following discussion and analysis is based on, and should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included elsewhere in this Form 10-Q. This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These statements are often identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," or "continue," and similar expressions or variations. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. The forward-looking statements in this Quarterly Report on Form 10-Q represent our views as of the date of this Quarterly Report on Form 10-Q. We anticipate that subsequent events and developments will cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Report on Form 10-Q.

Overview

Boston Therapeutics, Inc., headquartered in Manchester, NH, (OTC: BTHE) is a leader in the field of complex carbohydrate chemistry. The Company's initial product pipeline is focused on developing and commercializing therapeutic molecules for diabetes: BTI-320 (formerly PAZ320), is a non-systemic, non-toxic, therapeutic compound designed to reduce post-meal glucose elevation, and IPOXYN, an injectable anti-necrosis drug specifically designed to treat lower limb ischemia associated with diabetes. In addition, the Company has completed development of SUGARDOWN®, a complex carbohydrate-based dietary supplement. SUGARDOWN® is currently in the initial stage of market introduction, and in June 2011, we entered into an agreement with Advance Pharmaceutical to develop markets in Hong Kong, China and Macau. We also have engaged with American Medical Supplies to develop markets in Egypt and Saudi Arabia. We recently engaged Benchworks SD, LLC to exclusive rights to market SUGARDOWN® in North America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company has limited resources and operating history. We raised \$250,000 in gross proceeds in private placements during the nine months ended September 30, 2014. As shown in the accompanying financial statements, the Company has an accumulated deficit of approximately \$11.2 million and \$569,000 cash on hand as of September 30, 2014. The future of the Company is dependent upon its ability to obtain financing and upon future profitable operations from the development of its new business opportunities.

Management plans to seek additional capital through private placements and public offerings of its common stock. There can be no assurance that the Company will be successful in accomplishing its objectives. Without such additional capital, the Company may be required to cease operations.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue operations.

Results of Operation

Three Months Ended September 30, 2014 compared to September 30, 2013

Revenue

Revenue for the three months ended September 30, 2014 was \$121,493, a decrease of \$96,027 as compared to revenue of \$217,520 for the three months ended September 30, 2013. The decrease was primarily the result of decreased shipments of SUGARDOWN® to one customer.

Gross Margin

The Company generated gross margin for the three months ended September 30, 2014 of \$39,432 as compared to gross margin of \$99,005 for the three months ended September 30, 2013. The decrease is primarily due to the reduction in revenue and fixed fulfillment charges.

Research and Development

Research and development expense for the three months ended September 30, 2014 was \$518,632, an increase of \$366,686 as compared to \$151,946 for the three months ended September 30, 2013. The increase is primarily the result of expenses associated with the Phase IIb clinical trial for BTI-320 in patients with Type 2 diabetes conducted in the U.S. that concluded in the three months ended September 30, 2014 as well as an ongoing Phase IIb clinical trial in France.

Sales and Marketing

Sales and marketing expense for the three months ended September 30, 2014 was \$30,086, a decrease of \$72,754 as compared to \$102,840 for the three months ended September 30, 2013. The decrease is primarily related to non-cash stock-based compensation recorded in the three months ended September 30, 2013 for options previously granted which are now fully vested.

General and Administrative

General and administrative expense for the three months ended September 30, 2014 was \$643,970, a decrease of \$310,291 as compared to \$954,261 for the three months ended September 30, 2013. The decrease is primarily related to non-cash stock-based compensation recognized during the three months ended September 30, 2013 related to future vesting of options per the terms of a terminated employee's employment agreement and expense associated with option grants during 2012 and 2013 which are now fully vested.

Nine Months Ended September 30, 2014 compared to September 30, 2013

Revenue

Revenue for the nine months ended September 30, 2014 was \$186,711, a decrease of \$56,263 as compared to revenue of \$242,974 for the nine months ended September 30, 2013. The decrease was primarily the result of decreased shipments of SUGARDOWN® to one customer.

Gross Margin

The Company generated gross margin for the nine months ended September 30, 2014 of \$28,106 as compared to gross margin of \$68,550 for the nine months ended September 30, 2013. The decrease is primarily related to a reduction in revenue, material and production cost charges and continued fixed fulfillment charges during the nine months ended September 30, 2014.

Research and Development

Research and development expense for the nine months ended September 30, 2014 was \$1,200,321, an increase of \$999,893 as compared to \$200,428 for the nine months ended September 30, 2013. The increase is primarily the result of expenses associated with the Phase IIb clinical trial for BTI-320 in patients with Type 2 diabetes conducted in the U.S. that concluded in the three months ended September 30, 2014 as well as an ongoing Phase IIb clinical trial in France.

Sales and Marketing

Sales and marketing expense for the nine months ended September 30, 2014 was \$287,642, an increase of \$36,406 as compared to \$251,236 for the nine months ended September 30, 2013. The increase is primarily related to the engagement of a healthcare marketing company to market SUGARDOWN® and the hiring of employees to support our sales and marketing initiatives offset by a reduction in non-cash stock-based compensation. The Company ended the healthcare marketing agreement during the three months ended June 30, 2014.

General and Administrative

General and administrative expense for the nine months ended September 30, 2014 was \$2,457,636, an increase of \$553,628 as compared to \$1,904,008 for the nine months ended September 30, 2013. Accounting, financial and legal professional fees increased approximately \$295,000 primarily due to the indemnification of Dr. Platt's legal costs associated with his arbitration as disclosed in Note 5 of the accompanying Notes to the Unaudited Condensed Financial Statements, as well as the engagement of a finance professional to manage its accounting and financial reporting matters. Payroll and payroll related expense increased approximately \$214,000 due to salary increases, severance costs associated with the resignation of the Company's former President, the institution of an employee medical benefit program and the hiring of a new employee. Travel and entertainment expenses increased \$75,000 primarily due to investor and industry conferences attended during the nine months ended September 30, 2014. Consulting and professional services increased approximately \$44,000 primarily due to our business development, public relations and investor relations activities. These increases were offset by a reduction in non-cash, stock-based compensation of approximately \$122,000 primarily related to future vesting of options per the terms of a terminated employee's employment agreement during the nine months ended September 30, 2013.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2014

As of September 30, 2014, we had cash of \$569,350 and accounts payable and accrued expenses and other current liabilities of \$662,659. During the nine months ended September 30, 2014, the Company used \$3,062,068 of cash in operations. In October 2014, the Company received approximately \$94,000 in payment for its accounts receivable at September 30, 2014.

We have incurred recurring operating losses since inception as we have worked to bring our SUGARDOWN® product to market and develop BTI-320 and IPOXYN. We expect such operating losses will continue until such time that we receive substantial revenues from SUGARDOWN® or we complete the regulatory and clinical development of BTI-320 or IPOXYN. We anticipate that our cash resources will be sufficient to fund our planned operations into December 2014. We are currently seeking additional capital through private placements and public offerings of the Company's stock. There can be no assurance that the Company will be successful in accomplishing its objectives. Without such additional capital, the Company may be required to curtail or cease operations.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any 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, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our investors.

CRITICAL ACCOUNTING POLICIES

See Note 1 Summary of Significant Accounting Policies, of the Notes to Unaudited Condensed Financial Statements in Part I, Item 1 herein for a discussion of critical accounting policies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, we are not required to provide the information requested by this item, as provided by Regulation S-K Item 305(e).

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Pursuant to Rules 13a-15(b) and 15-d-15(b) under the Securities Exchange Act of 1934, as amended (“Exchange Act”), the Company carried out an evaluation, with the participation of the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer of the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this report. The term “disclosure controls and procedures”, as defined under Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Based upon the evaluation of the disclosure controls and procedures at the end of the period covered by this report, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company’s internal controls over financial reporting during the fiscal period to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

The Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, do not expect that the Company’s internal control over financial reporting will prevent all errors and all fraud. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company may become involved in certain legal proceedings and claims which arise in the normal course of business. On March 12, 2014, a complaint against the Company and the Company's CEO, David Platt, was filed in Middlesex Superior Court in Massachusetts by Eliezer Zomer. Mr. Zomer alleged that the Company and Dr. Platt had refused to deliver 400,000 shares of the Company's Common Stock that Mr. Zomer believes are owed to him, and seeks delivery of the shares and damages. In August 2014, the Middlesex Superior Court dismissed Mr. Zomer's complaint for failure to proceed.

Item 1A. Risk Factors

There have not been any material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013.

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

The only unregistered sales of equity securities made by the Company during the nine months ended September 30, 2014 and not previously reported on Form 8-K are as follows:

During the period ended March 31, 2014, the Company issued 99,000 shares of its restricted common stock with a fair value of \$74,160 in exchange for consulting services rendered during those periods in connection with three separate consulting agreements.

On March 31, 2014, the Company issued 833,340 shares of common stock at a price per share of \$0.60 and issued warrants to purchase 416,670 additional shares of common stock with an exercise price of \$1.00 per share for gross proceeds of \$500,000. The Company had received \$250,000 of these proceeds during the fourth quarter of 2013 which was recorded as a stock subscription in accrued expenses as of December 31, 2013. The warrants are exercisable immediately and have a five year term. The Company has evaluated these warrants for proper classification based on terms of the warrant agreement and has determined that equity classification is appropriate. The Company estimated the relative fair value of the warrant to be \$125,251 using the Black Scholes model, which has been recorded as a component of permanent equity in additional paid in capital.

During the three months ended June 30, 2014, the Company issued 36,000 shares of its restricted common stock with a fair value of \$21,540 in exchange for consulting services rendered during those periods in connection with two separate consulting agreements.

In July 2014, the Company issued 6,000 shares of its common stock with a fair value of \$3,120 in exchange for consulting services rendered during June 2014 and July 2014 in connection with one consulting agreement. The expense for the June services was included in accrued expenses and other current liabilities in the Company's financial statements for the period ending June 30, 2014.

