

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 **June 30, 2016**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: **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, Manchester, NH**  
(Address of principal executive offices)

**03104**  
(Zip Code)

**603-935-9799**  
(Registrant's telephone number, including area code)

1750 Elm Street Manchester, NH 03104  
(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 August 12, 2016
Common Stock, \$0.001 par value per share	44,319,507 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.

Condensed Balance Sheets

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
	(Unaudited)	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 21,153	\$ 40,995
Accounts receivable	4,662	-
Prepaid expenses and other current assets	432,450	78,356
Inventory	102,851	109,751
<b>Total current assets</b>	<b>561,116</b>	<b>229,102</b>
Property and equipment, net	4,379	7,668
Intangible assets, net	535,714	567,857
Goodwill	69,782	69,782
Other assets	-	3,625
<b>Total assets</b>	<b>\$ 1,170,991</b>	<b>\$ 878,034</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 522,734	\$ 575,068
Accrued expenses and other current liabilities	247,543	278,225
Deferred revenue	164,285	164,285
Notes payable – related party, current portion	297,820	20,000
<b>Total current liabilities</b>	<b>1,232,382</b>	<b>1,037,578</b>
Convertible notes payable, related party, net of discount	464,200	93,177
Notes payable - related parties	-	277,820
<b>Total liabilities</b>	<b>1,696,582</b>	<b>1,408,575</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 8)</b>		
<b>Stockholders' deficit:</b>		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$0.001 par value, 400,000,000 shares authorized, 44,319,507 and 39,319,507 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively.	44,319	39,319
Common stock subscribed	200,000	200,000
Additional paid-in capital	14,505,795	13,718,795
Accumulated deficit	(15,275,705)	(14,488,655)
<b>Total stockholders' deficit</b>	<b>(525,591)</b>	<b>(530,541)</b>
<b>Total liabilities and stockholders' deficit</b>	<b>\$ 1,170,991</b>	<b>\$ 878,034</b>

**See accompanying notes to unaudited condensed financial statements**

Boston Therapeutics, Inc.

Condensed Statements of Operations (Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Revenue	\$ 16,281	\$ 38,851	\$ 28,588	\$ 90,180
Cost of goods sold	8,707	66,778	24,629	98,888
Gross margin (deficit)	7,574	(27,927)	3,959	(8,708)
Operating expenses:				
Research and development	19,929	96,992	41,701	302,411
Sales and marketing	52,864	2,143	71,514	34,894
General and administrative	112,816	384,175	326,773	900,097
Total operating expenses	185,609	483,310	439,988	1,237,402
Operating loss	(178,035)	(511,237)	(436,029)	(1,246,110)
Interest expense	(189,671)	(218,419)	(347,012)	(235,907)
Other income (expense)	-	(71)	(4,009)	77,575
Change in fair value of warrant liability	-	9,800	-	19,600
Change in fair value of derivative liabilities	-	33,689	-	22,317
Net loss	<u>\$ (367,706)</u>	<u>\$ (686,238)</u>	<u>\$ (787,050)</u>	<u>\$ (1,362,525)</u>
Net loss per share- basic and diluted	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.04)
Weighted average shares outstanding basic and diluted	<u>43,825,002</u>	<u>38,645,870</u>	<u>41,584,700</u>	<u>38,605,392</u>

See accompanying notes to unaudited condensed financial statements

Boston Therapeutics, Inc.

Condensed Statements of Cash Flows (Unaudited)

	<b>For the Six Months Ended</b>	
	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Cash flows from operating activities:		
Net loss	\$ (787,050)	\$ (1,362,525)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	35,432	35,578
Stock-based compensation	-	241,246
Amortization of discount on debt	261,023	-
Non-cash interest expense	-	204,195
Provision for inventory obsolescence	-	26,062
Change in fair value of warrant liability	-	(19,600)
Change in fair value of derivative liabilities	-	(22,317)
Issuance of common stock for consulting services	-	13,682
Changes in operating assets and liabilities:		
Accounts receivable	(4,662)	-
Inventory	6,900	45,201
Prepaid expenses and other current assets	(4,094)	(19,256)
Other assets	3,625	-
Accounts payable	(52,334)	270,637
Deferred revenue	-	62,610
Accrued expenses	(30,682)	143,058
Net cash used in operating activities	<u>(571,842)</u>	<u>(381,429)</u>
Cash flows from investing activities:	-	-
Cash flows from financing activities:		
Proceeds from issuance of convertible notes payable (net of issuance discounts and fees)	552,000	432,000
Net cash provided by financing activities	<u>552,000</u>	<u>432,000</u>
Net (decrease) increase in cash and cash equivalents	(19,842)	50,571
Cash and cash equivalents, beginning of period	40,995	157,278
Cash and cash equivalents, end of period	<u>\$ 21,153</u>	<u>\$ 207,849</u>
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	\$ -	\$ -
Income taxes	\$ 4,000	\$ 5,000
Non-cash financing activities:		
Issuance of common stock in exchange for settlement of outstanding payables	\$ 350,000	\$ 22,179
Warrant liability associated with Typenex Convertible Note	\$ -	\$ 146,995
Derivative liabilities associated with convertible notes payable	\$ -	\$ 274,331
Beneficial conversion features associated with convertible notes payable	\$ 442,000	\$ -

**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, SUGARDOWN®, a dietary supplement designed to reduce post-meal sugar spikes and 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.

The accompanying unaudited condensed 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 unaudited condensed financial statements, the Company has an accumulated deficit of approximately \$15.3 million and \$21,000 cash on hand as of June 30, 2016. Management is currently seeking additional capital through private placements and public offerings of its common stock. In addition, the Company may seek to raise additional capital through public or private debt or equity financings in order to fund our operations. The Company has received ongoing funding through a fixed price convertible note from a related party and significant shareholder. Management anticipates that cash resources will be sufficient to fund our planned operations into the fourth quarter of 2016 as a result of this funding and cash management. The Company has entered into an advisory agreement with an investment banking firm whereby the Company is hopeful to receive funding for its operations. 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. 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.

### 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 ("U.S. 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, 2015 included in its Form 10-K filed with the SEC on March 30, 2016. 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 June 30, 2016 and the results of operations for the three and six month periods ended June 30, 2016 and 2015.

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 six month periods ended June 30, 2016 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 U.S. 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 June 30, 2016 and December 31, 2015. At June 30, 2016, no single customer accounted for 10% of its accounts receivable. At December 31, 2015, there were no accounts 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' Free On Board (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 0% and 91% of the Company's revenue during the three months ended June 30, 2016 and 2015, respectively. During the six months ended June 30, 2016 and 2015, Advance Pharmaceutical accounted for 0% and 78% of the Company's revenue, respectively.

Fair Value of Financial Instruments

Fair values determined by Level 1 inputs utilize observable data such as quoted prices in active markets. Fair values determined by Level 2 inputs utilize data points other than quoted prices in active markets that are observable either directly or indirectly. Fair values determined by Level 3 inputs utilize unobservable data points in which there is little or no market data, which require the reporting entity to develop its own assumptions. The Company's financial instruments consist of cash and cash equivalents, accounts payable, accrued expenses, and notes payable. The carrying value of cash and cash equivalents, accounts payable and accrued expenses approximates fair value due to their short-term nature using level 3 inputs as defined above. The carrying value of the notes payable as of June 30, 2016 and December 31, 2015, evaluated using level 3 inputs defined above based on quoted market prices on rates available to the Company for debt with similar terms and maturities, approximates the fair value.

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.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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 the three and six month periods ended June 30, 2016 did not include 6,289,000 and 12,424,669 options and warrants, respectively, because of their anti-dilutive effect. The weighted average number of common shares for the three and six month periods ended June 30, 2015 did not include 8,117,400 and 13,404,634 options and warrants, respectively, because of their anti-dilutive effect.

Recent Adopted Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-03 " *Simplifying the Presentation of Debt Issuance Costs*," which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of debt discounts or premiums. The ASU is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company elected early adoption of this standard during the period ended March 31, 2015, which did not have a material impact on its financial statements.

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 June 30, 2016 and December 31, 2015, net of inventory reserves, were as follows:

	<b>2016</b>	<b>2015</b>
Raw materials	\$ 34,919	\$ 34,919
Finished goods	67,932	74,832
	<u>\$ 102,851</u>	<u>\$ 109,751</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. On November 2, 2015, the Company's Board of Directors voted to approve an increase in authorized common stock shares from 200,000,000 shares to 400,000,000 shares of the Company's common stock. This increase is subject to shareholder approval.

#### Common Stock

In April 2016, the Company issued a total of 5,000,000 shares of its common stock with a fair value of \$350,000 to two parties in exchange for investment advisory services.

During the three months ended March 31, 2015, the Company issued 40,500 shares of its common stock with a fair value of \$12,105 in exchange for consulting services rendered during those periods in connection with two consulting agreements.

In May 2015, the Company's Board of Directors approved up to 2,000,000 shares of the Company's common stock to be available to the Company to satisfy vendor and consultant payments. In June 2015, the Company issued 158,428 shares of its common stock to two vendors in exchange for services previously recorded. The fair value of these shares was \$22,179.

In June 2015, the Company issued 10,500 shares of its common stock with a fair value of \$1,575 in exchange for consulting services rendered during the three months ended June 30, 2015 in connection with one consulting agreement.

#### Common Stock Warrants

The Company accounts for warrants as either equity instruments or liabilities depending on the specific terms of the warrant agreement. As of June 30, 2016, the Company had 12,424,669 warrants outstanding which are all classified as equity instruments and are fully exercisable.

The following table summarizes the Company's common stock warrant activity during the six months ended June 30, 2016:

	Warrants	Weighted Average Exercise Price
Outstanding as of December 31, 2015	12,424,669	\$ 0.53
Granted	-	-
Exercised	-	-
Forfeited/cancelled	-	-
Outstanding as of June 30, 2016	<u>12,424,669</u>	<u>\$ 0.53</u>

### 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 June 30, 2016 and December 31, 2015, there were 250,000 and 250,000 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 June, 2016 and December 31, 2015, there were 6,039,000 and 6,039,000 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.

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

In March 2015, the Board of Directors approved a grant of non-qualified stock options to the independent directors of the Company to purchase an aggregate of 384,000 shares of the Company's common stock at an exercise price of \$0.18. 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, 2015, 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 2015 calendar year. In addition, during the period ended March 31, 2015, the Company granted incentive stock options to members of management and non-management of the Company to purchase an aggregate of 700,000 shares of the Company's common stock at exercises prices ranging from \$0.18 to \$0.20 per share, all of which vested immediately. The Company also granted non-qualified stock options to consultants of the Company to purchase an aggregate of 625,000 shares of the Company's common stock at an exercise price of \$0.18, all of which vested immediately.

During the three months ended June 30, 2015, the Company granted a non-qualified stock option, to a consultant to purchase an aggregate of 100,000 shares of the Company's common stock at an exercise price of \$0.20, which vested immediately.

No stock options were granted during the six months ended June 30, 2016

The fair value of stock options granted or revalued for the six months ended June 30, 2016 and 2015 was calculated with the following assumptions:

	2016	2015
Risk-free interest rate	-	1.3% - 1.9%
Expected dividend yield	-	0%
Volatility factor	-	79 – 91%
Expected life of option	-	4.60 to 10 years

The weighted-average fair value of stock options granted during the six month period ended June, 2016 and 2015, under the Black-Scholes option pricing model, was \$0.00 and \$0.14 per share, respectively.

The Company recognized \$0 and \$36,071 of stock-based compensation costs in the accompanying statement of operations for the three months ended June 30, 2016 and 2015, respectively. The Company recognized \$0 and \$241,246 of stock-based compensation costs in the accompanying statement of operations for the six months ended June 30, 2016 and 2015, respectively. As of June 30, 2016, there was no unrecognized compensation expense related to non-vested stock option awards that is expected to be recognized in future periods.

The following table summarizes the Company's stock option activity during the six months ended June 30, 2016:

	Shares	Exercise Price per Share	Weighted Average Exercise Price per Share
Outstanding as of December 31, 2015	6,289,000	\$ 0.10-1.21	\$ 0.37
Granted	-	-	-
Exercised	-	-	-
Options forfeited/cancelled	-	-	-
Outstanding as of June 30, 2016	6,289,000	\$ 0.10-1.21	\$ 0.37

There were no stock option exercises during the three and six months ended June 30, 2016 or June 30, 2015.