In August 2014, the Company issued warrants to purchase 125,000 of common stock with an exercise price of \$0.60 to the March 2014 common stock investors in lieu of their registration rights. The warrants are exercisable immediately and have a five year term. The Company has evaluated these warrants for proper classification based on terms of the warrant agreement to be \$35,836 using the Black Scholes model, which has been recorded as a component of permanent equity in additional paid-in capital.

During the three months ended September 30, 2014, the Company issued 48,500 shares of its restricted common stock with a fair value of \$18,595 in exchange for consulting services rendered during those periods in connection with seven separate consulting agreements.

Each of the preceding sales and issuances was made in reliance on the exemption from registration provided by Section 4(2) of the Securities Act for transactions not involving a public offering.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

Item 5. Other Information

None.

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Title of Document</u>
10.1	Marketing Agreement between Boston Therapeutics, Inc. Benchworks SD LLC dated as of May 14, 2014*.
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended*
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d 14(a), promulgated under the Securities and Exchange Act of 1934, as amended*
32.1	Certification pursuant to Section 906 of Sarbanes Oxley Act of 2002 (Chief Executive Officer)**
32.2	Certification pursuant to Section 906 of Sarbanes Oxley Act of 2002 (Chief Financial Officer)**
101	The following financial statements from the Quarterly Report on Form 10-Q of Boston Therapeutics, Inc. for the quarter ended September 30, 2014 formatted in XBRL: (i) Condensed Balance Sheets (unaudited), (ii) Condensed Statements of Operations (unaudited), (iii) Condensed Statements of Cash Flows (unaudited), and (iv) Notes to Condensed Financial Statements (unaudited), tagged as blocks of text.*

*Filed as an exhibit hereto.

**These certificates are furnished to, but shall not be deemed to be filed with, the Securities and Exchange Commission.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

BOSTON THERAPEUTICS, INC.

Date: November 7, 2014

By: /s/ David Platt
David Platt
Chief Executive Officer

MARKETING AGREEMENT

THIS MARKETING AGREEMENT (the “**Agreement**”), is entered into as of May 14, 2014 (the “**Effective Date**”) by and between:

- (1) Boston Therapeutics, Inc., a company incorporated under the laws of the State of Delaware, USA, with offices at 1750 Elm Street, Suite 103, Manchester, NH 03101, USA (“**BTI**”); and
- (2) Benchworks SD LLC., with offices at 1512 Spruce St, Philadelphia, PA, 19102, USA (“**BSD**”)

BTI and BSD are each referred to herein by name or, individually, as a “**Party**” or, collectively, as the “**Parties**”.

WHEREAS:

- A.** BTI is a biopharmaceutical company engaged in the manufacture, marketing and sale of dietary supplements and potential drug agents developed from complex carbohydrate chemistry.
- B.** BSD is a commercialization company engaged in the marketing, promotion, offering for distribution and sale of pharmaceutical and health care products.
- C.** BTI wishes to have BSD act as the exclusive commission sales agent and exclusive representative of the Products to market, promote and offer for distribution and sale the Product in the **Field** and in the **Territory** (as such terms are defined in Section 1 below), as set forth in further detail in this Agreement.
- D.** BSD wishes to undertake the marketing, promotion, offering for distribution and sale of the Product in the Field in the Territory on the terms and subject to the conditions contained herein.

NOW, THEREFORE, THE PARTIES HERETO AGREE:

1. DEFINITION(S). IN THIS AGREEMENT INCLUDING THE RECITALS, EXCEPT WHERE THE CONTEXT OTHERWISE REQUIRES, THE WORDS AND EXPRESSIONS SPECIFIED BELOW SHALL HAVE THE MEANINGS ATTRIBUTED TO THEM BELOW:

- “**Affiliate**” means, with respect to either Party, any person or entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such Party, for so long as such control exists.
- “**Control**” means:
 - (a) direct or indirect ownership of fifty percent (50%) or more (or, if less than fifty percent (50%), the maximum ownership interest permitted by applicable law) of the stock or shares having the right to vote for the election of directors of such corporate entity, or
 - (b) the possession, directly or indirectly, of the power to direct, or cause the direction of, the management or policies of such entity, whether through the ownership of voting securities, by contract or otherwise;

“Agreement”

means this Agreement, the recitals set forth in the preamble herein, and all schedules attached hereto, as well as all amendments, additions, restatements or modifications made hereto and thereto and all other documents incorporated herein or therein by reference, all of which are hereby made an integral part of and will be read as if included within the text of this Marketing Agreement;

“BTI Patents”

means, subject to the limitations described at the end of this definition, all:

(a) All patents and patent applications of any kind anywhere in the world, as more particularly identified in **Exhibit 1**, owned or controlled by BTI during the Term or which are acquired by or developed for BTI by a Third Party during the Term (together with all divisions, continuations, patents of addition, substitutions, registrations, re-issues, re-examinations or extensions of the foregoing) and, for purposes of this Agreement, are necessary to sell, offer for sale, import or export the Product;

(b) All patent applications that may hereafter be filed by or on behalf of BTI which either are based on or claim priority from any of the foregoing patents and applications; and

(c) All patents which may be granted pursuant to any of the foregoing patent applications.

For purposes of and as used in this Agreement, the term “BTI Patents” is limited solely to claimed subject matter that is directed to, and covers the Product SUGARDOWN® and, for the avoidance of doubt, the right, if any, granted by the Company to BSD under this Agreement to use any of the BTI Patents is further limited to BSD’s use of BTI Patents solely for the purpose of performing its obligations hereunder, and for no other purpose.

“Business Day(s)”

means a day (other than a Saturday or a Sunday) on which licensed banks are generally open for business in the city of New York; all references to “days” in this Agreement shall mean and be interpreted as Business Days;

“Competing Product(s)”	means an OTC dietary and/or food supplement for moderating post-meal blood glucose;
“Confidential Information”	subject to the limiting language of Section 10.4, means any and all information, documentation or knowledge in any form, relating to the business and assets of BTI, not generally known to the public, disclosed to, or which may be obtained directly or indirectly by BSD from BTI, including, without limitation, information relating to BTI’s present and contemplated Product and services; product designs; inventions, improvements; standards, specifications, systems, methods and operating procedures; techniques and modes of manufacturing, compounding or preparing Product, formulations and recipes; merchandising, marketing plans and strategies; tests and reports; profits, costs, pricing, product sourcing and sales policies and strategies; buying habits and preferences of present customers of BTI as well as prospective and potential customers, their names and addresses; trade secrets, know-how, data, research and development; patent, trademark, copyright, industrial design and all other intellectual property and proprietary rights and shall also include the terms of this Agreement;
“Effective Date”	means the date of this Agreement as set forth above;
“Field”	means any lawful use of the Product marketed as a dietary supplement, food additive or over-the-counter (that is, non-prescription) drug to help manage blood sugar or to provide other benefits as described in and consistent with the Structure and Function claims for the Product previously filed with the FDA, a copy of which is attached as Exhibit 3 (the “Structure and Function Claims”);
“Intellectual Property Rights”	<p>Means (subject to the limitations described at the end of this definition, and except as otherwise provided herein), all:</p> <ul style="list-style-type: none"> (a) inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patents, patent applications, and patent disclosures, together with all reissuances, continuations, continuations-in-part, revisions, extensions, and reexaminations relating thereto; (b) trademarks, service marks, trade dress, logos, trade names, and corporate names, and all goodwill associated therewith, together with all translations, adaptations, derivations, and combinations, applications, registrations, and renewals relating thereto; (c) copyrightable works, all copyrights, and all applications, registrations, and renewals relating thereto; (d) trade secrets and confidential business information (including ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals); (e) computer software (including all data and related documentation), (f) advertising and promotional materials; (g) other proprietary rights, domain names, email addresses, telephone numbers, social media identifications and tags; and (h) copies and tangible embodiments of the foregoing (in whatever form or medium). <p>For purposes of and as used in this Agreement, the term Intellectual Property is limited solely to claimed subject matter that is directed to, and covers the Product SUGARDOWN® and, for avoidance of doubt, any right to Intellectual Property Rights granted by Company to BSD under this Agreement is further limited to BSD’s use of such Intellectual Property Rights solely to perform its obligations hereunder, and for no other purpose;</p>

- “Net Sales”** means the gross revenues of BTI from the sale of Product by BTI to any buyer in the Territory and Field, exclusive of reasonable shipping and handling costs, less (a) \$5.00 per Unit sold, (b) trade, quantity or cash discounts and rebates, and other allowances and credits, and (c) amounts repaid or credited to customers on account of documented returns or rejections;
- “Product(s)”** means a non-prescription polysaccharide-derived, stabilized and purified product for human use for diabetes, pre-diabetes and blood sugar management, and more particularly known under its trade name as “SUGARDOWN®”, including all material enhancements, improvements, supplements and modifications thereto; the term “Product” shall also mean any non-prescription product in which BTI has any direct or indirect financial interest which product competes with or is a substitute for the “SUGARDOWN®” product as defined herein.
- “Term”** means the Term of this Agreement as set forth in Section 15 comprising the Term and any extensions thereof;
- “Territory”** means, subject to the terms of Section 2.1(b)(i):
- (a) as to the marketing, sale and use of the consumer product labeled “SUGARDOWN®”, the Territory shall be North America.
 - (b) as to the marketing, sale and use of the product as an ingredient in another product (for example, as an ingredient in yogurt or a beverage), the Territory shall be global;
 - (c) as to marketing and sales made through the Website, for any purpose or in any form or format, consistent with and limited to the “Field” and “Product”, the Territory shall be North America plus any territories not yet assigned to marketing partners by BTI.

“Third Party”

means any person or entity other than BTI, BSD or their respective Affiliates;

“BTI Trademark”

means the trademarks, service marks, trade names, logotypes, commercial symbols, insignias and designs pertaining thereto, whether or not registered, as more particularly listed in **Exhibit 3** which are owned or controlled and used by BTI, including, without limitation, the trademark “SUGARDOWN®”, U.S. Registration No. 3955414, in each case as any of the same are adopted in the manufacture, sale, marketing, promotion, distribution and advertising of the Product;

“Unit”

means the gross volume of the number of tablets of Product sold in any measuring period divided by 60 or the bulk quantity of ingredients equivalent to that which would constitute 60 tablets, divided by 60. (By way of explanation and not limitation, 60 is the currently used number of standard size and strength tablets per retail container, used herein as the “Unit” standard for calculation of sales and volume. The change in the number of tablets contained in a retail container shall not change this calculation of a “Unit”).

2. MARKETING GRANT

2.1. BTI hereby grants to BSD the exclusive right to promote, market, and offer to sell and distribute the Product in the Field in the Territory, and BSD hereby accepts from BTI the exclusive right to promote, market and offer to sell in the Field in the Territory and agrees to act in that capacity, upon and subject to all terms and conditions set forth in this Agreement. BTI shall not, directly or indirectly, sell Product in the Field in the Territory except to buyers identified to it by BSD and subject to the terms and conditions of this Agreement. The Steering Committee shall have the authority to set list pricing for Product for each customer or geographic market provided:

(a) Initially the direct to consumer pricing for “SUGARDOWN®” trademarked product in tablet form through Website sales shall be \$39.99 per Unit plus reasonable shipping and handling;

(b) Such initial pricing as provided in 2.1(a) shall be subject to change to such price as determined by the Steering Committee (as described in Section 4 below) in its judgment to be best suited for the circumstances of the marketplace and in light of costs of production and other relevant factors.

(c) BSD shall be the exclusive operator of the Website or Websites (the "Website") providing technical information, marketing and sales materials and direct sales to the trade, commercial users and to consumers and utilizing the "SUGARDOWN" trademark. BTI shall own the Website and the domain.

2.2. Subject to the terms of this Agreement, the rights provided to BSD under Section 2.1 above shall be an exclusive, paid-up license under the BTI Patents and Trademarks to promote, market, and offer to sell and distribute the Product in the Field in the Territory.

2.3. (a) BSD acknowledges and agrees that the rights granted pursuant to this Agreement are limited to the Field and the Territory and confer no rights upon BSD with respect to the promotion, marketing, offers to sell and sale and distribute of the Product outside the Field and outside the Territory, and nothing in this Agreement shall restrict BTI from selling Product to any other Third Party and outside the Territory or Field.

(b) The terms "Territory" and "Field" as defined in Section 1 shall be amended and redefined upon BSD achieving sales totalling not less than \$5.8 million in the first 20 months of this Agreement, as follows: (i) the term "Field" shall be amended and defined to mean any lawful use of the Product marketed as a dietary supplement, food additive or over-the counter (that is, non-prescription) drug to help manage blood sugar, body weight or to provide other benefits as described in and consistent with the Structure and Function claims for the Product filed with the FDA, a copy of which is attached as Exhibit 3 (the Structure and Function Claims) or as is otherwise determined to be appropriate by the Steering Committee." (ii) In the event sales of \$5.8 million are not achieved in the first 20 months of this Agreement, the definitions for the terms "Territory" and "Field" shall remain as provided in Section 1 without reference to Section 2.3(b)(i).

2.4. (a) Except for website related promotion, BSD covenants and agrees that it will not, either directly or indirectly, including through any subagents, promote, market, advertise, solicit orders for, offer to sell or sell and/or distribute any Product outside the Field and/or outside the Territory. BSD further covenants and agrees that it will not promote, market, offer to sell or sell and/or distribute such Product to any Third Party within the Territory if BSD knows or has any reason to believe that such Product will be resold by such Third Party, either directly or indirectly, outside the Field and/or Territory. If BSD becomes aware that any Third Party to whom BSD sells any Product is marketing, distributing, offering to sell or selling, or is planning to distribute, market and/or offer to sell or sell, the Product outside the Field and/or Territory, BSD shall promptly notify BTI and BTI shall immediately cease to supply such Third Party with Product.

(b) BTI covenants and agrees that it will not promote, market, offer to sell or sell and/or distribute such Product to any Third Party outside the Territory if BTI knows or has any reason to believe that such Product will be resold by such Third Party, either directly or indirectly, within the Field and/or Territory. If BSD becomes aware that any Third Party is marketing, distributing, offering to sell or selling, or is planning to distribute, market and/or offer to sell or sell, the Product within the Field and/or Territory, BSD shall promptly notify BTI and BTI shall immediately cease to supply such Third Party with Product.

2.5. BSD and its subagents covenant and agree that it will not market any competing product of any Third Party except as otherwise may be agreed to by the Parties.

2.6. Upon BTI's request, BSD agrees to provide BTI a list of all manufacturers (and products) represented by BSD.

2.7. Upon BTI's request, BSD agrees to provide BTI a list of the different distribution channels in which Product is being marketed and distributed or intended to be marketed and distributed by BSD, and the names of all subagents engaged by BSD.

2.8. BTI covenants and agrees that all inquiries with respect to any orders received, either directly or indirectly, by BTI for Product in the Field and in the Territory shall be identified and credited to BSD during the Term of the Agreement. BSD covenants and agrees that all inquiries with respect to any orders for Product received, directly or indirectly, by BSD for Product from outside the Field and/or Territory shall be referred to BTI.

2.9. In the event that during the Term BTI has developed or acquired, or develops or acquires, rights in any non-prescription product that competes with the Product in the Field, and provided BSD has satisfactorily completed all Milestones (defined below) and is not in material breach of this Agreement, BSD shall have the exclusive right to promote, market and offer to sell and distribute such Competing Product in the Territory (the "Rights") under the terms and conditions of this Agreement.

3. AVAILABILITY AND FORECASTS

3.1. Product Availability. BTI will use commercially reasonable efforts to deliver the Product in the quantities and at the dates needed to satisfy the demand for Products, provided, however, that BTI: **(a)** has, at such time, sufficient manufacturing capacity; **(b)** reserves the right to allocate the Product equitably among its customers in the event of a shortage of any Product; and **(c)** shall not be liable to BSD for any delay or failure in delivery unless BTI is at fault for such delay or failure, including but not limited to failure to satisfy forecasts as provided by BSD pursuant to this Agreement. Liability will take the form of crediting to monthly commissions and to Milestones the value of all sales cancelled after failure to deliver in two weeks after receipt of order or, if applicable, requested delivery date. This only applies if the order volume is within BSD forecasts.

3.2. Forecasts; Purchase Requirements.

(a) Commencing at least one (1) month prior to the BSD marketing launch and continuing for twelve (12) months thereafter, BSD shall deliver to BTI on a monthly basis prior to the end of each calendar month a rolling three (3) month detailed forecast of BSD's quantity requirements for the Product for each calendar month during the three (3) calendar months commencing with the second calendar month beginning after the date of such forecast. For example, prior to the last day of November, BSD shall deliver to BTI a monthly forecast for each of January, February and March.

(b) Commencing one (1) month prior to the one (1) year anniversary of the BSD marketing launch, and continuing every three (3) calendar months thereafter during the Term, BSD shall deliver to BTI prior to the end of each such three (3) month period a rolling twelve (12) month detailed forecast of BSD's quantity requirements for the Product for each calendar month during the twelve (12) month period commencing with the second calendar month beginning after the date of such forecast. For example, prior to the last day of November, BSD would deliver to BTI a monthly forecast for twelve (12) months starting with January.

(c) BSD's forecasts shall reflect its good faith expectations of Customer demand.

(d) **BTI Inventory.** BTI shall maintain a reasonable inventory of Product adequate to serve the Customer base developed by BSD in the Territory, which in any event shall be a minimum of three (3) months' requirements of Product as specified by BSD's forecasts.

3.3. Limited Warranty; Exclusive Remedy; Disclaimer.

(a) BTI warrants to BSD that each Unit of Product will: (i) through the applicable expiration date set forth on the Product label, conform to the specifications then in effect, provided that BSD complies with the Product label, specifications and applicable instructions relating to the handling, storage and use of the Product; (ii) be manufactured in accordance with all applicable laws and regulations in effect at the time of manufacture; (iii) when shipped to customer by BTI, be free of defects in materials and workmanship; (iv) when shipped by BTI, be conveyed with good title, free of any material liens or encumbrances; and (v) when shipped by BTI, not be adulterated or misbranded. Further BTI warrants and will provide BSD proof of adequate product liability insurance for the agreed annual sales milestones and name BSD as an insured party.

(b) EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, BTI DOES NOT MAKE ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, ARISING BY LAW, OUT OF ANY COURSE OF DEALING OR PERFORMANCE, CUSTOM, INDUSTRY STANDARD OR OTHERWISE, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, ANY PRODUCT PROVIDED UNDER THIS AGREEMENT, OR THE MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF ANY PRODUCT PROVIDED UNDER THIS AGREEMENT, ALL OF WHICH ARE HEREBY EXPRESSLY DISCLAIMED.

(c) BSD SHALL NOT MAKE OR GIVE, OR PERMIT TO BE MADE OR GIVEN BY ANYONE SUBJECT TO ITS AUTHORITY, ANY REPRESENTATION, WARRANTY, GUARANTY OR ASSURANCE TO ANY PERSON WHOMSOEVER RESPECTING ANY PRODUCT, OR THE QUALITY, EFFICACY, SAFETY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT OF ANY PRODUCT, WITHOUT THE PRIOR WRITTEN CONSENT OF BTI; PROVIDED, HOWEVER, THAT BSD MAY, CONFIRM TO THIRD PARTIES THE INFORMATION SET FORTH IN THE PRODUCT LABEL.