#### 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 June 30, 2016:

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	0.38	\$ -	1,795,000	\$ 0.10	0.38	\$ -	
0.18	934,000	0.18	8.75	-	934,000	0.18	8.75	-	
0.20	150,000	0.20	8.75	-	150,000	0.20	8.75	-	
0.37	58,000	0.37	6.18	-	58,000	0.37	6.18	-	
0.42	63,000	0.42	4.51	-	63,000	0.42	4.51	-	
0.50	2,810,000	0.50	2.50	-	2,810,000	0.50	2.50	-	
0.69	100,000	0.69	7.71	-	100,000	0.69	7.71	-	
1.21	379,000	1.21	7.57	-	379,000	1.21	7.57	-	
<u>\$ 0.10-1.21</u>	<u>6,289,000</u>	<u>\$ 0.37</u>	<u>3.41</u>	<u>\$ -</u>	<u>6,289,000</u>	<u>\$ 0.37</u>	<u>3.41</u>	<u>\$ -</u>	

The weighted-average remaining contractual life for stock options exercisable at June 30, 2016 is 3.41 years. At June 30, 2016, the Company has 11,363,880 and 7,250,000 options available for grant under the 2011 Plan and 2010 Plan, respectively. There was \$0 intrinsic value for fully vested, exercisable options at both June 30, 2016 and December 31, 2015. There were no options exercised in the three or six months ended June 30, 2016 or June 30, 2015. No actual tax benefit was realized from stock option exercises during these periods.

As of June 30, 2016, all of the stock options issued by the Company are fully vested.

#### 5. RELATED PARTY TRANSACTIONS

Through December 31, 2011, Dr. Platt, the Company's former CEO and Chairman of the Board, 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. The outstanding notes of \$297,820 have been amended each year to extend the maturity dates. Most recently, effective June 30, 2015, the outstanding notes for Dr. Platt were amended to extend the maturity dates to June 30, 2017. The maturity date for the Company's former President remain June 30, 2016 and have been classified as a current liability within the accompanying balance sheet.

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 certain territories within Asia. 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 interim CEO, interim CFO and a director of Advance Pharmaceutical and joined the Company's Board in December 2013. There has been no revenue generated pursuant to the Agreement during the first six months of 2016. Revenue generated pursuant to the Agreement for the three and six month periods ended June 30, 2015, were \$35,231 and \$70,137, respectively.

In June 2015, the Company received \$200,000 of cash proceeds from CJY Holdings Limited, in connection with a potential future exercise of its warrant. On November 12, 2015, the Company entered into a modification of a previously issued warrant agreement to CJY. The Board approved the reduction in the common stock warrant exercise prices from \$0.50 to \$1.00 per share to \$0.17 per share. In connection with the June 2015 proceeds of \$200,000 previously received by the Company and the reduction in the warrant exercise price, the Board approved the issuance of 1,194,440 shares of Common Stock to CJY in connection with the modified warrant agreement. As of June 30, 2016, the common stock has not been issued and the \$200,000 remains in common stock subscribed.

During September 2015, the Company entered into a securities purchase agreement with CJY. Pursuant to this agreement, the Company issued to CJY a convertible promissory note in the principal amount of \$750,000. The Note was amended during the fourth quarter to \$1,200,000 and in the first quarter of 2016 to \$1,602,000. During the second quarter of 2016, the Note was amended again to \$1,752,000.

This Note is intended to provide necessary bridge financing to the Company prior to an anticipated financing in the near future of an amount up to \$1,500,000. Interest accrues at the rate of 10% per annum and is due upon maturity of the note in September 2018. The Company may prepay this Note and any accrued interest at any time. At any time on, amounts outstanding under the CJY Note are convertible into the Company's common stock, in whole or in part, at the option of the lender, at a conversion price of \$0.05 per share. A beneficial conversion feature of \$1,752,000 was calculated and capped at the value of the note pursuant to ASC 470 - 20. The Company recorded amortization of the beneficial conversion feature as interest expense in the amount of approximately \$143,369 and \$261,023 during the three and six months ended June 30, 2016.

Convertible notes payable – related party consist of the following at June 30, 2016 and December 31, 2015:

	2016	2015
Principal balance	\$ 1,752,000	\$ 1,200,000
Debt discount	(1,287,800)	(1,106,823)
Outstanding, net of debt discount	<u>\$ 464,200</u>	<u>\$ 93,177</u>

## 6. INTANGIBLE ASSETS

The SUGARDOWN® technology and patent applications 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 June, 2016 and December 31, 2015:

	2016	2015
SUGARDOWN® technology and patent applications	\$ 900,000	\$ 900,000
Less accumulated amortization	(364,286)	(332,143)
Intangible assets, net	<u>\$ 535,714</u>	<u>\$ 567,857</u>

Amortization expense was \$32,143 for the six months ended June 30, 2016 and 2015.

## 7. COMMITMENTS AND CONTINGENCIES

### Leases

The Company leases office space in Newton MA under a 4 month lease that expires July 31, 2016. At that point, the lease will end with no further obligation. The Company recognized rent expense of \$5,400 and \$14,380 during the three months ended June 30, 2016 and 2015, respectively. The Company recognized rent expense of \$10,350 and \$28,761 during the six months ended June 30, 2016 and 2015, respectively

Future minimum lease payments under all non-cancelable operating leases as of June 30, 2016, are as follows:

Fiscal Year	
2016	\$ 1,800

### Marketing Agreement

On May 14, 2014, the Company entered into a definitive Marketing Agreement with Benchworks SD, LLC (Benchworks), a company engaged in the marketing, promotion and offering for distribution and sale of pharmaceutical, healthcare and consumer products. Under the terms of the agreement, the Company granted Benchworks the exclusive right to promote, market, sell and distribute SUGARDOWN® in North America for an initial term of one year, subject to extension in accordance with the terms of the agreement. Benchworks was responsible and bears the expense for marketing and commercializing SUGARDOWN®, including the creation and payment for marketing, creative and promotional materials. The agreement defined certain minimum net sales levels that Benchworks must achieve to maintain exclusivity; and the agreement also provided for net sales splits with Benchworks receiving 65% of the first \$10 million in net sales from the sale of SUGARDOWN® in North America, with a declining share to 50% for net sales in excess of \$40 million. The agreement was terminated in July 2015. Revenue generated pursuant to the Marketing Agreement for the three and six months ended June 30, 2015, were \$3,206 and \$19,122, respectively.

## 8. SUBSEQUENT EVENTS

The Company has evaluated events and transactions that occurred from June 30, 2016 through the date of filing, for possible disclosure and recognition in the financial statements. See discussed below material subsequent events that impact its financial statements or disclosures.

On August 12, 2016 (the "Closing Date"), the Company entered into Securities Purchase Agreements with several accredited investors (the "Investors") providing for the sale by the Company to the Investors of 6% Convertible Promissory Notes in the aggregate amount of \$1,322,500 (the "Notes") pursuant to which it received net proceeds of \$1,083,050. In addition to the Notes, the Investors also received stock purchase warrants (the "Warrants") to acquire an aggregate of 13,225,000 shares of common stock of the Company. The Warrants are exercisable for five years at an exercise price of \$0.10 and contain full price protection for a period of one year from the date of issuance. On the six month anniversary, the Holder may exercise the Warrants on a cashless basis if the underlying shares of common stock are not registered for re-sale on a Form S-1 Registration Statement. The Notes bear interest at 6% per annum and mature two years from issuance. The Investors may elect to convert all or part of the Notes, plus accrued interest, at any time into shares of common stock of the Company at a conversion price of \$0.075 per share. Interest on the Notes is payable in cash quarterly commencing June 30, 2017 or, subject to certain equity conditions, shares of common stock at the Company's option the price equal to the lower of \$0.75 or 90% of the lesser of the average of the VWAPs for the 20 consecutive trading days prior to the payment date or the average of the VWAPs for the 20 consecutive trading days ending on the trading day prior to the payment date. Late payments of interest are subject to a late fee. The conversion price is subject to adjustment for stock dividends and stock splits and the Investors will have participation rights to subsequent rights offering and pro rata distributions. Holders will also have anti-dilution protection. In addition, if after the original issue date of the Notes, either (i) the volume weighted average price equals or exceeds \$0.50 for 10 consecutive trading days or (ii) the Company elects to list a class of securities on a national securities exchange, the Company may cause the Investors to convert all or part of the then outstanding principal amount of the Notes plus, accrued but unpaid interest, liquidated damages and other amounts owed. The Company may not, without receiving the consent of the Investors holding 51% of the then outstanding Notes, incur debt senior to the Notes, create liens on its property, repay or repurchase its common stock or common stock equivalents other than the Conversion Shares and Warrant Shares or repurchases of stock of departing officers and directors under an aggregate of \$100,000, repay or repurchase any indebtedness other than the payments under the Notes or currently existing regularly scheduled principal and interest payments as long as there is no event of default under the Notes, pay cash dividends or distributions on any Company equity securities or enter into any agreement with respect to any of the foregoing.

The Company granted the Investors piggy back registration rights with respect to the shares of common stock underlying the Notes and the Warrants.

The Investors agreed to restrict its ability to convert the Notes and exercise the Warrants and receive shares of common stock such that the number of shares of common stock held by the Investors after such conversion or exercise does not exceed 4.99% of the then issued and outstanding shares of common stock.

The Company claims an exemption from the registration requirements of the Securities Act of 1933 (the "Securities Act") for the private placement of these securities pursuant to Section 4(a)(2) of the Securities Act and/or Rule 506 of Regulation D promulgated under the Securities Act. The Investors are accredited investors as defined in Rule 501 of Regulation D promulgated under the Securities Act. As of the date hereof, the Company is obligated on \$1,322,500 in face amount of Notes issued to the Investors. The Notes are a debt obligation arising other than in the ordinary course of business which constitute a direct financial obligation of the Company. A registered broker-dealer (member, FINRA/SIPC), acted as the placement agent for the offering and received \$132,250 in fees and a common stock purchase warrant to acquire 1,763,333 shares of common stock for a period of five years at an exercise price of \$0.075 per share.

On August 12, 2016, the Company entered into an Employment Agreement with Carl W. Rausch pursuant to which Mr. Rausch was engaged as the Chief Executive Officer of the Company for a period of three years. Mr. Conroy Cheng resigned as an executive officer concurrent with Mr. Rausch's appointment. Mr. Change shall continue to serve on the Board. Mr. Rausch will initially be located in Hong Kong but is expected to relocate to the United States within six months. Mr. Rausch received a signing bonus of \$60,000 and an annual salary of \$224,000, which will be increased to \$264,000 upon Mr. Rausch relocating to the United States. Further, upon the Company being listed on a national exchange, Mr. Rausch's salary will be increased by \$20,000. The Company granted Mr. Rausch a Stock Option (the "Rausch Option") to acquire an aggregate of 6,000,000 shares of common stock of the Company, exercisable for five (5) years, subject to vesting. The Rausch Option shall be earned and vested in three equal tranches of 2,000,000 upon the Company the Company raising \$1,000,000 in financing, the Company raising \$5,000,000 in financing and the Company entering into a significant corporate alliance for substantial marketing and selling of the Company's product portfolio. The initial tranche shall be exercisable at \$0.20 per share, the second tranche will be \$0.40 per share and the third tranche shall be \$0.60 per share, which such vesting is subject to Mr. Rausch's continued employment as an executive with the Company as of the vesting date. In addition, as additional consideration for Mr. Rausch's commitment to the Company, the stock options previously granted to Mr. Rausch have been amended to provide an expiration date of August 12, 2026 and such options shall be considered fully vested. Mr. Rausch shall be entitled to certain raises and milestones subject to the achievement of certain milestones to be agreed upon. In the event the Employment Agreement is terminated prior to the expiration of the term by the Company without cause or by Mr. Rausch with good reason, the Company shall pay Mr. Rausch an amount equal to Mr. Rausch's accrued but unpaid base salary and earned but unpaid bonus prior to the termination date, reimbursement for any reimbursable business expenses and Mr. Rausch's salary for a period of one year. From 2008 to present, Mr. Rausch has served as an independent consultant for biopharmaceutical industrial clients, university based development facilities and contract research organizations for preclinical and clinical strategic management of investigative biological materials for registration with the European Medicines Agency and the US Food and Drug Administration.

The Company has entered into a Securities Purchase Agreement with CJY Holdings Limited ("CJY") whereby CJY on September 24, 2015, October 20, 2015, November 30, 2015, March 1, 2016, March 11, 2016, May 6, 2016 and June 28, 2016 provided the Company financing and the Company issued to CJY Convertible Promissory Notes (the "CJY Notes") in the amounts of \$750,000, \$300,000, \$150,000, \$250,000, \$152,000, \$100,000 and \$50,000, respectively. The CJY Notes bear interest of 10% and are payable three years from the date of issuance. Prior to the maturity dates of the CJY Notes, CJY may elect to convert all or part of the CJY Notes, plus accrued interest, into shares of common stock of the Company at a conversion rate of \$0.05 per share. On August 12, 2016, the Company and CJY entered into a letter agreement providing that the CJY Notes will have a maturity date of August 12, 2018 and provided CJY with anti-dilution price protection.