4. STEERING COMMITTEE

The Parties shall establish and maintain a steering committee (the "Steering Committee") consisting of equal representation from both BSD and BTI. The Steering Committee shall consist of one senior executive and one other representative from each Party. The Steering Committee shall review the marketing and promotional efforts undertaken, and BSD shall be responsible for all costs associated therewith. The initial members of the Steering Committee shall be:

For BSD: Name: Thomas Moore & Thad Bench Title: Managing Directors, Benchworks SD, LLC	For BTI: Name: Ed Shea & Ken Tasse Title: VP Business Development; President
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(a) **Membership.** Each Party may replace any or all of its representatives on the Steering Committee at any time upon prior written notice to the other Party. Any member of the Steering Committee may designate a substitute to temporarily attend and perform the functions of that member at any meeting of the Steering Committee. Each Party may, in its discretion, invite non-member representatives of such Party to attend meetings of the Steering Committee. The Steering Committee shall be co-chaired by a representative of each of Party. The Steering Committee may form and utilize sub-committees as mutually agreed by the members of the Steering Committee.

(b) **Meetings.** The Steering Committee will meet quarterly, or more frequently as the Parties deem appropriate or as reasonably requested by either Party, on such dates, and at such places and times as the Parties shall agree. The Steering Committee leaders will establish an ongoing communication protocol to review progress as mutually agreed. Meetings of the Steering Committee that are held in person shall alternate between the offices of the Parties, or such other place as the Parties may agree. The members of the Steering Committee also may convene or be polled or consulted from time to time by means of telecommunications, video conferences, electronic mail or correspondence, as deemed necessary or appropriate. The chairpersons of the Steering Committee shall prepare an agenda for each meeting of the Steering Committee and provide the agenda to each member prior to the meeting.

(c) **Decisions.** The Steering Committee will review and discuss in good faith, the marketing and promotional efforts suggested by the Parties. As part of this process, BSD shall consider BTI's comments, modifications and suggested changes to the marketing and promotional efforts in good faith, *provided, however*, that (i) BSD shall have final decision making authority with respect to the marketing and promotional efforts, strategy and tactics for the Product, and (ii) BSD's authority with respect to marketing and promotion of Product shall not include the authority to assert or suggest claims or properties for the Product that are inconsistent with the Structure and Function Claims. BSD and BTI agree to work collaboratively to ensure that a mutually agreeable regulatory review process is implemented prior to release of product promotional material. The Steering Committee will also discuss all list pricing and trademark related decisions, which will be made based on mutual agreement. Further, under the leadership of the Steering Committee, BSD and BTI will work together to identify the most efficient manufacturing source. Notwithstanding the foregoing, this Section 4 shall in no event be deemed to require either Party to take any action that it is not otherwise required to take under this Agreement or refrain from taking any action that it is permitted to take under this Agreement.

(d) **Secretary.** The chairpersons of the Steering Committee shall appoint a secretary of the Steering Committee, and such secretary shall serve for such term as designated by the chairpersons. The secretary of the Steering Committee shall prepare written minutes of all of the Steering Committee's meetings in reasonable detail and distribute the minutes to all members of the Steering Committee within ten (10) days after each meeting.

(e) **Duration.** The Steering Committee shall exist for the duration of the Term, unless the Parties mutually agree in writing to terminate the Steering Committee earlier.

5. MARKETING AND COMMERCIALIZATION

5.1. Commercialization Activities. BSD shall market and promote the Product in an effort to generate sales. BSD, in its discretion, may utilize its full complement of promotional resources including sales representatives, call center services and non-personal promotion, in connection with its marketing and promotional efforts hereunder.

5.2. Subagents. BSD shall inform BTI in writing of, and BTI shall have the right to approve, which shall not be unreasonably withheld, any subagents proposed to be appointed by BSD in respect to the distribution and sale of Product in the Territory. Any such appointment shall be made in writing and only in the name and for the account of BSD, and shall terminate upon the expiration, non-renewal, or termination of this Agreement for any reason; provided, however, that:

(a) BSD shall not undertake to grant to any subagent any rights greater than those which are granted by BTI to BSD under this Agreement;

(b) In order to protect the goodwill of BTI and the Product in the Territory, BSD shall secure the agreement of each and every subagent that it shall assume the same obligations as have been assumed by BSD under this Agreement; and

(c) BSD shall defend, indemnify and hold BTI harmless against any claim, loss, liability or expense (including attorney's fees and court costs) arising, during the term of the Agreement, out of or based upon (i) any act or omission of any subagent, or (ii) any claim made by any subagent against BTI.

5.3. Marketing Plan. Subject to the limiting provisions of Section 4(c), as relates to marketing and promotion, which shall occur in BSD's sole discretion, BTI and BSD will work together to establish a marketing plan for the Product (the "**Marketing Plan**"). Without limiting the scope of the Marketing Plan, the Parties agree that the Marketing Plan shall include a market development program that will include lead generation, consumer awareness/education, and trade-show presence and sales coordination.

5.4. As soon as possible, but in no case less than thirty (30) days prior to the launch BSD will provide to BTI a proposed detailed draft of the Marketing Plan. BSD shall use its best reasonable efforts to perform its obligations under and in compliance with such Marketing Plan, including without limitation meeting and satisfying any Milestones (as defined below) thereunder.

5.5. Marketing Materials. In the promotion, advertising and marketing of the Product, BSD shall develop sales and promotional literature using the Promotional Materials (defined below) provided to BSD by BTI pursuant to Section 5.6. BSD shall have the right to prepare other product descriptions and other promotional and marketing materials relating to the Product; provided however, that **(a)** all costs and expenses incurred by BSD in the preparation and distribution of such product descriptions and other promotional and marketing materials shall be the responsibility of BSD; and **(b)** all such product descriptions and other promotional and marketing materials shall not be released by BSD until approved in writing by BTI, such approval not to be unreasonably withheld. BSD shall submit samples of the final copy for all product descriptions and other promotional and marketing materials it proposes to use in respect of the Product for BTI's approval within thirty (30) days prior to the first date of anticipated use of such materials. BTI shall use commercially reasonable efforts to respond to any such request for approval within a five (five) day period. If no written response is given by BTI denying such request within the aforesaid term, then BTI's approval shall be deemed granted.

5.6. Product Literature. BTI will share with BSD samples of product descriptions, sales aids and advertising and promotional materials developed and used by BTI, its other distributors or licensees (collectively "**Promotional Materials**") in respect of the Product as soon as practicable. BSD shall bear all costs of reproducing and/or adapting such Promotional Materials for use within the Territory, and shall not use any adaptations of such Promotional Materials without BTI's prior written approval. BSD agrees to share samples of its Promotional Materials with BTI. BTI warrants that the claims in its promotional materials are materially correct.

5.7. Rights to Creative/Promotional Materials. Notwithstanding any other provision hereof, all promotional materials, literature, artwork and designs, trademarks, logos, inventions or other creative materials of any description, created or authored by BSD or as to which BSD commissioned the creation, shall be and remain the exclusive property of BSD whether or not patented, patentable, copyrighted, registered as a trademark or otherwise subject to any federal or state procedure relating to ownership of the same. For the avoidance of doubt, nothing herein shall be deemed a grant by or transfer of ownership from BTI to BSD of a license or other right to use or exploit any BTI Intellectual Property Rights except as specifically contemplated in this Agreement.

5.8. Clinical Research. BSD may propose additional clinical research to support enhanced marketing claims for Products. BSD will work with BTI to make any study generally supportive of the efficacy of the technology. If BTI agrees with the study protocol, clinical expenses will be shared 50/50%. Ownership of the research will be shared.

6. MINIMUM ANNUAL PERFORMANCE MILESTONES

6.1. In order to retain the exclusive rights granted hereunder, BSD agrees to meet the following Minimum Net Sales for each of the following calendar years (collectively, "Milestones") to be achieved during the Term.

AGREEMENT YEAR	MINIMUM NET SALES	COMPLETION DATE
2014	\$800,000	December 31, 2014
1	\$5,000,000	December 31, 2015
2	\$15,000,000	December 31, 2016
3	\$35,000,000	December 31, 2017

6.2. For 2014 only, the parties agree that, in the event that Minimum Net Sales of less than \$800,000 are achieved, proof of marketing and research out of pocket expenditures of \$450,000 will be sufficient to maintain exclusivity to December 31, 2015.

AGREEMENT YEAR	MINIMUM NET SALES	COMPLETION DATE
2014	\$800,000	December 31, 2014
1	\$5,000,000	December 31, 2015
2	\$15,000,000	December 31, 2016
3	\$35,000,000	December 31, 2017

The Parties agree to evaluate and update the Milestones at least once per quarter during the Term of this Agreement, provided that the initial Milestones shall remain firm and binding on the parties unless otherwise agreed to in writing. All updates and revisions of the Milestones that are mutually agreed to in writing by the Parties shall be deemed to be amendments to this Agreement and shall therefore be deemed to be part of and incorporated into this Agreement.

6.3. In the event that BTI meets all of BSD's Product requirements but BSD fails to complete Milestones by the applicable completion dates for any calendar year of this Agreement (defined as commencing with calendar 2014 and the calendar years thereafter), BTI, in its sole discretion, may (a) convert the exclusive marketing rights granted under this Agreement with respect to the Product to nonexclusive rights, (b) terminate this Agreement or (c) waive the requirements of this Section 6 for the respective contract year.

7. FEES AND REVENUE SHARING

(a) BTI will provide to BSD on a monthly basis by the 5th business day of the following month an accounting of the previous month sales and pay BSD within five (5) business days after receiving the gross revenues from the previous month an amount per Unit of Product sold in each month through the applicable year in accordance with the following schedule:

Cumulative Net Sales Per Calendar Year	Monthly Commission Payment to BSD on Net Sales
\$0-\$10 million Net Sales,	65%, plus
Next \$10-\$25 million Net Sales,	60%, plus
Next \$25-\$40 million Net Sales,	55%, plus
That amount exceeding \$40 million Net Sales	50%

For example, in the event BSD attains \$27 million in Net Sales in a calendar year, BSD would earn 65% of the first \$10 million, 60% on the next \$15 million and 55% of the balance of \$2 million.

The Parties further agree that, in calculating the fees for Net Sales exceeding \$40 million Net Sales, the actual manufacturing cost per 60 tablets and packaging will be used in place of the \$5 used for amounts under \$40 million.