On August 12, 2016, the Company issued \$1,304,800 million of convertible notes, (the "Notes"), in a private offering. Net proceeds from the issuance of the Notes after commissions and expenses from the issuance was \$1 million. The Notes are due August 12, 2018 and bear interest at 6% per annum. The Notes and any accrued interest are convertible in whole or in part into shares of the Company's common stock at a conversion price of \$0.075 per share. In addition, the Company issued warrants to purchase an additional 13,000,000 shares of the Company's common shares at \$0.10 per share.

## **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 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. In November 2014, we agreed to expand this marketing agreement to include 12 additional countries: Korea, Taiwan, Singapore, Thailand, Malaysia, Vietnam, Philippines, Myanmar, Indonesia, Laos, Brunei and Cambodia. In March 2015, we agreed to further expand their authorized territories to include Japan.

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 \$15.3 million and \$21,000 cash on hand as of June 30, 2016. Management is currently seeking additional capital through private placements and public offerings of its common stock. In addition, the Company may seek to raise additional capital through public or private debt or equity financings in order to fund our operations. The Company has received ongoing funding through a fixed price convertible note from a related party and significant shareholder. Management anticipates that cash resources will be sufficient to fund our planned operations into the third quarter of 2016 as a result of this funding and cash management. 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 currently seeking additional capital through private placements and public offerings of its stock. In addition, the Company may seek to raise additional capital through public or private debt or equity financings in order to fund our operations. 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 Operations**

#### ***Three Months Ended June 30, 2016 compared to June 30, 2015***

#### **Revenue**

Revenue for the three months ended June 30, 2016 was \$16,281, a decrease of \$22,570 as compared to revenue of \$38,851 for the three months ended June 30, 2015. The decrease is primarily related to revenue generated from sales to Advanced Pharmaceutical, a related party, during the three months ended June 30, 2015 and through the Company's marketing partnership with Benchworks during the three months ended June 30, 2015 that was canceled in July 2015.

#### **Gross Margin**

The Company generated a gross margin for the three months ended June 30, 2016 of \$7,574 as compared to a gross deficit of (\$27,927) for the three months ended June, 2015. The increase is primarily related to a charge for inventory obsolescence for approximately \$26,000 during the three months ended June 30, 2015.

### **Research and Development**

Research and development expense for the three months ended June 30, 2016 was \$19,929, a decrease of \$77,063 as compared to \$96,992 for the three months ended June 30, 2015. The decrease is attributed to the Company ceasing nearly all of its research and development activities due to the lack of adequate funding. The majority of the expense in 2016 is related to non-cash amortization of the intangible assets and part time consulting work.

### **Sales and Marketing**

Sales and marketing expense for the three months ended June 30, 2016 was \$52,864, an increase of \$50,721 as compared to \$2,143 for the three months ended June 30, 2015. The increase in 2016 is related to advertising costs on radio and newspaper as the Company continues a new program to sell the Sugardown product into new markets. The Company has also hired various consultants to assist with market development.

### **General and Administrative**

General and administrative expense for the three months ended June 30, 2016 was \$112,816, a decrease of \$271,359 as compared to \$384,175 for the three months ended June 30, 2015. Payroll and related expenses including benefits decreased by approximately \$40,000 as all employees were terminated during 2015 and the company was maintained by outside consultants. Non-cash stock-based compensation expense decreased approximately \$30,000 primarily due to all options becoming fully vested or canceled due to employee termination. Investor relation related expenses also decreased by approximately \$80,000 as the company was unable to support investor initiatives due to funding. The Company's cost reduction initiatives also resulted in a reduction of approximately \$120,000 of legal, accounting and other professional services.



## *Six Months Ended June 30, 2016 compared to June 30, 2015*

### **Revenue**

Revenue for the six months ended June 30, 2016 was \$28,588, a decrease of \$61,622 as compared to revenue of \$90,180 for the six months ended June 30, 2015. The decrease is primarily related to revenue generated from sales to Advanced Pharmaceutical, a related party, during the six months ended June 30, 2015 and through the Company's marketing partnership with Benchworks during the six months ended June 30, 2015.

### **Gross Margin**

The Company generated a gross margin deficit for the six months ended June 30, 2016 of \$3,959 as compared to a gross deficit of (\$8,708) for the six months ended June 30, 2015. The difference in the margins is primarily caused by a charge for inventory obsolescence of \$26,000 taken in the first six months of 2015.

### **Research and Development**

Research and development expense for the six months ended June 30, 2016 was \$41,701, a decrease of \$260,710 as compared to \$302,411 for the six months ended June 30, 2015. The decrease is attributed to the Company ceasing nearly all of its research and development activities due to the lack of adequate funding. The majority of the expense in 2016 is related to non-cash amortization of the intangible assets and part time consulting work.

### **Sales and Marketing**

Sales and marketing expense for the six months ended June 30, 2016 was \$71,514, an increase of \$36,620 as compared to \$34,894 for the six months ended June 30, 2015. The increase in 2016 is related to advertising costs on radio and newspaper as the Company continues a new program to sell the Sugardown product into new markets. The Company has also hired various consultants to assist with market development.

### **General and Administrative**

General and administrative expense for the six months ended June 30, 2016 was \$326,773, a decrease of \$573,324 as compared to \$900,097 for the six months ended June 30, 2015. Payroll and related expenses including benefits decreased by approximately \$114,000 as all employees were terminated during 2015 and the company was maintained by outside consultants. Non-cash stock-based compensation expense decreased approximately \$156,000 primarily due to all options becoming fully vested or canceled due to employee termination. Investor relation related expenses also decreased by approximately \$95,000 as the company was unable to support investor initiatives due to funding. The Company's cost reduction initiatives also resulted in a reduction of approximately \$160,000 of legal, accounting and other professional services.

## LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2016, we had cash of \$21,153 and accounts payable and accrued expenses and other current liabilities of \$1,232,382. During the six months ended June, 2016, the Company used \$571,842 of cash in operations

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. Management is currently seeking additional capital through private placements and public offerings of its common stock. In addition, the Company may seek to raise additional capital through public or private debt or equity financings in order to fund our operations. The Company has received ongoing funding through a fixed price convertible note from a related party and significant shareholder. Management anticipates that cash resources will be sufficient to fund our planned operations into the third quarter of 2016 as a result of this funding and cash management. The Company has entered into an advisory agreement with an investment banking firm whereby the Company is hopeful to receive funding for its operations. 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.

On August 12, 2016, the Company entered into Securities Purchase Agreements with several accredited investors (the "Investors") providing for the sale by the Company to the Investors of 6% Convertible Promissory Notes in the aggregate amount of \$1,322,500 (the "Notes") pursuant to which it received net proceeds of \$1,083,050. In addition to the Notes, the Investors also received stock purchase warrants to acquire an aggregate of 13,225,000 shares of common stock of the Company.

## 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 ("CEO/CFO") 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.

As disclosed in our annual report filing for the year ended December 31, 2015, there was a material weakness in the Company's internal control over financial reporting due to the fact that the Company experienced significant turnover in its accounting function, including the resignation of the Company's consulting Director of Finance during August 2015 and the retirement of the Company's former Chief Financial Officer on August 31, 2015. While the Company hired a new consulting Director of Finance in August 2015, the Company did not have an adequate process established to ensure appropriate levels of review of accounting and financial reporting matters, which resulted in our closing process not identifying all required adjustments and disclosures in a timely fashion. Based upon the evaluation of the disclosure controls and procedures at the end of the period covered by this report, the Company's CEO/CFO concluded that the Company's disclosure controls and procedures were not effective due to a material weakness in the Company's internal control over financial reporting.

**Changes in Internal Control Over Financial Reporting**

There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15f of the Exchange Act) that occurred during the first six months of 2016 that has materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Limitations on Internal Controls**

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings**

The Company may become involved in certain legal proceedings and claims which arise in the normal course of business. The Company is not aware of any outstanding or pending litigation.

### **Item 1A. Risk Factors**

There have not been any material changes in the risk factors from those previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015.

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

There following are unregistered sales of equity securities made by the Company during the three months ended June 30, 2016 and not previously reported on Form 8-K.

In April, 2016, in accordance with the terms of a financial advisory agreement, the Company issued 3,000,000 shares and 2,000,000 shares to two separate parties. The cost basis for the shares issued was \$0.07.

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. Mine Safety Disclosures**

Not Applicable.

### **Item 5. Other Information**

On August 12, 2016 (the "Closing Date"), the Company entered into Securities Purchase Agreements with several accredited investors (the "Investors") providing for the sale by the Company to the Investors of 6% Convertible Promissory Notes in the aggregate amount of \$1,322,500 (the "Notes") pursuant to which it received net proceeds of \$1,083,050. In addition to the Notes, the Investors also received stock purchase warrants (the "Warrants") to acquire an aggregate of 13,225,000 shares of common stock of the Company. The Warrants are exercisable for five years at an exercise price of \$0.10 and contain full price protection for a period of one year from the date of issuance. On the six month anniversary, the Holder may exercise the Warrants on a cashless basis if the underlying shares of common stock are not registered for re-sale on a Form S-1 Registration Statement. The Notes bear interest at 6% per annum and mature two years from issuance. The Investors may elect to convert all or part of the Notes, plus accrued interest, at any time into shares of common stock of the Company at a conversion price of \$0.075 per share. Interest on the Notes is payable in cash quarterly commencing June 30, 2017 or, subject to certain equity conditions, shares of common stock at the Company's option the price equal to the lower of \$0.75 or 90% of the lesser of the average of the VWAPs for the 20 consecutive trading days prior to the payment date or the average of the VWAPs for the 20 consecutive trading days ending on the trading day prior to the payment date. Late payments of interest are subject to a late fee. The conversion price is subject to adjustment for stock dividends and stock splits and the Investors will have participation rights to subsequent rights offering and pro rata distributions. Holders will also have anti-dilution protection. In addition, if after the original issue date of the Notes, either (i) the volume weighted average price equals or exceeds \$0.50 for 10 consecutive trading days or (ii) the Company elects to list a class of securities on a national securities exchange, the Company may cause the Investors to convert all or part of the then outstanding principal amount of the Notes plus, accrued but unpaid interest, liquidated damages and other amounts owed. The Company may not, without receiving the consent of the Investors holding 51% of the then outstanding Notes, incur debt senior to the Notes, create liens on its property and engage in other corporate actions as defined in the Notes. The Company granted the Investors piggy back registration rights with respect to the shares of common stock underlying the Notes and the Warrants.

The Investors agreed to restrict its ability to convert the Notes and exercise the Warrants and receive shares of common stock such that the number of shares of common stock held by the Investors after such conversion or exercise does not exceed 4.99% of the then issued and outstanding shares of common stock.

The Company claims an exemption from the registration requirements of the Securities Act of 1933 (the "Securities Act") for the private placement of these securities pursuant to Section 4(a)(2) of the Securities Act and/or Rule 506 of Regulation D promulgated under the Securities Act. The Investors are accredited investors as defined in Rule 501 of Regulation D promulgated under the Securities Act. As of the date hereof, the Company is obligated on \$1,322,500 in face amount of Notes issued to the Investors. The Notes are a debt obligation arising other than in the ordinary course of business which constitute a direct financial obligation of the Company. A registered broker-dealer (member, FINRA/SIPC), acted as the placement agent for the offering and received \$132,250 in fees and a common stock purchase warrant to acquire 1,763,333 shares of common stock for a period of five years at an exercise price of \$0.075 per share.