Taxes. All amounts payable to either Party under this Agreement are exclusive of any income, sales, use, property, ad valorem, value added or other taxes, levies, imposts, duties, charges or withholdings of any nature, arising out of any transaction contemplated by this Agreement. Each party shall pay its own taxes.

For sales taxes on Product Sales, BTI will manage sales tax payments and indemnify BSD for Product Sales Tax liabilities incurred.

8. RESPONSIBILITIES OF THE PARTIES

8.1. Obligations of BTI. Except as otherwise provided herein, BTI shall, at its own expense: (a) manufacture and support the Product scientifically through ongoing clinical studies; (b) comply with all regulatory matters concerning the Product; (c) manage prompt and timely shipping and billing for the Product to those buyers identified to it by BSD; and (d) contemporaneously with receipt by BTI, provide copies to BSD of all communications of any nature, or form, whether as written in hard copy or electronic correspondence from consumers, regulatory agencies, trade customers, or others, or by voice, and irrespective of whether such correspondence is laudatory, negative or legally significant to BTI or BSD; BSD and BTI will, as the nature of such correspondence requires, discuss appropriate handling of the same. As the successful relationship between BTI and its customers is the principal goal of BSD, BTI agrees it shall not undertake and communicate with any customer without the knowledge, permission and participation of BSD.

8.2. Obligations of BSD

(a) **Reasonable Efforts.** BSD shall use its best commercially reasonable efforts to market, promote, offer to distribute and sell the Product within the Territory at its own expense, including without limitation, professional sales calls on target audiences, advertising the Product in appropriate media and participating in trade shows, conferences, expositions, and promotional seminars, all with due consideration for the local marketing environment in the Territory. BSD shall conduct its marketing activities in a lawful manner with the highest standards of promotional practices, fair trade, fair competition, and business ethics, and shall cause its employees and subagents to do the same.

(b) **Non-Compete.** BSD and its sub agents shall not, directly or indirectly, promote, market, offer to sell or sell or distribute any Competing Product in the Territory or elsewhere during the term of the agreement. BSD hereby further covenants and agrees that during the Term of this Agreement, and for a period of six (6) months following the termination or expiration of this Agreement, it shall not, for whatever reason, either individually or in partnership or jointly or in conjunction with any Third Party as principal, agent, employee, shareholder, owner, investor, partner or in any other manner whatsoever, directly or indirectly, carry on or be engaged in or be concerned with or interested in, or advise, lend money to, guarantee the debts or obligations of or permit its name or any part thereof to be used or employed by any Third Party engaged in or concerned with or interested in, the business of manufacturing, developing, producing, marketing, distributing, supplying or selling, for wholesale or retail, any Competing Products within the Territory.

In addition to any other obligations set forth herein, BSD shall:

(c) provide to BTI ongoing market evaluations for Product and use its best efforts to develop and enhance the BTI name and brand image in order to increase market awareness and sales of such Product within the Territory;

(d) supply BTI with records of all contacts made with present and prospective Customers in the Territory, including the nature of such contacts;

(e) comply with and cause any subagents, or other Third Parties appointed by it to comply with all applicable laws, rules, regulations and/or guidelines in the Territory relating to the use, storage, handling, transportation, marketing, promotion, distribution, sale, transfer and/or disposal of the Product, as well as with the terms and conditions of this Agreement;

(f) reserved;

(g) identify with BTI all regulatory requirements applicable to the marketing claims and other statements included in sales material and advertisements, determine the methods available to satisfy those requirements and propose for the review of BTI the steps to be taken in complying with such regulations. To the extent compliance with regulations requires investment of cash, time and effort to that end, BSD shall identify those requirements and the anticipated costs, for review by BTI. If BTI and BSD agree to pursue such steps in complying with regulatory requirements, the parties shall equally share such costs;

(h) maintain its awareness of market changes and shall, where it believes it to be appropriate, suggest steps to be taken by BTI or BTI and BSD together to capitalize on such changes, including, for example, research into particular issues of interest to consumers, methods of consuming the Product, flavors and colors of the Product, and other benefits that the Product may elicit from users, etc.;

(i) be the exclusive sales representative of BTI regarding the Product in dealing with BTI's trade customers located in the Territory and in the Field ;

(j) attend trade meetings and make personal presentations to prospective trade customers explaining the benefits and opportunities of reselling "SUGARDOWN@";

(k) as to commercial (that is, not consumer retail end user) accounts, develop marketing material and presentations directed to establishing demand for the Product as an ingredient (with or without the use of the trademark "SUGARDOWN@"), in products manufactured by particular commercial customers;

(l) It is assumed individual commercial accounts may have their own needs and objectives necessitating tailoring the presentation and the product to the idiosyncrasies of that company, its production requirements and its target markets. BSD is to market the product to the target company, igniting appreciation of the commercial potential "SUGARDOWN@", embodies and obtain from the target company information regarding its needs as to volume and other elements; and

(m) Communicate with BTI regarding the potential for such commercial accounts and the needs of such customers as they become known to BSD

8.3. Use of Trademark. In connection with the foregoing, BSD covenants and agrees as follows:

(a) except as otherwise provided in the definition of "Field" and "Territory" in Paragraph 1, to market, promote, offer to sell and sell the Product only under the Trademark, and not under any other trademark or logo of any other Third Party, except if the Product is combined with another trademarked product, in which case, both Trademarks can be displayed;

(b) to obtain from BTI written approval for all Product-related advertising, sale and all other promotional materials and to comply with all instructions issued by BTI relating to the form and manner in which the Trademark shall be used and upon notice from BTI, immediately discontinue, any practice relating to the use of the Trademark which, in BTI's reasonable opinion, would or might adversely affect the rights or interests of BTI in such Trademark;

(c) to conduct business in a manner that reflects favorably at all times on the Product and reputation of BTI in order to develop, promote and maintain same with Customers and to protect and preserve the goodwill and image of BTI and the Product;

(d) not to use or permit any entity controlled by it or affiliated with it to use the Trademark or any other trademarks or trade names or trade dress of BTI or any trademarks, trade dress, words, names, symbols, or designs which could reasonably be expected to be considered confusingly similar thereto, as part of such entity's corporate or trading name or style or on any of its products;

(e) not to infringe BTI's rights in and to the Trademark and not to dispute, contest, attack or impair the validity or ownership of the Trademark or do any act which tends to impair the validity of the Trademark or the title of BTI to any Trademark, trade names, copyrights and registrations used in connection with the Product, nor to effect any applications or registrations thereof without the express written consent of BTI, and not to take any action to the detriment of BTI's interest therein or which would or could dilute the value of the goodwill attaching to the Trademark;

(f) to impose similar conditions on any Affiliates, subagents and those set forth in this Section 8.4 and to take such action as BTI may require at any time in respect to the use by any Third Party's unauthorized use of the Trademark; and

(g) upon termination of this Agreement for any reason whatsoever, shall immediately discontinue all use of the Trademark and trade names, and shall return to BTI all price lists, catalogs, sales literature, advertising and promotional literature and all other materials relating to the Product or Confidential Information in its possession and over which it has control.

9. REPORTING OBLIGATIONS

9.1. Record Keeping. At all times during the Term of this Agreement, BSD and BTI shall maintain at their principal places of business full, complete and accurate books of accounts and records with regard to its activities under this Agreement. BSD and BTI shall retain such records for a period of not less than three (3) years after the date they are created. Upon reasonable notice, BTI shall permit BSD or its representative's access during normal business hours to any premises of BTI in order that BSD, at its own expense, may inspect, copy and audit BTI's books related to the Product for the sole purpose of verifying compliance by BTI with its obligations under this Agreement. In connection with such verification, BSD may request, and BTI shall promptly prepare and provide to BSD, a reconciliation of any differences between gross revenues and Net Sales generated and/or recorded from sale of the Product. In the event it is determined that the records of BTI indicate that the amount payable under this Agreement is more than that actually paid to BSD, BTI shall pay such difference to BSD within five (5) business days; if the underpayment is five percent (5%) or more of the amount determined to have been payable, BTI shall also promptly pay BSD's reasonable, and prior agreed-upon costs of such inspection or audit.

9.2. Reports. (a) BSD shall provide BTI with quarterly operation reports of BSD's activities to market, promote, offer to distribute and sell the Product in the Territory, and shall provide to BTI copies of all such reports received by BSD from its subagents.

(b) BTI shall provide BSD quarterly with a report certified as correct by its Chief Financial Officer which shall be due within thirty (30) days after the end of the period to which it relates. Each report shall include:

- (i) a quarterly accounting of Product sold, identifying the purchasers and number of Units sold to each; and
- (ii) a quarterly accounting of gross revenues and Net Sales of the Product.

9.3. Annual Statements. BSD shall provide BTI with annual statements within thirty (30) days after the end of each calendar year showing a summary of all promotional activities undertaken by BSD with respect to the Product during the preceding calendar year.

10. CONFIDENTIAL INFORMATION

10.1. Non-Disclosure and Non-Use Obligations. During the Term of this Agreement, BTI will disclose certain Confidential Information to BSD to permit BSD to perform its obligations under this Agreement. BSD shall refrain from using or exploiting any and all Confidential Information for any purposes or activities other than those expressly authorized in this Agreement. BSD agrees that such Confidential Information shall be kept secret by BSD during the Term of this Agreement. BSD shall disclose Confidential Information only to its employees, agents, representatives, or subagents solely on a "need to know" basis and such employees, agents, representatives, or subagents are bound by written obligations of confidentiality and restrictions on use that cover the Confidential Information and are at least as stringent as those set forth in this Agreement. Any material BTI intends to be treated as confidential shall be so marked at the time it is provided or within 5 business days thereafter.

10.2. Confidentiality Agreements. BSD shall cause its directors, officers and employees and the directors, officers and employees of, respectively, BSD's agents, representatives, subagents or who will receive Confidential Information pursuant to Section 10.1 to enter into a Confidentiality Agreement in a form approved by BTI. BSD shall, at its own expense undertake the enforcement of any such Confidentiality Agreement in the event of any breach thereof. Notwithstanding any such Confidentiality Agreement, by any of BSD's representatives and subagents, BSD acknowledges that it shall be fully responsible and liable to BTI for any and all damages and costs (including legal fees) suffered or incurred by it as a consequence of any breach by any of BSD's agents, representatives and subagents, and/or any Third Parties given access to the Confidential Information, of the restrictions of non-use and non-disclosure herein.