## Item 5. Other Information - continued

On August 12, 2016, the Company entered into an Employment Agreement with Carl W. Rausch pursuant to which Mr. Rausch was engaged as the Chief Executive Officer of the Company for a period of three years. Mr. Conroy Cheng resigned as an executive officer concurrent with Mr. Rausch's appointment. Mr. Cheng shall continue to serve on the Board. Mr. Rausch will initially be located in Hong Kong but is expected to relocate to the United States within six months. Mr. Rausch received a signing bonus of \$60,000 and an annual salary of \$224,000, which will be increased to \$264,000 upon Mr. Rausch relocating to the United States. Further, upon the Company being listed on a national exchange, Mr. Rausch's salary will be increased by \$20,000. The Company granted Mr. Rausch a Stock Option (the "Rausch Option") to acquire an aggregate of 6,000,000 shares of common stock of the Company, exercisable for five (5) years, subject to vesting. The Rausch Option shall be earned and vested in three equal tranches of 2,000,000 upon the Company the Company raising \$1,000,000 in financing, the Company raising \$5,000,000 in financing and the Company entering into a significant corporate alliance for substantial marketing and selling of the Company's product portfolio. The initial tranche shall be exercisable at \$0.20 per share, the second tranche will be \$0.40 per share and the third tranche shall be \$0.60 per share, which such vesting is subject to Mr. Rausch's continued employment as an executive with the Company as of the vesting date. In addition, as additional consideration for Mr. Rausch's commitment to the Company, the stock options previously granted to Mr. Rausch have been amended to provide an expiration date of August 12, 2026 and such options shall be considered fully vested. Mr. Rausch shall be entitled to certain raises and milestones subject to the achievement of certain milestones to be agreed upon. In the event the Employment Agreement is terminated prior to the expiration of the term by the Company without cause or by Mr. Rausch with good reason, the Company shall pay Mr. Rausch an amount equal to Mr. Rausch's accrued but unpaid base salary and earned but unpaid bonus prior to the termination date, reimbursement for any reimbursable business expenses and Mr. Rausch's salary for a period of one year. From 2008 to present, Mr. Rausch has served as an independent consultant for biopharmaceutical industrial clients, university based development facilities and contract research organizations for preclinical and clinical strategic management of investigative biological materials for registration with the European Medicines Agency and the US Food and Drug Administration. From 2006 to 2008, Mr. Rausch was a principal with Biotechnology Partners, which provided advisory services to biotechnology clients. Mr. Rausch served as the Vice Chairman and Chief Technical Officer of Biopure Corporation ("Biopure") from 2002 to 2005. Mr. Rausch cofounded Biopure in 1984. From 1984 until 2002, Mr. Rausch served as Chairman and Chief Executive Officer. Following Mr. Rausch's resignation as Chief Executive Officer of Biopure, the SEC filed a Complaint against, Biopure, other senior management and Mr. Rausch. However, on September 24, 2005, simultaneously a settlement with final judgment was entered with Mr. Rausch only. Without admitting or denying the allegations of the Complaint, Mr. Rausch and the SEC settled with an agreement to avoid any future violations of Section 13(a) of the Securities Exchange Act of 1934 and Rules 12b-20, 13a-11 and 13a-13 thereunder and to pay a civil penalty of \$40,000 in installments. Prior to Biopure's founding, Mr. Rausch was Vice President, Preparative and Process, at Millipore Corporation. He holds an M.S. degree in chemical engineering from the Massachusetts Institute of Technology and holds an M.S. degree in medical engineering and a B.S. degree in chemical engineering from Tufts University.

The Company has entered into a Securities Purchase Agreement with CJY Holdings Limited ("CJY") whereby CJY on September 24, 2015, October 20, 2015, November 30, 2015, March 1, 2016, March 11, 2016, May 6, 2016 and June 28, 2016 provided the Company financing and the Company issued to CJY Convertible Promissory Notes (the "CJY Notes") in the amounts of \$750,000, \$300,000, \$150,000, \$250,000, \$152,000, \$100,000 and \$50,000, respectively. The CJY Notes bear interest of 10% and are payable three years from the date of issuance. Prior to the maturity dates of the CJY Notes, CJY may elect to convert all or part of the CJY Notes, plus accrued interest, into shares of common stock of the Company at a conversion rate of \$0.05 per share. On August 12, 2016, the Company and CJY entered into a letter agreement providing that the CJY Notes will have a maturity date of August 12, 2018 and provided CJY with anti-dilution price protection.

## Item 6. Exhibits

<u>Exhibit No.</u>	<u>Title of Document</u>
<a href="#">4.1</a>	Form of Securities Purchase Agreement entered with the August 2016 Accredited Investors
<a href="#">4.2</a>	Form of 6% Senior Convertible Debenture
<a href="#">4.3</a>	Form of Stock Purchase Warrant
<a href="#">4.4</a>	Letter Agreement between the Company and CJY Holdings Limited dated August 12, 2016
<a href="#">10.1</a>	Executive Employment Agreement between the Company and Carl. W. Rausch dated August 12, 2016
<a href="#">31.1</a>	Certification of Principal Executive and Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended*
<a href="#">32.1</a>	Certification pursuant to Section 906 of Sarbanes Oxley Act of 2002 (Interim Chief Executive and Financial Officer)**
101	The following financial statements from the Quarterly Report on Form 10-Q of Boston Therapeutics, Inc. for the quarter ended June 30, 2016 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: August 15, 2016

By: /s/ Carl W. Rausch  
Carl W. Rausch  
Chief Executive Officer

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

I, Carl. W. Rausch, 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: August 15, 2016

By:

/s/ Carl. W. Rausch  
Carl. W. Rausch  
Chief Executive Officer (Principal  
Executive, Financial and Accounting  
Officer)

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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 June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Carl. W. Rausch, 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: August 15, 2016

By:

/s/ Carl. W. Rausch  
Carl. W. Rausch  
Chief Executive Officer (Principal  
Executive, Financial and Accounting  
Officer)

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**BOSTON THERAPEUTICS, INC.  
SECURITIES PURCHASE AGREEMENT**

This Securities Purchase Agreement (the "Agreement") is entered into by and between Boston Therapeutics, Inc., a Delaware corporation (the "Company"), and the undersigned purchaser or purchasers (the "Purchaser", and collectively with other purchasers similarly situated, the "Purchasers") as of the latest date set forth on the signature page hereto.

**NOW, THEREFORE**, in consideration of the mutual covenants and other agreements contained in this Agreement the Company and the Purchaser hereby agree as follows:

1. Purchase of Securities.

(a) Subject to the terms and conditions of this Agreement, the undersigned Purchaser hereby subscribes for units (collectively, the "Units"), each Unit comprised of: (i) a convertible promissory note ("Note") in the form attached as Exhibit C hereto, convertible into 333,333 shares ("Shares") of the Company's common stock, \$0.001 par value (the "Common Stock") and (ii) a warrant to purchase 250,000 shares of Common Stock (the "Warrant Shares") in the form attached as Exhibit D hereto ("Warrant") (sometimes the Notes, the Shares, the Warrant and the Warrant Shares are collectively referred to as the "Securities"). The total proceeds received by the Company in the offering may be less than or equal to the amount indicated by the undersigned Purchaser on the signature page hereto (the "Subscription Amount"). The offering, purchase and sale of the Securities is referred to herein as the "Offering."

(b) The Note shall accrue interest at a rate of 6% per annum and shall mature two (2) years from the date of issuance (the "Maturity Date"). The undersigned Purchaser may elect to convert all or part of the Note, plus accrued interest, into shares of Common Stock at any time at a conversion rate of \$0.075 per share, subject to adjustment. On the Maturity Date, the principal and interest payable in connection with the Note shall be payable. Interest on the Note will be payable in cash or, subject to certain equity conditions, shares of Common Stock at the Company's option. Pursuant to the Note, late payments of interest are subject to a late fee.

(c) The Warrant has a term of five (5) years. The Warrant shall be exercisable in whole or in part at any time and from time to time during that term for one share of Common Stock at a per-share exercise price of \$0.10.

(d) Units shall be delivered to the Purchaser in the form of separate Notes and Warrants.

(e) Maxim Group LLC has been retained by the Company as the sole placement agent for the Offering (the "Placement Agent").

2. Closing.

(a) On or prior to the applicable Closing Date (as defined below), the Purchaser shall deliver or cause to be delivered to the Placement Agent the following deliverables in accordance with the subscription procedures described in Section 2(b) below:

(i) a completed and duly executed signature page of this Agreement;

(ii) the completed Purchaser Information included as Exhibit A, attached hereto; and

(iii) if the Purchaser is an individual, a spousal consent in the form of Exhibit B, attached hereto (the "Spousal Consent").

(b) The Purchaser shall deliver or cause to be delivered the deliverables to the Placement Agent as set forth in the Memorandum

Immediately following receipt of the deliverables described above from all of the Purchasers and acceptance by the Company in accordance with subsection (c) below, payment instructions will be forwarded to the Purchaser and the Purchaser shall be obligated to deliver funds no later than three business days thereafter. If the Subscription Amount is to be paid by check, the check must be mailed to the Placement Agent as set forth in the Memorandum in time to be received by the deadline described above. If the Subscription Amount is to be paid by wire transfer, it must be wired in accordance with the instructions in the Memorandum.

(c) This Agreement sets forth various representations, warranties, covenants, and agreements of the Company and of the Purchaser, as the case may be, all of which shall be deemed made, and shall be effective without further action by the Company or the Purchaser, immediately upon the Company's acceptance of the Purchaser's subscription and shall thereupon be binding upon the Company and the Purchaser. Acceptance shall be evidenced only by execution of this Agreement by the Company on its signature page attached hereto. Upon the Company's acceptance of the Purchaser's subscription and receipt of the Subscription Amount, on the applicable Closing Date, the Placement Agent shall deliver to the Purchaser a duly executed copy of each of the Agreement, the Note, the Warrant, and the Escrow Agreement.

(d) Purchases and sales of the Securities shall be initially consummated on or before June 30, 2016 (the "Initial Closing Date") in the amount of at least \$1,200,000, and shall thereafter be additionally consummated in one or more additional purchases and sales, in increments of at least \$25,000 (provided that, in its sole discretion and without notice to Purchasers, the Company may accept subscriptions for lesser amounts) (each such consummation, if any, a "Subsequent Closing" occurring on a "Subsequent Closing Date"), with all purchases and sales to be consummated on the earlier to occur of: (i) July 31, 2016 (the "Termination Date") and (ii) three trading days after the date on which the Maximum Amount is subscribed for by investors and accepted by the Company (the "Maximum Amount Subscription Acceptance Date"), and the earlier to occur of the Termination Date and the Maximum Amount Subscription Acceptance Date being referred to as the "Final Closing Date", and each of the Initial Closing Date, any Subsequent Closing Date and the Final Closing Date being referred to as a "Closing Date"), provided that the Termination Date may be extended by one 30-day period in the sole discretion of the Company without notice to Purchasers. The aggregate amount of purchases and sales of Securities in the Offering shall not exceed \$2,000,000. In the event there is not an initial consummation of at least \$1,200,000 of purchases and sales on or before the Initial Closing Date, the Offering shall be cancelled.

(e) The Placement Agent has been engaged for the Offering on a "best efforts, all or none basis" with respect to the Minimum Amount and a "best efforts" basis with respect to the Maximum Amount. The Placement Agent shall receive (i) ten percent (10%) of the gross proceeds of the Offering, for a maximum amount of sales commissions of \$200,000 based on the sale of 80 Units, and (ii) a warrant to purchase a number of shares equal to ten percent (10%) of the aggregate number of shares underlying all the Units sold, at an exercise price equal to the exercise price of the Warrant. The cash commission payable to the Placement Agent and the number of shares underlying the warrant issued to the Placement Agent will be reduced to five percent (5%) for any proceeds received by any current stockholders of the Company, provided that the Placement Agent will not receive any fee for proceeds invested by Conroy Chi-Heng Cheng, the Company's interim Chief Executive Officer and Chief Financial Officer. In addition, on March 15, 2016, the Placement Agent and the Company entered an agreement pursuant to which the Placement Agent agreed to provide certain general financial advisory and investment banking services to the Company in consideration of 5,000,000 shares of common stock, which shares have been issued.

3. Company Representations and Warranties. The Company hereby represents and warrants that, as of each of the date of this Agreement and the Closing Date applicable to the Purchaser:

(a) Organization, Good Standing and Qualification. The Company is a Delaware corporation duly organized, validly existing, in good standing. The Company has the necessary corporate power and authority to own and operate its properties and assets, to execute and deliver this Agreement and all other agreements referred to herein (collectively, the "Related Agreements"), to issue and sell the Units and to carry out the provisions of this Agreement and the Related Agreements and to carry on its business as presently conducted and as presently proposed to be conducted. The Company is duly qualified and is authorized to do business and is in good standing as a foreign corporation in all jurisdictions in which the nature of its activities and of its properties (both owned and leased) makes such qualification necessary, except for those jurisdictions in which failure to do so would not have a material adverse effect on the Company or its business.

(b) Subsidiaries. The Company does not own or control any other interest of any other corporation, limited partnership or other business entity that represents more than fifty percent (50%) of the voting power of that corporation, limited partnership or other business entity.

(c) Capitalization: Voting Rights.

(i) The number of shares of Common Stock of the Company that are issued and outstanding as of the date hereof are as set forth in the Confidential Private Placement Memorandum dated June \_\_, 2016 (the "Memorandum").

(ii) Other than shares of common stock reserved for issuance under the Units being sold pursuant to this Agreement (including shares of common stock issuable upon exercise of Warrants) and except as set forth in the Memorandum, there are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal), proxy or stockholder agreements, or arrangements or agreements of any kind for the issuance of shares of common stock of the Company.