10.3. Ownership of BTI's Materials. All files, lists, records, documents, drawings, specifications and records, whether in written or electronic form, which incorporate or refer to all or a portion of BTI's Confidential Information shall remain the sole property of BTI. Such materials shall be promptly returned upon the earlier to occur of: (a) BTI's reasonable request, or (b) in accordance with Section 16.2 of this Agreement upon termination of this Agreement.

10.4. Exceptions. Confidential Information does not include information that: (a) is in the public domain prior to disclosure by BTI; (b) becomes part of the public domain during the Term by any means other than breach of this Agreement by BSD; (c) is already known to BSD at the time of disclosure and is free of any obligations of confidentiality, as evidenced by competent evidence; or (d) is obtained by BSD, free of any obligations of confidentiality from a Third Party who has a lawful right to disclose it or (e) is developed by BSD in the course of its professional activities independent of any confidential information provided to it by BTI.

10.5. Disclosure Required by Law. Notwithstanding any other provision in this Agreement, disclosure of proprietary and Confidential Information is permitted to the extent it is required to comply with an order or requirement of a court, administrative agency or other governmental body, provided that BSD gives BTI prompt notice of any such order or requirement and cooperates with BTI to determine whether to take legally available steps to resist or narrow such disclosure, and that BSD takes all reasonable and lawful actions to obtain confidential treatment for such disclosure.

10.6. Survival of Obligations. The obligations of non-use and non-disclosure of Confidential Information shall survive termination or expiration of this Agreement and continue for a period of two (2) years thereafter.

11. INTELLECTUAL PROPERTY RIGHTS

11.1. Acknowledgment. BSD acknowledges BTI's exclusive right, title and interest in and to all Intellectual Property Rights pertaining to the Product. BSD shall not at any time during or after the Term of this Agreement take any act or step impairing and or adversely affecting the Intellectual Property Rights.

11.2. Notices, Trademarks and Name. BSD shall have the exclusive right to use the Trademark in the Territory with respect to the development of channels of distribution and sale of Products. BSD shall not market the Product under any name, sign or logo other than the Trademark. BSD may use the Trademark solely in connection with the distribution of the Product and in accordance with BTI's reasonable instructions and quality control standards. BSD acknowledges and agrees that it shall not have any rights in respect of the Trademark except to the extent expressly granted in this Agreement, and that all use of the Trademark in the Territory and all goodwill in the Trademark shall inure to the benefit of BTI.

11.3. Third Party Claims. BSD shall promptly notify BTI of any claims or objections that BSD's use of the Intellectual Property Rights in connection with the marketing, offers to sell and sales of the Product may or will infringe the copyrights, patents, trademarks or other proprietary rights of a Third Party ("Third Party Claim"). If BSD is served with a legal action or otherwise forced to respond in a legal proceeding due to a Third Party Claim, BSD shall (a) promptly assign the defense of such Third Party Claim to BTI; and (b) cooperate with BTI providing all reasonable assistance, at BTI's expense, in connection with the defense of any such Third Party claim or objection, whether in the courts, before administrative agencies, or otherwise. BTI will defend and indemnify BSD for any third party claims that will infringe the copyrights, patents, trademarks or other proprietary rights of a third party. Notwithstanding the foregoing, if any Third Party Claim is based upon, or would not have been brought but for the combination of BSD marketing and/or other materials with the sales effort relating to the Product, then BSD shall fund the defense of such Third Party Claim.

11.4. Infringement of BTI Patents and Intellectual Property Rights. BSD shall promptly notify BTI of any infringement or suspected infringement of BTI Patents and any other Intellectual Property Rights of BTI in the Territory relating to the Product of which it becomes aware, and provide BTI with any available evidence of such infringement or suspected infringement.

12. REPRESENTATIONS AND WARRANTIES

12.1. General. Each Party represents and warrants to the other that, as of the Effective Date:

(a) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, and it has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof;

(b) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the authorized representative executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate action; and

(c) this Agreement is legally binding upon it and enforceable in accordance with its terms, and the execution, delivery and performance of this Agreement does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any material applicable law.

12.2. BTI Warranties. BTI represents and warrants to BSD that, as of the Effective Date:

(a) To the best of BTI's knowledge, the sale and offer for sale of the Product does not infringe the proprietary rights of any Third Party in the Territory, and no court proceedings or any other procedure for infringement of patent, copyright, trademark, trade secret or any other property rights have been threatened or brought against BTI with respect to the Product, nor is BTI aware of any basis for such a claim and if it should become it shall promptly notify BSD and provide reasonable details.

(b) the Product supplied hereunder shall conform to the Product specifications therefor, as published by BTI from time to time and complies with all applicable federal and state regulations; and

(c) the execution, delivery and performance of this Agreement by BTI does not and will not conflict with or result in a breach of any agreement, instrument or understanding, oral or written, to which BTI is a Party or by which BTI may be bound, nor violate any law or regulation of any court or governmental authority having jurisdiction over BTI.

(d) Any data or claims relating to the Product, the use or effect of the Product shall be materially correct.

12.3. BSD Warranties. BSD represents and warrants to BTI that, as of the Effective Date, the execution, delivery and performance of this Agreement by BSD does not and will not conflict with or result in a breach of any agreement, instrument or understanding, oral or written, to which BSD is a Party or by which BSD may be bound, nor violate any law or regulation of any court or governmental authority having jurisdiction over BSD.

12.4. DISCLAIMER. TO THE FULL EXTENT PERMITTED BY LAW, APART FROM ITS WARRANTIES AND INDEMNITY, BTI MAKES NO ADDITIONAL REPRESENTATIONS OR WARRANTIES AND HEREBY DISCLAIMS ALL WARRANTIES, REPRESENTATIONS, AND LIABILITIES, WHETHER EXPRESS OR IMPLIED, ARISING FROM CONTRACT OR TORT EXCEPT FRAUD), IMPOSED BY STATUTE OR OTHERWISE, RELATING TO THE PRODUCT AND/OR ANY PATENTS OR TECHNOLOGY USED OR INCLUDED IN THE PRODUCT, INCLUDING ANY WARRANTIES AS TO MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, CORRESPONDENCE WITH DESCRIPTION, OR NON-INFRINGEMENT.

13. INDEMNIFICATION AND INSURANCE

13.1. Intellectual Property Indemnification by BTI.

(a) BTI agrees to indemnify, defend and hold harmless BSD from and against Third Party claims or suits alleging that any Product purchased by BSD hereunder, or sale thereof by BSD consistent with the Product label, instructions and specifications, infringes any United States patent. BTI agrees to pay all costs and judgments awarded or settlements entered into by BTI on such claims. BSD shall: **(i)** notify BTI promptly in writing of such claim, **(ii)** grant BTI sole control over the defense and settlement thereof (provided that BSD may retain its own counsel and participate in the defense of such claim at its own expense but may not enter into a settlement affecting BTI without BTI's prior written consent and **(iii)** reasonably cooperate with BTI in the defense of any claim. The foregoing indemnity obligation will not extend to any claims of infringement arising out of or related to **(iv)** a modification of a Product by anyone other than BTI; **(v)** a combination of the Product with any Third Party product, where such combination is the cause of such infringement; or **(vi)** the sale of the Product other than in accordance with instructions provided by BTI to BSD from time to time. BSD may retain its own counsel in connection with a matter BTI is obligated to defend under this Section 13.1(a), at BTI's expense and with BTI's prior approval (not to be unreasonably withheld), if the counsel retained by BTI for such matter notifies BTI and BSD that it is unable to represent BSD due to a conflict of interest.

(b) In the event the Product is held by a court of competent jurisdiction to infringe, BTI may, at its sole option and expense, elect to: **(i)** modify the Product so that it is non-infringing; **(ii)** replace the Product with a non-infringing product which is of like quality and functionally equivalent; **(iii)** obtain a license for BSD to continue to sell the Product as provided hereunder; or if none of **(i)**, **(ii)**, or **(iii)** is commercially reasonable, then **(iv)** terminate this Agreement upon written notice to BSD ; provided, however, if BTI terminates this Agreement pursuant to this subsection **(iv)**, BTI shall purchase from BSD all marketing materials purchased by BSD remaining in BSD 's inventory.

13.2. Additional Indemnification.

(a) **By BTI.** BTI shall indemnify, defend, and hold harmless BSD , its respective trustees, officers, directors, employees, members subagents and sub-distributors (“BSD Indemnitees”) from and against any actual or alleged Third Party claims, actions or proceedings (collectively, “Claims”) seeking compensation for injury to person or property to the extent that such injury arises or is alleged to have arisen by the act or forbearance to act by BTI or at the direction or sufferance of any of BTI’s Indemnitees as defined in Section 13.2(b): (i) negligent actions or omissions, or willful misconduct and/or breach of this Agreement, (ii) failure to follow any applicable federal, state or local laws, regulations and guidelines; or (iii) product liability claims alleging defects in the Product, except to the extent such injury results from the negligent actions or omissions, or willful misconduct by any BSD Indemnitee.

(b) **By BSD.** BSD shall indemnify, defend, and hold harmless BTI, its respective trustees, officers, directors, employees, agents and contractors (collectively, the “BTI Indemnitees”) from and against any and all actual and alleged Claims to the extent that such Claim arises out of any act or forbearance to act by BSD or at the direction or sufferance of any of BSD Indemnitees as defined in Section 13.2(a): (i) negligent actions or omissions, or willful misconduct; (iii) failure to follow any applicable federal, state or local laws, regulations and guidelines; or (iv) failure to follow the written instructions or recommendations provided by or on behalf of BTI to the BSD Indemnitees.