(iii) The rights, preferences, privileges and restrictions of the Shares are as stated in the Certificate of Incorporation, as amended (the "Charter"). When issued in compliance with the provisions of this Agreement and the Company's Charter, the Shares and the Warrants will be validly issued, fully paid and nonassessable, and will be free of any liens or encumbrances; *provided, however*, that the Shares may be subject to restrictions on transfer under state and/or federal Interest laws as set forth herein or as otherwise required by such laws at the time a transfer is proposed.

(d) Authorization; Binding Obligations. All corporate action on the part of the Company, its officers, directors and stockholders necessary for the authorization of this Agreement and the Related Agreements, the performance of all obligations of the Company hereunder and the authorization, sale, issuance and delivery of the Units pursuant hereto and the Related Agreements has been taken or will be taken. The Agreement and the Related Agreements, when executed and delivered, will be valid and binding obligations of the Company enforceable in accordance with their terms, except (a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights, and (b) as limited by general principles that restrict the availability of equitable remedies.

(e) Liabilities. Except as set forth in the Company's Form 10-K for the year ended December 31, 2015 (the "Form 10-K"), the Company has no material liabilities and, to the best of its knowledge, knows of no material contingent liabilities, except current liabilities incurred in the ordinary course of business which are not, either in any individual case or in the aggregate, material.

(f) Agreements; Action. Except as set forth on the Form 10-K, or as contemplated by the terms of this Agreement or any other agreements to be entered into between the Company and the Subscriber, there are no agreements, understandings, instruments, contracts, proposed transactions, judgments, orders, writs or decrees to which the Company is a party or to its knowledge by which it is bound which may provide for (i) obligations (contingent or otherwise) of, or payments to, the Company in excess of \$50,000 (other than obligations of, or payments to, the Company arising from Subscription or sale agreements entered into in the ordinary course of business), or (ii) the transfer or license of any patent, copyright, trade secret or other proprietary right to or from the Company (other than licenses arising from the Subscription of "off the shelf" or other standard products), or (iii) provisions restricting the development, manufacture or distribution of the Company's products or services, or (iv) indemnification by the Company with respect to infringements of proprietary rights.

(g) Obligations to Related Parties. Except as set forth in the Form 10-K, there are no obligations of the Company to officers, directors, stockholders or employees of the Company other than (a) for payment of salary for services rendered, including bonus payments, (b) reimbursement for reasonable expenses incurred on behalf of the Company and (c) for other employee benefits (including stock option plans and stock option agreements outstanding under any stock option plan approved by the Board of Directors of the Company). None of the officers or directors of the Company, nor any members of their immediate families, are indebted to the Company or, to the Company's knowledge, have any direct or indirect ownership interest in any firm or corporation with which the Company is affiliated or with which the Company has a business relationship, or any firm or corporation which competes with the Company, other than passive investments in publicly traded companies (representing less than 1% of such company) which may compete with the Company. No officer or director or, to the Company's knowledge, any member of their immediate families, is, directly or indirectly, interested in any material contract with the Company and no agreements, understandings or proposed transactions are contemplated between the Company and any such person. The Company is not a guarantor or indemnitor of any indebtedness of any other person, firm or corporation.

(h) Changes. Except as set forth in the Form 10-K, since December 31, 2015, there has not been:

(i) Any material change in the assets, liabilities, financial condition, prospects or operations of the Company, other than changes in the ordinary course of business, none of which individually or in the aggregate has had or is reasonably expected to have a material adverse effect on such assets, liabilities, financial condition, prospects or operations of the Company;

(ii) Any resignation or termination of any officer, key employee or group of employees of the Company;

(iii) Any material change, except in the ordinary course of business, in the contingent obligations of the Company by way of guaranty, endorsement, indemnity, warranty or otherwise;

(iv) Any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the properties, business or prospects or financial condition of the Company;

(v) Any waiver by the Company of a right deemed valuable by the Company or of a material debt owed to it;

(vi) Any direct or indirect loans made by the Company to any employee, officer or director of the Company, other than advances made in the ordinary course of business;

(vii) Any material change in any compensation arrangement or agreement with any employee, officer, or director;

(viii) Any declaration or payment of any dividend or other distribution of the assets of the Company;

(ix) Any labor organization activity related to the Company;

(x) Any debt, obligation or liability incurred, assumed or guaranteed by the Company, except those for immaterial amounts and for current liabilities incurred in the ordinary course of business;

(xi) Any sale, assignment or transfer of any patents, trademarks, copyrights, trade secrets or other intangible assets;

(xii) Any change in any material agreement to which the Company is a party or by which it is bound which may materially and adversely affect the business, assets, liabilities, financial condition, operations or prospects of the Company;

(xiii) Any other event or condition of any character that, either individually or cumulatively, has or may materially and adversely affect the business, assets, liabilities, financial condition, prospects or operations of the Company; or

(xiv) Any arrangement or commitment by the Company to do any of the acts described in subsection (a) through (m) above.

(i) Title to Properties and Assets; Liens, Etc. Except as set forth in the Form 10-K, the Company has good and marketable title to its properties and assets, and good title to its leasehold estates, in each case subject to no mortgage, pledge, lien, lease, encumbrance or charge, other than (a) those resulting from taxes which have not yet become delinquent, (b) minor liens and encumbrances which do not materially detract from the value of the property subject thereto or materially impair the operations of the Company, and (c) those that have otherwise arisen in the ordinary course of business. All facilities, machinery, equipment, fixtures, vehicles and other properties owned, leased or used by the Company are in good operating condition and repair, normal wear and tear excepted, and are reasonably fit and usable for the purposes for which they are being used. The Company is in compliance with all material terms of each lease to which it is a party or is otherwise bound.

(j) Intellectual Property.

(i) The Company owns or possesses sufficient legal rights to all patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information and other proprietary rights and processes necessary for its business as now conducted and to the Company's knowledge as presently proposed to be conducted (the "**Intellectual Property**"), without any known infringement of the rights of others. There are no outstanding options, licenses or agreements of any kind relating to the foregoing proprietary rights, nor is the Company bound by or a party to any options, licenses or agreements of any kind with respect to the patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information and other proprietary rights and processes of any other person or entity other than such licenses or standard products.

(ii) The Company has not received any written communications alleging that the Company has violated any of the patents, trademarks, service marks, trade names, copyrights or trade secrets or other proprietary rights of any other person or entity, nor is the Company aware of any basis therefor.

(k) Compliance with Other Instruments. The Company is not in violation or default of any material term of the Charter or Bylaws, or of any material provision of any mortgage, indenture, contract, agreement, instrument or contract to which it is party or by which it is bound or of any judgment, decree, order or writ. The execution, delivery and performance of and compliance with this Agreement and the Related Agreements, and the issuance and sale of Interest pursuant hereto, will not, with or without the passage of time or giving of notice, result in any such material violation, or be in conflict with or constitute a default under any such term or provision, or result in the creation of any mortgage, pledge, lien, encumbrance or charge upon any of the material properties or assets of the Company or the suspension, revocation, impairment, forfeiture or nonrenewal of any material permit, license, authorization or approval applicable to the Company, its business or operations or any of its material assets or properties.

(l) Litigation. Except as set forth in the Form 10-K, there is no action, suit or proceeding pending or, to the Company's knowledge, currently threatened against the Company that questions the validity of this Agreement or the Related Agreements or the right of the Company to enter into any of such agreements, or to consummate the transactions contemplated hereby or thereby, or which is reasonably likely to result, either individually or in the aggregate, in any material adverse change in the assets, condition, affairs or prospects of the Company, financially or otherwise, nor is the Company aware that there is any basis for any of the foregoing. The Company is not a party or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality. Except as set forth in the Form 10-K, there is no action, suit, proceeding or investigation by the Company currently pending or which the Company intends to initiate.

(m) Tax Returns and Payments. The Company has timely filed all tax returns required to be filed by it. All taxes shown to be due and payable on such returns, any assessments imposed, and to the Company's knowledge all other taxes due and payable by the Company on or before the date hereof, have been paid or will be paid prior to the time they become delinquent. The Company has not been advised (a) that any of its returns, federal, state or other, have been or are being audited as of the date hereof, or (b) of any deficiency in assessment or proposed judgment to its federal, state or other taxes. The Company has no knowledge of any liability of any tax to be imposed upon its properties or assets as of the date of this Agreement that is not adequately provided for.

(n) Employees. The Company has no collective bargaining agreements with any of its employees. There is no labor union organizing activity pending or, to the Company's knowledge, threatened with respect to the Company. .

(o) Registration Rights and Voting Rights. The Company is presently not under any obligation, and has not granted any rights, to register any of the Company's presently outstanding securities or any of its securities that may hereafter be issued. To the Company's knowledge, no stockholder of the Company has entered into any agreement with respect to the voting of the securities of the Company.

(p) Compliance with Laws; Permits. To its knowledge, the Company is not in violation of any applicable statute, rule, regulation, order or restriction of any domestic or foreign government or any instrumentality or agency thereof in respect of the conduct of its business or the ownership of its properties which violation would materially and adversely affect the business, assets, liabilities, financial condition, operations or prospects of the Company. Except as disclosed in this Agreement, no governmental orders, permissions, consents, approvals or authorizations are required to be obtained and no registrations or declarations are required to be filed in connection with the execution and delivery of this Agreement and the issuance of any of the Interest, except (i) such as has been duly and validly obtained or filed, or (ii) with respect to any filings that must be made after the date hereof, as will be filed in a timely manner, or (iii) such as would not have a material adverse effect on the Company. The Company has all franchises, permits, licenses and any similar authority necessary for the conduct of its business as now being conducted by it, the lack of which could materially and adversely affect the business, properties, prospects or financial condition of the Company.

(q) Environmental and Safety Laws. To the Company's knowledge, the Company is not in violation of any applicable statute, law or regulation relating to the environment or occupational health and safety, and to its knowledge, no material expenditures are or will be required in order to comply with any such existing statute, law or regulation.

(r) Valid Offering. Assuming the accuracy of the representations and warranties of the Subscriber contained in this Agreement, the offer, sale and issuance of the Units will be exempt from the registration requirements of the Securities Act of 1933, as amended (the "**Securities Act**"), and will have been registered or qualified (or are exempt from registration and qualification) under the registration, permit or qualification requirements of all applicable state laws. Neither the Company nor any agent on its behalf has solicited or will solicit any offers to sell or has offered to sell or will offer to sell the Units to any person or persons so as to bring the sale of such Units by the Company within the registration provisions of the Securities Act or any state securities laws.

4. Purchaser Acknowledgements and Representations. In connection with the purchase of the Securities, Purchaser represents and warrants as of the Closing Date applicable to the Purchaser and/or acknowledges, to the Company, the following:

(a) Acceptance. The Company may accept or reject this Agreement and the number of Securities subscribed for hereunder, in whole or in part, in its sole and absolute discretion. The Company has no obligation to issue any of the Securities to any person who is a resident of a jurisdiction in which the issuance of the Securities would constitute a violation of federal or state securities laws.

(b) Irrevocability. This Agreement is and shall be irrevocable, except that the Purchaser shall have no obligations hereunder to the extent that this Agreement is rejected by the Company.

(c) Binding. This Agreement and the rights, powers and duties set forth herein shall be binding upon the Purchaser, the Purchaser's heirs, estate, legal representatives, successors and assigns and shall inure to the benefit of the Company, its successors and assigns.

(d) No Governmental Review. No federal or state agency has made any finding or determination as to the fairness of the Offering for investment, or any recommendation or endorsement of the Securities.

(e) No Voting Rights. Unless and until the Warrant is exercised and the Warrant Shares issued, the Purchaser is not entitled to voting rights for the shares of the Warrant Shares.

(f) Professional Advice; Investment Experience. The Company has made available to the Purchaser, or to the Purchaser's attorney, accountant or representative, all documents that the Purchaser has requested, and the Purchaser has requested all documents and other information that the Purchaser has deemed necessary to consider respecting an investment in the Company. The Company has provided answers to all questions concerning the Offering and an investment in the Company. The Purchaser has carefully considered and has, to the extent the Purchaser believes necessary, discussed with the Purchaser's professional technical, legal, tax and financial advisers and his/her/its representative (if any) the suitability of an investment in the Company for the Purchaser's particular tax and financial situation. All information the Purchaser has provided to the Company concerning the Purchaser and the Purchaser's financial position is, to Purchaser's knowledge, correct and complete as of the date set forth below, and if there should be any material adverse change in such information prior to the acceptance of this Agreement by the Company, the Purchaser will immediately provide such information to the Company. The Purchaser has such knowledge, skill, and experience in technical, business, financial, and investment matters so that he/she/it is capable of evaluating the merits and risks of an investment in the Securities. To the extent necessary, the Purchaser has retained, at his/her/its own expense, and relied upon, appropriate professional advice regarding the technical, investment, tax, and legal merits and consequences of this Agreement and owning the Securities. The Purchaser acknowledges and understands that the proceeds from the sale of the Securities will be used as described in Section 5(b).

(g) Brokers and Finders; Placement Agent Services. Section 2(e) includes information regarding the compensation to be paid to the Placement Agent for various services rendered or to be rendered to the Company.

(h) Investment Purpose. Purchaser is purchasing the Securities for investment for his, her or its own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act in violation of such act. Purchaser further represents that he/she/it does not presently have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Securities. If the Purchaser is an entity, the Purchaser represents that it has not been formed for the specific purpose of acquiring the Securities. Purchaser acknowledges that an investment in the Securities is a high-risk, speculative investment.

(i) Reliance on Exemptions. Purchaser understands that the Securities are being offered and sold to it in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Purchaser's compliance with, the representations, warranties, agreements, acknowledgments and understandings of Purchaser set forth herein and in Exhibit A in order to determine the availability of such exemptions and the eligibility of the Purchaser to acquire the Securities.

(j) Restricted Securities. Purchaser understands that the Securities are "restricted securities" under applicable Securities Laws and that, pursuant to these laws, Purchaser must hold the Securities indefinitely unless they are registered with the Securities and Exchange Commission (the "Commission") and qualified by state authorities, or an exemption from such registration and qualification requirements is available. Purchaser acknowledges that the Company has no obligation to register or qualify the Securities or Common Stock underlying the Securities for resale.



(k) Professional Advice. The Company has not received from its legal counsel, accountants or professional advisors any independent valuation of the Company or any of its equity securities, or any opinion as to the fairness of the terms of the Offering or the adequacy of disclosure of materials pertaining to the Company or the Offering.

(l) Risk of Loss. The Purchaser has adequate net worth and means of providing for his/her/its current needs and personal contingencies to sustain a complete loss of the investment in the Securities at the time of investment, and the Purchaser has no need for liquidity in the investment in the Securities. The Purchaser understands that an investment in the Securities is highly risky and that he/she/it could suffer a complete loss of his/her/its investment.

(m) Information. The Purchaser understands that any plans, estimates and projections, provided by or on behalf of the Company, involve significant elements of subjective judgment and analysis that may or may not be correct; that there can be no assurance that such plans, projections or goals will be attained; and that any such plans, projections and estimates should not be relied upon as a promise of the future performance of the Company. The Purchaser acknowledges that neither the Company, the Placement Agent nor anyone acting on the Company's behalf makes any warranty, express or implied, as to the accuracy or correctness of any such plans, estimates and projections, and there are no assurances that such plans, estimates and projections will be achieved. The Purchaser understands that the Company's technology and products are new, and not all of the technology and/or products may be tested and commercialized, and that there is no guarantee that the technology and products will be commercially successful. The Purchaser understands that all of the risks associated with the technology are not now known. Before investing in the Offering, the Purchaser has been given the opportunity to ask questions of the Company about the technology and the Company's business and the Purchaser has received answers to those questions.

(n) Authorization; Enforcement. Each Transaction Document to which a Purchaser is a party: (i) has been duly and validly authorized, (ii) has been duly executed and delivered on behalf of the Purchaser, and (iii) will constitute, upon execution and delivery by the Purchaser thereof and the Company, the valid and binding agreements of the Purchaser enforceable in accordance with their terms, except to the extent limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights and general principles of equity that restrict the availability of equitable or legal remedies.

(o) Residency. If the Purchaser is an individual, then Purchaser resides in the state or province identified in the address of such Purchaser set forth in the Purchaser Questionnaire; if the Purchaser is a partnership, corporation, limited liability company or other entity, then the office or offices of the Purchaser in which its principal place of business is identified in the address or addresses of the Purchaser set forth in the Purchaser Questionnaire.

(p) Communication of Offer. The Purchaser was contacted by either the Company or the Placement Agent with respect to a potential investment in the Securities. The Purchaser is not purchasing the Securities as a result of any "general solicitation" or "general advertising," as such terms are defined in Regulation D of the Securities Act, which includes, but is not limited to, any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or on the internet or broadcast over television, radio or the internet or presented at any seminar or any other general solicitation or general advertisement.

(q) No Conflicts. The execution, delivery and performance by the Purchaser of this Agreement and the consummation by the Purchaser of the transactions contemplated hereby will not (i) result in a violation of the organizational documents of the Purchaser (if the Purchaser is an entity), (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Purchaser is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws) applicable to the Purchaser.

(r) Organization. If the Purchaser is an entity, it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization with the requisite corporate or partnership power and authority to enter into and to consummate the transactions contemplated by the applicable Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. If the Purchaser is an entity, the execution, delivery and performance by the Purchaser of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate or, if the Purchaser is not a corporation, such partnership, limited liability company or other applicable like action, on the part of the Purchaser.

(s) Memorandum. The Purchaser has received a copy of the Memorandum, has had an opportunity to review and evaluate the disclosure in the Memorandum, and does not have any questions or requests for additional information.

(t) No Other Representations. Other than the representations and warranties contained in the Transaction Documents, the Purchaser has not received and is not relying on any representation, warranties or assurances as to the Company, its business or its prospects from the Company or any other person or entity.

## 5. Covenants.

(a) In addition to the other agreements and covenants set forth herein, as long as a Note is outstanding, without the written consent of the holders of a majority of the principal amount of the Notes then outstanding, the Company will not, and will not permit any of its subsidiaries to, directly or indirectly, undertake the following:

(i) engage in any transactions with affiliates (for purposes of this subparagraph (xv), the term "affiliates" refers to the officers, directors and holders of 10% or more of the Company's common stock);

(ii) liquidate, enter into bankruptcy, dissolve or wind-up its business and affairs; or

(iii) enter into any Equity Line of Credit or similar agreement, or any issuance or agreement to issue any floating or Variable Rate Securities (as defined below) or any of the foregoing or equity with price reset rights. For purposes hereof, "Equity Line of Credit" shall include any transaction involving a written agreement between the Company and an investor or underwriter whereby the Company has the right to "put" its securities to the investor or underwriter over an agreed period of time and at an agreed price or price formula, and "Variable Rate Securities" shall include: (A) any debt or equity securities which are convertible into, exercisable or exchangeable for, or carry the right to receive additional shares of Common Stock either at a conversion price, exercise price or exchange rate or other price that is based upon, and/or varies with, the trading prices of or quotations for the shares of Common Stock at any time after the initial issuance of such security or with a fixed conversion, exercise or exchange price that is subject to being reset at some future date at any time after the initial issuance of such debt or equity security, and (B) any amortizing convertible security which amortizes prior to its maturity date, where the Company is required or has the option to (or any investor in such transaction has the option to require the Company to) make such amortization payments in shares of Common Stock.

(b) Until the later of (i) the repayment of the Notes in full, and (ii) the exercise of all Warrants on or prior to their expiration, the Company covenants to maintain the registration of the Common Stock under Section 12(b) or 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to Section 13 or 15(d) of the Exchange Act with the Commission even if the Company is not then subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act. If at any time Rule 144 (as defined below) is not available to cover the Shares or Warrant Shares due to the failure of the Company to be currently reporting under the Exchange Act ("Public Information Failure"), then the Company shall pay in cash by wire transfer of immediately available funds an amount per month equal to 1% of the aggregate VWAP of the Shares or Warrant Shares which are not able to be delivered without legend because of such Public Information Failure to the holder thereof until such shares are able to be delivered without legend (to be pro-rated for any periods which are less than one month). As used herein, "Rule 144" means Rule 144 promulgated by the Commission under the Securities Act, as such rule may be amended from time to time, or any other similar or successor rule or regulation of the Commission that may at any time permit the Purchasers to sell securities of the Company to the public without registration, and "VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on a national securities exchange, (b) if the Common Stock is not then listed or quoted for trading on a national securities exchange, the OTC Bulletin Board, OTCQB or such other quotation system or association, (c) and if prices for the Common Stock are not then reported in or by any of the foregoing, in the "Pink Sheets" published by Pink OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holders of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

(c) Piggy-Back Registration Rights.

- (i) If, at any time on or after the Closing, the Company proposes to file any Registration Statement under the Securities Act (a "Registration Statement") with respect to any offering of equity securities, or securities or other obligations exercisable or exchangeable for, or convertible into, equity securities, by the Company for its own account or for shareholders of the Company for their account (or by the Company and by shareholders of the Company), other than a Registration Statement in connection with a merger or acquisition or in connection with a Form S-8 Registration Statement, then the Company shall (x) give written notice of such proposed filing to the holders of Securities appearing on the books and records of the Company as such a holder as soon as practicable but in no event less than ten (10) days before the anticipated filing date of the Registration Statement, which notice shall describe the amount and type of securities to be included in such Registration Statement, the intended method(s) of distribution, and the name of the proposed managing underwriter or underwriters, if any, of the offering, and (y) offer to the holders of Securities in such notice the opportunity to register the sale of such number of Securities as such holders may request in writing within five (5) days following receipt of such notice (a "Piggy-Back Registration"). The Company shall cause such Securities to be included in such registration and shall cause the managing underwriter or underwriters of a proposed underwritten offering to permit the Securities requested to be included in a Piggy-Back Registration on the same terms and conditions as any similar securities of the Company and to permit the sale or other disposition of such Securities in accordance with the intended method(s) of distribution thereof. All holders of Securities proposing to distribute their securities through a Piggy-Back Registration that involves an underwriter or underwriters shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such Piggy-Back Registration. Notwithstanding anything to the contrary in this Section 5(c)(i), if the Shares of Warrant Shares have been held by the Purchaser for more than six (6) months and may be sold pursuant to Rule 144, then such Purchaser shall not have Piggy-Back Registration rights with respect to such Shares or Warrant Shares.
- (ii) Any holder of Securities may elect to withdraw such holder's request for inclusion of Securities in any Piggy-Back Registration by giving written notice to the Company of such request to withdraw prior to the effectiveness of the Registration Statement. The Company (whether on its own determination or as the result of a withdrawal by persons making a demand pursuant to written contractual obligations) may withdraw a Registration Statement at any time prior to the effectiveness of such Registration Statement. Notwithstanding any such withdrawal, the Company shall pay all expenses incurred by the holders of Securities in connection with such Piggy-Back Registration (including but not limited to any legal fees).
- (iii) The Company shall notify the holders of Securities at any time when a prospectus relating to such holder's Securities is required to be delivered under the Securities Act, upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing. At the request of such holder, the Company shall also prepare, file and furnish to such holder a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of the Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing. The holders of Securities shall not offer or sell any Securities covered by the Registration Statement after receipt of such notification until the receipt of such supplement or amendment.

(iv) The Company may request a holder of Securities to furnish the Company such information with respect to such holder and such holder's proposed distribution of the Securities pursuant to the Registration Statement as the Company may from time to time reasonably request in writing or as shall be required by law or by the Commission in connection therewith, and such holders shall furnish the Company with such information.

(v) All fees and expenses incident to the performance of or compliance with this Section 5(c) by the Company shall be borne by the Company whether or not any Securities are sold pursuant to a Registration Statement. The fees and expenses referred to in the foregoing sentence shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses of the Company's counsel and independent registered public accountants) (A) with respect to filings made with the Commission, (B) with respect to filings required to be made with any trading market on which the Common Stock or other Securities are then listed for trading, (C) in compliance with applicable state securities or Blue Sky laws reasonably agreed to by the Company in writing (including, without limitation, fees and disbursements of counsel for the Company in connection with Blue Sky qualifications or exemptions of the Securities) and (D) with respect to any filing that may be required to be made by any broker through which a holder of Securities intends to make sales of Securities with FINRA, (ii) printing expenses, (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for the Company, (v) Securities Act liability insurance, if the Company so desires such insurance, and (vi) fees and expenses of all other persons or entities retained by the Company in connection with the consummation of the transactions contemplated by this Section 5(c). In addition, the Company shall be responsible for all of its internal expenses incurred in connection with the consummation of the transactions contemplated by this Agreement (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit and the fees and expenses incurred in connection with the listing of the Securities on any securities exchange as required hereunder.