13.3. Conditions of Indemnity. The Party claiming a right of indemnification or defense under this Agreement shall provide the Indemnifying Party prompt notice (in all events within twenty (20) days) of knowledge of any such Claim, including a copy thereof, served upon it, and shall cooperate fully with the Indemnifying Party and its legal representatives in the investigation of any such Claim, at the Indemnifying Party’s expense. The Indemnifying Party shall have the right to exercise sole control over the defense and settlement of any such Claim, including the sole right to select defense counsel and to direct the defense or settlement of any such Claim; provided that the Indemnifying Party shall not enter into any settlement or admit fault or liability on the Indemnified Party’s behalf without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld. The Indemnified Party shall have the right to select and to obtain representation by separate legal counsel. If the Indemnified Party exercises such right, all costs and expenses incurred by the Indemnified Party for such separate legal counsel shall be borne by the Indemnified Party except in the event counsel for the Indemnifying Party determines that a conflict prevents such counsel from representing the Indemnified Party in which case the costs of separate legal counsel shall be borne by the Indemnifying Party. The Indemnifying Party shall be relieved of any indemnification obligation hereunder if any Party seeking indemnification either: (i) fails to follow the procedures set forth herein; (ii) except where a conflict requires the Indemnified Party to have retained separate counsel, compromises or settles any Claim without the Indemnifying Party’s prior written approval; or (iii) except where a conflict requires the Indemnified Party to have retained separate counsel, makes any admission or takes any other action with respect to any such Claim that, in the Indemnifying Party’s reasonable judgment, is prejudicial to the defense of such Claim, without the Indemnifying Party’s prior written approval.

13.4. Insurance. Each Party warrants that it shall maintain a policy or program of insurance in compliance with applicable federal, state and local laws and which is of an amount adequate to cover their respective obligations under this Agreement. A Party shall provide a certificate of insurance and any other associated documentation evidencing such coverage upon written request by the other Party.

14. LIMITATIONS OF LIABILITY

14.1. LIMITATION. IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, DAMAGES FOR LOSS OF PROFITS, REGARDLESS OF THE THEORY OF LIABILITY, EVEN IF SUCH PARTY HAS BEEN PREVIOUSLY ADVISED OF THE POSSIBILITY OF SUCH DAMAGE OCCURRING.

15. TERM, EXTENSION AND TERMINATION

15.1. Term. The Term of this Agreement shall commence on the Effective Date and continue for a period of one (1) year subject to the terms for termination and extension detailed with this Section 15.

15.2. Term Extensions.

Within, but not before, six (6) months prior to the expiration of this Agreement and any extension as provided herein, the Parties agree to discuss the terms and conditions for extending the Term of the Agreement. Except by mutual agreement by the Parties, the Term of the Agreement shall be extended to not less than that as indicated based upon the achievements of BSD as provided in Section 15.3(c) below

15.3. Termination by BTI.

(a) BTI may terminate this Agreement, at its sole discretion by giving BSD 90 (ninety) days' written notice of termination, effective on the date such notice is received, in the event that:

(i) BSD breaches any of its material obligations under this Agreement and fails to cure such breach within sixty (60) days of receiving a written notice from BTI specifying such breach;

(ii) BSD takes any act or step without authorization from BTI that impairs or adversely affects BTI's Intellectual Property Rights and/or Confidential Information;

(iii) BSD enters into insolvency or bankruptcy or is unable to pay its debts as they fall due, or a trustee or receiver or the equivalent is appointed to BSD, or proceedings are instituted against BSD in the Territory relating to dissolution, liquidation, winding up, bankruptcy, insolvency or the relief of creditors, if such proceedings are not terminated or discharged within thirty (30) days;

(iv) any event of Force Majeure, as defined in Section 17.12 hereof, occurs and prevents BSD from performing its obligations under this Agreement for a period of ninety (90) days or more, provided there is no commercially reasonable alternative;

(b) Except as provided in Paragraph 15.3(c), beginning 12 months after the contract becomes effective, BTI may terminate this Agreement and the exclusive arrangement set forth therein, without cause, by providing BSD with ninety (90) days prior written notice.

(c) (i) BSD's contract shall be extended an additional 12 months upon attaining the Milestones in Minimum Net Sales as provided in Section 6 in any calendar year where the Minimum Net Sales goal has been attained.

(ii) In addition to the extension provided annually in Section 15.3(c)(i), BSD's Agreement shall be extended annually an additional period as provided below in each instance where:

(A) BSD has exceeded the applicable Minimum Net Sales Goal as provided in Section 6 by 50%, then the Agreement shall be extended by an additional 6 months; and/or

(B) BSD has obtained written agreement for widespread sales distribution into a major retailer such as GNC, Walgreen's, CVS, Walmart, Kroger, etc. then the Agreement shall be extended by an additional 12 months; and/or

(C) BSD has obtained written agreement for widespread sales distribution to commercial users of Product in the production of new forms of Product, such as nutritional and non-nutritional beverages, foods, food supplements and food additives or ingredients, then the Agreement shall be extended by an additional 12 months.

(iii) In each calendar year in which any of the objectives provided in Section 15.3(c)(ii)(A),(B) or (C) are attained the relevant extensions of the Agreement shall be added together to determine total extension of the Agreement achieved that year. For example, if in any year BSD exceeds the Minimum Net Sales Goal by 50% and succeeds in obtaining written agreement for widespread sales distribution into a major retailer the Agreement would be extended by 30 months (meeting the minimum sales = 12 month extension + attaining 50% over minimum sales volume = 6 month extension + distribution into major retailer = 12 month extension totaling extension of 30 months). Similarly, in any year where BSD succeeds in obtaining written agreements for widespread purchase and distribution by two major retailers, the Agreement would be extended by 24 months.

15.4. Termination By Benchworks SD, LLC.

(a) BSD may terminate this Agreement, at its sole discretion by giving BTI Ninety (90) days written notice of termination, effective on the date such notice is received, in the event that:

(i) BTI breaches any of its material obligations under this Agreement, and fails to cure such breach within sixty (60) days of receiving a written notice from BSD specifying such breach;

(ii) any event of Force Majeure, as defined in Section 17.12 hereof, occurs and prevents BTI of BSD from performing its obligations under this Agreement for a period of ninety (90) days or more, provided there is no commercially reasonable alternative;

(iii) any law or regulation is enacted within the Territory which would substantially impair or restrict:

(A) BTI's right, title or interest in the Product, Intellectual Property Rights and/or Confidential Information; or

(B) BSD's right to market the Product in accordance with this Agreement.

(b) BSD may terminate this Agreement and the exclusive arrangement set forth therein, without cause, by providing BTI with ninety (90) days prior written notice.

16. RIGHTS AND OBLIGATIONS UPON TERMINATION

16.1. Cessation of Rights. Upon expiration or termination (collectively, the "Termination") of this Agreement for any reason whatsoever as provided herein all rights and obligations of the Parties hereunder shall cease, except as provided otherwise in this Agreement; provided, however, that Termination of this Agreement shall not relieve the Parties hereto of any obligations accrued prior to said Termination. Upon Termination by BTI pursuant to Section 15.3, BSD shall immediately cease to use any advertising or promotional materials relating to the Product and discontinue any previously authorized use of the BTI Intellectual Property Rights and Confidential Information and shall cease all conduct that might cause any Third Party to believe that BSD markets the Product or is otherwise connected with BTI.

16.2. Return of Materials and Customer Lists. Upon Termination, BSD shall promptly return to BTI its designee, and shall cause its subagents and employees to return or deliver, all sales materials, Confidential Information in written, recorded or other tangible form and other items in BSD's possession, which BTI has furnished or supplied to BSD.

16.3. Survival. Upon the expiration or termination of this Agreement for any reason, except as otherwise expressly provided in this Agreement, (a) BTI's obligation to pay to BSD its share of revenues pursuant to Section 7(a) shall continue and survive through the period covered by all extensions to this Agreement for sales to those buyers of Products sourced by BSD pursuant hereto with respect to any and all Net Sales, whether such Net Sales occur prior to or after such expiration or termination; and (b) all other rights and obligations of the Parties hereunder shall automatically terminate, except that the obligation of BTI to pay all amounts owed to BSD under Sections 3 and 7 and the rights and obligations of the Parties under Sections 3.3, 5.2(c), 5.7, 7, 8.4(g), 10, 11.3, 12, 13, 14, 15, 16 and 17 of this Agreement shall survive any such expiration or termination for a period of 12 months or, in the case of payments pursuant to Sections 7 and in any extension of this Agreement as provided in Section 15.3(c), the date such obligation would expire per the terms of the Agreement.

17. MISCELLANEOUS

17.1. Independent Contractors. For the purposes of this Agreement, each of BTI and BSD shall be deemed to be an independent contractor, and not a partner, agent or employee of the other Party. Neither BTI nor BSD shall have authority to make any statements, representations or commitments of any kind, or to take any action which is binding on the other Party, except as may be authorized by the other Party in writing.

17.2. No Implied Licenses. Each Party agrees that no rights or licenses are granted to the other Party, by implication or otherwise, except to the extent expressly set forth in this Agreement.

17.3. Waiver. No waiver of any term, provision or condition of this Agreement in any one or more instances will be deemed to be or construed as a further or continuing waiver of any other term, provision or condition of this Agreement. Any such waiver, extension or amendment must be evidenced by an instrument in writing executed by an officer authorized to execute waivers, extensions or amendments.

17.4. Entire Agreement. This Agreement, together with any Exhibits attached hereto, constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior oral or written agreements between the Parties with respect to such subject matter.

17.5. Reserved.

17.6. No Modification. This Agreement may be changed, modified, amended or supplemented only by a writing signed by authorized representatives of both Parties.

17.7. Severability; Reformation. Each provision in this Agreement is independent and severable from the others, and no provision will be rendered unenforceable because any other provision may be invalid or unenforceable in whole or in part. If the scope of any restrictive provision in this Agreement is too broad to permit enforcement to its full extent, then such restriction will be reformed to the maximum extent permitted by law.