(vi) The Company and its successors and assigns shall indemnify and hold harmless each Purchaser, each holder of Securities, the officers, directors, members, partners, agents and employees (and any other individuals or entities with a functionally equivalent role of a person holding such titles, notwithstanding a lack of such title or any other title) of each of them, each individual or entity who controls each Purchaser or any such holder of Securities (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, members, stockholders, partners, agents and employees (and any other individuals or entities with a functionally equivalent role of a person holding such titles, notwithstanding a lack of such title or any other title) of each such controlling individual or entity (each, an "Indemnified Party"), to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, liabilities, costs (including, without limitation, reasonable attorneys' fees) and expenses (collectively, "Losses"), as incurred, arising out of or relating to (1) any untrue or alleged untrue statement of a material fact contained in a Registration Statement, any related prospectus or any form of prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any such prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading or (2) any violation or alleged violation by the Company of the Securities Act, the Exchange Act or any state securities law, or any rule or regulation thereunder, in connection with the performance of its obligations under this Section 5(c), except to the extent, but only to the extent, that such untrue statements or omissions are based upon information regarding a Purchaser or such holder of Securities furnished to the Company by such party for use therein. The Company shall notify each Purchaser and each holder of Securities promptly of the institution, threat or assertion of any proceeding arising from or in connection with the transactions contemplated by this Section 5(c) of which the Company is aware. If the indemnification hereunder is unavailable to an Indemnified Party or insufficient to hold an Indemnified Party harmless for any Losses, then the Company shall contribute to the amount paid or payable by such Indemnified Party, in such proportion as is appropriate to reflect the relative fault of the Company and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of the Company and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, the Company or the Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include any reasonable attorneys' or other fees or expenses incurred by such party in connection with any proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for herein was available to such party in accordance with its terms. It is agreed that it would not be just and equitable if contribution pursuant to this Section 5(c) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding sentence. Notwithstanding the provisions of this Section 5(c), neither the Purchaser nor any holder of Securities shall be required to contribute, in the aggregate, any amount in excess of the amount by which the net proceeds actually received by such party from the sale of all of their Registrable Securities pursuant to such Registration Statement or related prospectus exceeds the amount of any damages that such party has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

(d) In addition to the other agreements and covenants set forth herein, the Company agrees to the following:

(i) The Company will use the net proceeds from the Offering as set forth in the Memorandum.

(ii) In addition to the shares of Common Stock that will be locked up in accordance with Section 6 below, the shares of Common Stock or securities convertible into or exercisable for shares of Common Stock which are held by all officers, directors and employees of the Company will be locked up until 6 months following the Final Closing Date.

6. Restrictive Legends and Stop-Transfer Orders.

(a) Legends. The certificate or certificates representing each of the Securities shall bear a legend substantially to the following effect (as well as any legends required by applicable state corporate law or federal or state securities laws):

(i) THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, OR HYPOTHECATED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO SUCH SECURITIES UNDER SUCH ACT AND/OR QUALIFICATION UNDER APPLICABLE STATE SECURITIES LAWS, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION AND QUALIFICATION IS NOT REQUIRED.

(ii) THE SECURITIES REPRESENTED HEREBY MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF THAT CERTAIN SECURITIES PURCHASE AGREEMENT BETWEEN THE COMPANY AND THE SECURITY HOLDER DATED \_\_\_\_\_, 2016, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

(iii) Any legend required to be placed thereon by any appropriate securities commission or commissioner.

(b) Stop-Transfer Notices. The Purchaser agrees that, to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) The Company, shall pay, on behalf of any Purchaser requesting the transfer or resale of Securities pursuant to Section 6(a)(i), a sum sufficient to cover any expenses or fees that may be imposed in connection with the processing of such transfer, including but not limited to legal fees incurred in connection with the issuance of an opinion of counsel, together with reimbursement of all reasonable expenses of the Purchaser incidental thereto.

7. Conditions to Closing.

(a) Conditions to the Company's Obligation to Sell. The obligation of the Company hereunder to issue and sell Securities to the Purchaser is subject to the satisfaction, at or before the applicable Closing Date, of each of the following conditions, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion:

(i) The Purchaser shall have complied with Sections 2(a) and (b);

(ii) The representations and warranties of the Purchaser shall be true and correct in all material respects; and

(iii) No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

(b) Conditions to Each Purchaser's Obligation to Purchase. The obligation of the Purchaser hereunder to purchase the Securities is subject to the satisfaction, at or before the applicable Closing Date of each of the following conditions, provided that these conditions are for the Purchaser's sole benefit and may be waived by the Purchaser at any time in his/her/its sole discretion:

(i) The Company shall have complied with Section 2(d);

(ii) The representations and warranties of the Company shall be true and correct as of the applicable Closing Date, and the Company shall have performed, satisfied and complied with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the applicable Closing Date. The Purchaser shall have received a certificate or certificates, executed by the Chief Executive Officer of the Company, dated as of the applicable Closing Date, to the foregoing effect and as to such other matters as may be reasonably requested by the Purchaser, including, but not limited to, certificates with respect to the Company's charter, bylaws and Board of Directors' resolutions relating to the transactions contemplated hereby;

(iii) No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement;

(iv) No event shall have occurred which would reasonably be expected to have a Material Adverse Effect; and

(v) The Company shall have provided such other documents as the Placement Agent may reasonably request, each in form and substance satisfactory to the Placement Agent.

8. Miscellaneous.

(a) Governing Law. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of New York, without giving effect to principles of conflicts of law.

(b) Entire Agreement; Enforcement of Rights. This Agreement and the Memorandum, together with the exhibits and schedules attached hereto, set forth the entire agreement and understanding of the parties relating to the subject matter herein and supersedes any and all prior agreements or discussions between them, including any term sheet, letter of intent or other document executed by the parties prior to the date hereof relating to such subject matter. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement; provided, however, that the Purchaser acknowledges and agrees that the Placement Agent may, in its sole discretion acting by prior written consent on behalf of Purchaser, waive any covenant of the Company described in Section 5. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

(c) Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. If the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded, and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(d) Construction. This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(e) Notices. Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient when delivered personally (including two business days after deposit with a reputable overnight courier service, properly addressed to the party to receive the same) or sent by fax or 48 hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified at such party's address or fax number as set forth herein or as subsequently modified by written notice.

(f) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(g) Successors and Assigns. The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The covenants and obligations of the Company hereunder shall inure to the benefit of, and be enforceable by the Purchaser against the Company, its successors and assigns, including any entity into which the Company is merged. The rights and obligations of Purchasers under this Agreement may only be assigned with the prior written consent of the Company.

(h) Third Party Beneficiary. This Agreement is intended for the benefit of the undersigned parties and their respective permitted successors and assigns, and the Placement Agent, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

(i) Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

(j) Expenses. The Company shall pay all costs and expenses incurred by the Company and the Placement Agent with respect to the negotiation, execution, delivery and performance of the Agreement, in accordance with the Placement Agency Agreement dated June 13, 2016 entered into between the Company and the Placement Agent.

(k) Survival. The representations, warranties, covenants and agreements made herein shall survive the closing of the transaction contemplated hereby. All statements as to factual matters contained in any certificate or other instrument delivered by or on behalf of the Company pursuant hereto in connection with the transactions contemplated hereby shall be deemed to be representations and warranties by the Company hereunder solely as of the date of such certificate or instrument. The representations, warranties, covenants and obligations of the Company, and the rights and remedies that may be exercised by the Purchaser, shall not be limited or otherwise affected by or as a result of any information furnished to, or any investigation made by or knowledge of, any of the Purchasers or any of their representatives.

(l) Attorneys' Fees. In the event that any suit or action is instituted under or in relation to this Agreement, including without limitation to enforce any provision in this Agreement, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

(m) Remedies. All remedies afforded to any party by law or contract, shall be cumulative and not alternative and are in addition to all other rights and remedies a party may have, including any right to equitable relief and any right to sue for damages as a result of a breach of this Agreement. Without limiting the foregoing, no exercise of a remedy shall be deemed an election excluding any other remedy.

(n) Consent of Spouse. If the Purchaser is married on the date of this Agreement, such Purchaser's spouse shall execute and deliver to the Company the Spousal Consent in the form attached as Exhibit B hereto, effective on the date hereof. Notwithstanding the execution and delivery thereof, such consent shall not be deemed to confer or convey to the spouse any rights in such Purchaser's Securities that do not otherwise exist by operation of law or the agreement of the parties. If any Purchaser should marry or remarry subsequent to the date of this Agreement, such Purchaser shall within 30 days thereafter obtain his/her new spouse's acknowledgement of and consent to the existence and binding effect of all restrictions contained in this Agreement by causing such spouse to execute and deliver a Consent of Spouse acknowledging the restrictions and obligations contained in this Agreement and agreeing and consenting to the same.

*[Remainder of Page Intentionally Left Blank]*



*The Purchaser, by his or her signature below, or by that of its authorized representative, confirms that the Purchaser has carefully reviewed and understands, and voluntarily enters into, this Agreement.*

IN WITNESS WHEREOF, the Purchaser has executed this Agreement as of \_\_\_\_\_, 2016.

**PURCHASER** (if individual):

**PURCHASER** (if entity):

Signature

Name of Entity

Name (*type or print*)

By:

Signature of Co-Signer (*if any*)

Name:

Name of Co-Signer (*type or print*)

Its:

**AGREED AND ACCEPTED** as of \_\_\_\_\_, 2016.

**BOSTON THERAPEUTICS, INC.**

By: \_\_\_\_\_  
Conroy Chi-Heng Cheng  
Interim Chief Executive Officer

Subscription Amount (as accepted by the Company):

\$ \_\_\_\_\_

**EXHIBIT A**  
**PURCHASER QUESTIONNAIRE**

*[see attached]*

**EXHIBIT B**

**SPOUSAL CONSENT**

I, \_\_\_\_\_, spouse of \_\_\_\_\_, have read and hereby approve the foregoing Agreement. In consideration of the Company' granting my spouse the right to purchase the Securities as set forth in the Agreement, I hereby agree to be irrevocably bound by the Agreement and further agree that any community property or similar interest that I may have in the Securities shall be similarly bound by the Agreement. I hereby appoint my spouse as my attorney-in-fact with respect to any amendment or exercise of any rights under the Agreement.

Signature

Spouse of \_\_\_\_\_

OR

I hereby represent and warrant that I am unmarried as of the date of this Agreement.

Signature

**EXHIBIT C**

**FORM OF NOTE**

*[see attached]*

**EXHIBIT D**

**FORM OF WARRANT**

*[see attached]*

NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS CONVERTIBLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

Original Issue Date: \_\_\_\_\_, 2016

Original Conversion Price (subject to adjustment herein): \$0.075

\$ \_\_\_\_\_

**6% SENIOR CONVERTIBLE DEBENTURE  
DUE 2018**

THIS 6% SENIOR CONVERTIBLE DEBENTURE is one of a series of duly authorized and validly issued 6% Senior Convertible Debentures of Boston Therapeutics, Inc., a Delaware corporation, (the "Company"), having its principal place of business at 233 Needham Street, Newton, MA 02464, designated as its 6% Senior Convertible Debenture due 2018 (this debenture, the "Debenture" and, collectively with the other debentures of such series, the "Debentures"). The terms not defined herein shall have the meaning as set forth in the Purchase Agreement.

FOR VALUE RECEIVED, the Company promises to pay to \_\_\_\_\_ or its registered assigns (the "Holder"), or shall have paid pursuant to the terms hereunder, the principal sum of \$ \_\_\_\_\_ on \_\_\_\_\_, 2018 (the "Maturity Date") or such earlier date as this Debenture is required or permitted to be repaid as provided hereunder, and to pay interest to the Holder on the aggregate unconverted and then outstanding principal amount of this Debenture in accordance with the provisions hereof. This Debenture is subject to the following additional provisions:

Section 1. Definitions. For the purposes hereof, in addition to the terms defined elsewhere in this Debenture, (a) capitalized terms not otherwise defined herein shall have the meanings set forth in the Purchase Agreement and (b) the following terms shall have the following meanings:

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

"Alternate Consideration" shall have the meaning set forth in Section 5(e).

"Bankruptcy Event" means any of the following events: (a) the Company or any Significant Subsidiary (as such term is defined in Rule 1-02(w) of Regulation S-X) thereof commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to the Company or any Significant Subsidiary thereof, (b) there is commenced against the Company or any Significant Subsidiary thereof any such case or proceeding that is not dismissed within 60 days after commencement, (c) the Company or any Significant Subsidiary thereof is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or proceeding is entered, (d) the Company or any Significant Subsidiary thereof suffers any appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within 60 calendar days after such appointment, (e) the Company or any Significant Subsidiary thereof makes a general assignment for the benefit of creditors, (f) the Company or any Significant Subsidiary thereof calls a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts, (g) the Company or any Significant Subsidiary thereof admits in writing that it is generally unable to pay its debts as they become due, (h) the Company or any Significant Subsidiary thereof, by any act or failure to act, expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

"Base Conversion Price" shall have the meaning set forth in Section 5(b).