17.8. Further Assurances. Each Party agrees to do such acts and execute such further documents as may be necessary or desirable to enable the performance of and to fulfill the provisions and intent of this Agreement.

17.9. Successors And Assigns; Assignment. The terms of this Agreement shall apply to, be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns. Neither Party may assign this Agreement or its rights or obligations hereunder, directly or by operation of law, without the prior written consent of the other Party; provided, however, that either party may, without the written consent of the other, assign this Agreement and its rights and delegate its obligations hereunder to Affiliates, or in connection with the transfer or sale of all or substantially all of its assets or business related to this Agreement, or in the event of its merger, consolidation, change in control or similar transaction. Any permitted assignee shall assume all obligations of the assigning Party under this Agreement. Any purported assignment or attempted assignment in violation of this Section 17.9 shall be null and void.

17.10. No Third Party Beneficiaries. Nothing herein, expressed or implied, is intended to or shall be construed to confer upon or give to any person or entity other than BTI and BSD and their successors or permitted assigns any rights or remedies under or by reason of this Agreement.

17.11. Foreign Corrupt Practices Act And Export Controls. Each Party agrees to comply with the United States Foreign Corrupt Practices Act and all applicable export laws, restrictions and regulations of any United States or foreign agency or authority and not to export or re-export, or allow the export or re-export of, any product, technology or information it obtains or learns pursuant to this Agreement in violation of any such laws, restrictions or regulations.

17.12. Force Majeure. Neither Party shall be liable to the other Party for any delay or omission in the performance of any obligation under this Agreement, other than the obligation to pay monies, where the delay or omission is due to any cause or condition beyond the reasonable control of the Party obliged to perform, including, but not limited to, strikes or other labor difficulties, acts of God, acts of government (in particular with respect to the refusal to issue necessary import or export licenses), war, riots, embargoes, or inability to obtain supplies ("Force Majeure"). If Force Majeure prevents or delays the performance by a Party of any obligation under this Agreement, then the Party claiming Force Majeure shall promptly notify the other Party thereof in writing.

17.13. Notices. Unless otherwise specifically provided, all notices required or permitted by this Agreement shall be in writing and in English, effective upon receipt, and may be delivered personally, or may be sent by facsimile, commercial express courier, or first class air mail, postage prepaid, addressed as follows:

If to Benchworks SD, LLC: Benchworks SD, LLC 1512 Spruce St. Philadelphia, PA 19102 Attn: Thomas A Moore #2701 Tel:(617) 331-4872 Fax: (215) 627-2205	If to BTI: Boston Therapeutics, Inc. 1750 Elm Street Manchester, New Hampshire 03104 Attn: Anthony Squeglia, CFO Tel.: (603)-935-9799 Fax: (603)-685-4784
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17.14. Headings. The headings used in this Agreement are for the convenience of the reader; the headings do not constitute or form a part of this Agreement, and shall not be used in the interpretation or meaning of the terms and conditions hereof.

17.15. Construction. This Agreement shall not be construed against the Party preparing it but shall be construed as if both Parties jointly prepared it.

17.16. Remedies. Subject to Section 14, and the limitation on liabilities therein expressed, nothing in this Agreement shall be construed to impair or restrict either Party's right to judicial remedies. Each Party agrees that a Party's infringement of the Intellectual Property Rights and/or disclosure of the Confidential Information of the other Party may result in irreparable and continuing damage to such other Party, for which there may be no adequate remedy at law, and agrees that in the event of such breach or threatened breach, such other Party may be entitled to injunctive relief or other equitable remedies from a court of competent jurisdiction, which remedy shall be cumulative and in addition to all other available remedies hereunder, at law or in equity except as may otherwise restricted by the terms of this agreement..

17.17. Governing Law. This Agreement is governed by, and shall be construed in accordance with, the laws of the State of Delaware, without reference to its conflict of laws rules.

17.18. Dispute Resolution.

(a) The Parties recognize that disputes as to certain matters may from time to time arise during the Term which relate to a Party's rights and/or obligations hereunder. It is the objective of the Parties to establish procedures to facilitate the resolution of disputes arising out of or relating to this Agreement in an expedient manner by mutual cooperation and without resort to litigation. To accomplish this objective, the Parties agree to follow the procedures set forth in this Section 17.18(a) if and when a dispute arises out of or relates to this Agreement, including, without limitation, any disputes regarding whether a material breach occurred for purposes of Sections 15.3 and 15.4 or disputes among the members of the Steering Committee which the Steering Committee is unable to resolve. In the event of disputes between the Parties arising out of or relating to this Agreement, a Party seeking to resolve such dispute will, by written notice to the other Party, have such dispute referred to their respective executive officers or their successors, for attempted resolution by good faith negotiations within fifteen (15) days after such notice is received.

(b) In the event the executive officers are not able to resolve such dispute, either Party may, at any time after the fifteen (15) day period, invoke the provisions of Section 17.18(b).

(c) Following settlement efforts pursuant to Section 17.18(a), except as otherwise expressly provided in this Agreement, any dispute arising out of or relating to this Agreement shall be finally settled by arbitration under the then current commercial arbitration rules of the Judicial Arbitration and Mediation Services in accordance with the terms set forth in this Section 17.18(b). The place of arbitration of any dispute shall be Wilmington, Delaware. Such arbitration shall be conducted by one arbitrator mutually acceptable to the Parties; provided, however, that if the dispute to be arbitrated involves termination of this agreement or a sum in excess of \$2,000,000 either party can demand that the matter be heard by three (3) arbitrators whose decision shall be determined by a majority. The arbitrator shall be a person with relevant experience with respect to the subject matter of this Agreement. The Parties shall instruct such arbitrator to render a determination of any such dispute within four (4) months after the appointment of the arbitrator. Any award rendered by the arbitrator shall be final and binding upon the Parties. Judgment upon any award rendered may be entered in any court having jurisdiction, or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be. Each Party shall pay its own expenses of arbitration, and the expenses of the arbitrator shall be equally shared between the Parties unless the arbitrator assesses, as part of his/her award, all or any part of the arbitration expenses of one Party (including reasonable attorneys' fees) against the other Party. This Section 17.18(b) shall not prohibit a Party from seeking injunctive or other equitable relief from a court of competent jurisdiction pursuant to Section 17.16.

Each Party shall continue to perform its obligations under this Agreement during the period in which any good faith dispute is being resolved in accordance with the dispute resolution provisions of this Section 17.18.

17.19. Counterpart Signatures. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original copy of the Agreement, and all of which, when taken together, shall be deemed to constitute one and the same Agreement. Signatures to this Agreement transmitted by fax, by electronic mail in “portable document format” (“.pdf”), or by any other electronic means intended to preserve the original graphic and pictorial appearance of the Agreement, shall have the same effect as physical delivery of the paper document bearing the original signature.

17.20. Basis of the Bargain. EACH PARTY RECOGNIZES AND AGREES THAT THE WARRANTY DISCLAIMERS AND LIABILITY LIMITATIONS IN THIS AGREEMENT ARE MATERIAL BARGAINED FOR BASES OF THIS AGREEMENT AND THAT THEY HAVE BEEN TAKEN INTO ACCOUNT AND REFLECTED IN DETERMINING THE CONSIDERATION TO BE GIVEN BY EACH PARTY UNDER THIS AGREEMENT AND THE DECISION BY EACH PARTY TO ENTER INTO THIS AGREEMENT.

IN WITNESS WHEREOF, the Parties have executed this Agreement in duplicate originals by their duly authorized representatives as of the Effective Date.

BOSTON THERAPEUTICS, INC.

BENCHWORKS SD, LLC

By: _____

Name: David Platt, Ph.D.

Title: CEO

Date:

By: _____

Name: Thomas Moore

Name: Thad Bench

Title: Managing Directors, Benchworks SD, LLC

Date:

EXHIBIT 1

BTI PATENTS

EXHIBIT 2

BTI TRADEMARKS

EXHIBIT 3

STRUCTURE AND FUNCTION CLAIMS

Claims supplied for FDA review in 2010

SUGARDOWN™ chewable tablets and SUGARDOWN™ Succulents

Structure/Function Claims to be made on product label and labeling material

1. “Mannans support normal blood sugar levels.”
2. “Mannans found in SUGARDOWN™ helps support normal blood sugar levels.”
3. “SUGARDOWN™ can support normal blood sugar levels.”
4. “SUGARDOWN™ helps weight management by helping you feel full longer.”
5. “SUGARDOWN™ can be an important part of your overall good health.”
6. “SUGARDOWN™ can help promote intestinal health.”
7. “SUGARDOWN™ can help maintain beneficial intestinal flora and regularity.”
8. “SUGARDOWN™ can support colon health.”
9. “Mannans promote a healthy digestive system.”
10. “Mannans found in SUGARDOWN™ promote a healthy digestive system.”
11. “SUGARDOWN™ promotes a healthy digestive system.”
12. “Mannans provide prebiotic nutrients that support growth of beneficial bacteria.”
13. “Mannans found in SUGARDOWN™ provide prebiotic nutrients that support growth of beneficial bacteria.”
14. “SUGARDOWN™ provides prebiotic nutrients that support growth of beneficial bacteria.”

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13a-14

I, David Platt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Boston Therapeutics, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 7, 2014

By:

/s/ David Platt

David Platt
Chief Executive Officer



CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a-14

I, Anthony Squeglia, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Boston Therapeutics, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 7, 2014

By:

/s/ Anthony Squeglia

Anthony Squeglia
Chief Financial Officer



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

In connection with the Quarterly Report on Form 10-Q of Boston Therapeutics, Inc. (the "Company") for the quarter ending September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), David Platt, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2014

By:

/s/ David Platt

David Platt
Chief Executive Officer



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

In connection with the Quarterly Report on Form 10-Q of Boston Therapeutics, Inc. (the "Company") for the quarter ending September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Anthony Squeglia, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2014

By: /s/ Anthony Squeglia
Anthony Squeglia
Chief Financial Officer