"Beneficial Ownership Limitation" shall have the meaning set forth in Section 4(d).

"Business Day" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"Buy-In" shall have the meaning set forth in Section 4(c)(v).

"Change of Control Transaction" means the occurrence after the date hereof of any of (a) an acquisition after the date hereof by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract or otherwise) of in excess of 50% of the voting securities of the Company (other than by means of conversion or exercise of the Debentures and the Securities issued together with the Debentures), (b) the Company merges into or consolidates with any other Person, or any Person merges into or consolidates with the Company and, after giving effect to such transaction, the stockholders of the Company immediately prior to such transaction own less than 50% of the aggregate voting power of the Company or the successor entity of such transaction, (c) the Company sells or transfers all or substantially all of its assets to another Person and the stockholders of the Company immediately prior to such transaction own less than 50% of the aggregate voting power of the acquiring entity immediately after the transaction, (d) a replacement at one time or within a three year period of more than one-half of the members of the Board of Directors which is not approved by a majority of those individuals who are members of the Board of Directors on the Original Issue Date (or by those individuals who are serving as members of the Board of Directors on any date whose nomination to the Board of Directors was approved by a majority of the members of the Board of Directors who are members on the date hereof), or (e) the execution by the Company of an agreement to which the Company is a party or by which it is bound, providing for any of the events set forth in clauses (a) through (d) above.

"Conversion" shall have the meaning ascribed to such term in Section 4.

"Conversion Date" shall have the meaning set forth in Section 4(a).

"Conversion Price" shall have the meaning set forth in Section 4(b).

"Conversion Schedule" means the Conversion Schedule in the form of Schedule 1 attached hereto.

"Conversion Shares" means, collectively, the shares of Common Stock issuable upon conversion of this Debenture in accordance with the terms hereof.

"Debenture Register" shall have the meaning set forth in Section 2(c).

"Dilutive Issuance" shall have the meaning set forth in Section 5(b).

"Dilutive Issuance Notice" shall have the meaning set forth in Section 5(b).

"Equity Conditions" means, during the period in question, (a) the Company shall have duly honored all conversions and redemptions scheduled to occur or occurring by virtue of one or more Notices of Conversion of the Holder, if any, (b) the Company shall have paid all liquidated damages and other amounts owing to the Holder in respect of this Debenture, (c)(i) there is an effective Registration Statement pursuant to which the Holder is permitted to utilize the prospectus thereunder to resell all of the shares of Common Stock issuable pursuant to the Transaction Documents (and the Company believes, in good faith, that such effectiveness will continue uninterrupted for the foreseeable future) or (ii) all of the Conversion Shares issuable pursuant to the Transaction Documents (and shares issuable in lieu of cash payments of interest) may be resold pursuant to Rule 144 without volume or manner-of-sale restrictions or current public information requirements as determined by the counsel to the Company as set forth in a written opinion letter to such effect, addressed and acceptable to the Transfer Agent and the Holder, (d) the Common Stock is trading on a Trading Market and all of the shares issuable pursuant to the Transaction Documents are listed or quoted for trading on such Trading Market (and the Company believes, in good faith, that trading of the Common Stock on a Trading Market will continue uninterrupted for the foreseeable future), (e) there is a sufficient number of authorized but unissued and otherwise unreserved shares of Common Stock for the issuance of all of the shares then issuable pursuant to the Transaction Documents, (f) there is no existing Event of Default and no existing event which, with the passage of time or the giving of notice, would constitute an Event of Default, (g) the issuance of the shares in question to the Holder would not violate the limitations set forth in Section 4(d) herein, and (h) there has been no public announcement of a pending or proposed Fundamental Transaction or Change of Control Transaction that has not been consummated, (i) the applicable Holder is not in possession of any information provided by the Company that constitutes, or may constitute, material non-public information.



"Event of Default" shall have the meaning set forth in Section 8(a).

"Exempt Issuance" is defined as the issuance of securities associated with (a) shares of Common Stock or options to employees, officers, consultants or directors of the Company pursuant to any stock or option plan duly adopted by the Board of Directors of the Company, (b) securities upon the exercise of or conversion of any securities issued hereunder, convertible securities, options or warrants issued and outstanding on the date hereof, provided that such securities have not been amended since the date hereof, or (c) securities issued in connection with acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, provided that any such issuance shall only be to a person (or to the equityholders of a person) which is, itself or through its subsidiaries, an operating company or an owner of an asset in a business synergistic with the business of the Company and shall provide to the Company additional benefits in addition to the investment of funds, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities.

"Forced Conversion" shall have the meaning set forth in Section 6(d).

"Forced Conversion Date" shall have the meaning set forth in Section 6(d).

"Forced Conversion Notice" shall have the meaning set forth in Section 6(d).

"Forced Conversion Notice Date" shall have the meaning set forth in Section 6(d).

"Fundamental Transaction" shall have the meaning set forth in Section 5(e).

"Indebtedness" means (x) any liabilities for borrowed money or amounts owed in excess of \$50,000 (other than trade accounts payable incurred in the ordinary course of business), (y) all guaranties, endorsements and other contingent obligations in respect of indebtedness of others, whether or not the same are or should be reflected in the Company's consolidated balance sheet (or the notes thereto), except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; and (z) the present value of any lease payments in excess of \$50,000 due under leases required to be capitalized in accordance with GAAP. Neither the Company nor any Subsidiary is in default with respect to any Indebtedness.

"Interest Conversion Rate" means the lesser of (a) the Conversion Price or (b) 90% of the lesser of (i) the average of the VWAPs for the 20 consecutive Trading Days ending on the Trading Day that is immediately prior to the applicable Interest Payment Date or (ii) the average of the VWAPs for the 20 consecutive Trading Days ending on the Trading Day that is immediately prior to the date the applicable Interest Conversion Shares are issued and delivered if such delivery is after the Interest Payment Date.

"Interest Conversion Shares" shall have the meaning set forth in Section 2(a).

"Interest Notice Period" shall have the meaning set forth in Section 2(a).

"Interest Payment Date" shall have the meaning set forth in Section 2(a).

"Interest Share Amount" shall have the meaning set forth in Section 2(a).

"Late Fees" shall have the meaning set forth in Section 2(d).

"Liens" means a lien, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

"Mandatory Default Amount" means the sum of (a) the greater of (i) the outstanding principal amount of this Debenture, plus all accrued and unpaid interest hereon, divided by the Conversion Price on the date the Mandatory Default Amount is either (A) demanded (if demand or notice is required to create an Event of Default) or otherwise due or (B) paid in full, whichever has a lower Conversion Price, multiplied by the VWAP on the date the Mandatory Default Amount is either (x) demanded or otherwise due or (y) paid in full, whichever has a higher VWAP, or (ii) 130% of the outstanding principal amount of this Debenture, plus 100% of accrued and unpaid interest hereon, and (b) all other amounts, costs, expenses and liquidated damages due in respect of this Debenture.

"New York Courts" shall have the meaning set forth in Section 9(d).

"Notice of Conversion" shall have the meaning set forth in Section 4(a).

"Original Issue Date" means the date of the first issuance of the Debentures, regardless of any transfers of any Debenture and regardless of the number of instruments which may be issued to evidence such Debentures.

"Permitted Indebtedness" means (a) the indebtedness evidenced by the Debentures, (b) the Indebtedness existing on the Original Issue Date and set forth in Section 3(e) of the Purchase Agreement, (c) lease obligations and purchase money indebtedness of up to \$100,000, in the aggregate, incurred in connection with the acquisition of capital assets and lease obligations with respect to newly acquired or leased assets and (d) indebtedness that (i) is expressly subordinate to the Debentures pursuant to a written subordination agreement with the Purchasers that is acceptable to each Purchaser in its sole and absolute discretion and (ii) matures at a date later than the 91<sup>st</sup> day following the Maturity Date.

"Permitted Lien" means the individual and collective reference to the following: (a) Liens for taxes, assessments and other governmental charges or levies not yet due or Liens for taxes, assessments and other governmental charges or levies being contested in good faith and by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of the Company) have been established in accordance with GAAP, (b) Liens imposed by law which were incurred in the ordinary course of the Company's business, such as carriers', warehousemen's and mechanics' Liens, statutory landlords' Liens, and other similar Liens arising in the ordinary course of the Company's business, and which (x) do not individually or in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of the Company and its consolidated Subsidiaries or (y) are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing for the foreseeable future the forfeiture or sale of the property or asset subject to such Liens, (c) Liens incurred in connection with Permitted Indebtedness under clauses (a), (b), (d) and (e) thereunder, and (d) Liens incurred in connection with Permitted Indebtedness under clause (c) thereunder, provided that such Liens are not secured by assets of the Company or its subsidiaries other than the assets so acquired or leased.

"Purchase Agreement" means the Securities Purchase Agreement, dated as of [●], 2016 among the Company and the original Holders, as amended, modified or supplemented from time to time in accordance with its terms.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Share Delivery Date" shall have the meaning set forth in Section 4(c)(ii).

"Successor Entity" shall have the meaning set forth in Section 5(e).

"Threshold Period" shall have the meaning set forth in Section 6(d).

"Trading Day" means a day on which the principal Trading Market is open for trading.

"Trading Market" means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, OTCQB or OTCQX (or any successors to any of the foregoing).

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Stock are then reported in the "Pink Sheets" published by OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Purchasers of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

Section 2.

Interest.

- a) Payment of Interest in Cash or Kind. The Company shall pay interest to the Holder on the aggregate unconverted and then outstanding principal amount of this Debenture at the rate of 6% per annum, payable quarterly on March 31, June 30, September 30, and December 31, beginning on June 30, 2017 and on the Maturity Date (each such date, an "Interest Payment Date") (if any Interest Payment Date is not a Business Day, then the applicable payment shall be due on the next succeeding Business Day), in cash or, at the Company's option, in duly authorized, validly issued, fully paid and non-assessable shares of Common Stock at the Interest Conversion Rate (the dollar amount to be paid in shares, the "Interest Share Amount") or a combination thereof; provided, however, that payment in shares of Common Stock may only occur if (i) all of the Equity Conditions have been met (unless waived by the Holder in writing) during the 20 Trading Days immediately prior to the applicable Interest Payment Date (the "Interest Notice Period") and through and including the date such shares of Common Stock are actually issued to the Holder, (ii) the Company shall have given the Holder notice in accordance with the notice requirements set forth below and (iii) as to such Interest Payment Date, prior to such Interest Notice Period (but not more than five (5) Trading Days prior to the commencement of such Interest Notice Period), the Company shall have delivered to the Holder's account with The Depository Trust Company a number of shares of Common Stock to be applied against such Interest Share Amount equal to the quotient of (x) the applicable Interest Share Amount divided by (y) the lesser of the (i) then Conversion Price and (ii) the Interest Conversion Rate assuming for such purposes that the Interest Payment Date is the Trading Day immediately prior to the commencement of the Interest Notice Period (the "Interest Conversion Shares").

- b) Company's Election to Pay Interest in Cash or Kind. Subject to the terms and conditions herein, the decision whether to pay interest hereunder in cash, shares of Common Stock or a combination thereof shall be at the sole discretion of the Company. Prior to the commencement of any Interest Notice Period, the Company shall deliver to the Holder a written notice of its election to pay interest hereunder on the applicable Interest Payment Date either in cash, shares of Common Stock or a combination thereof and the Interest Share Amount as to the applicable Interest Payment Date, provided that the Company may indicate in such notice that the election contained in such notice shall apply to future Interest Payment Dates until revised by a subsequent notice. During any Interest Notice Period, the Company's election (whether specific to an Interest Payment Date or continuous) shall be irrevocable as to such Interest Payment Date. Subject to the aforementioned conditions, failure to timely deliver such written notice to the Holder shall be deemed an election by the Company to pay the interest on such Interest Payment Date in cash. At any time the Company delivers a notice to the Holder of its election to pay the interest in shares of Common Stock, the Company shall timely file a prospectus supplement pursuant to Rule 424 disclosing such election. The aggregate number of shares of Common Stock otherwise issuable to the Holder on an Interest Payment Date shall be reduced by the number of Interest Conversion Shares previously issued to the Holder in connection with such Interest Payment Date.
- c) Interest Calculations. Interest shall be calculated on the basis of a 360-day year, consisting of twelve 30 calendar day periods, and shall accrue daily commencing on the Original Issue Date until payment in full of the outstanding principal, together with all accrued and unpaid interest, liquidated damages and other amounts which may become due hereunder, has been made. Payment of interest in shares of Common Stock (other than the Interest Conversion Shares issued prior to an Interest Notice Period) shall otherwise occur pursuant to Section 4(c)(ii) herein and, solely for purposes of the payment of interest in shares, the Interest Payment Date shall be deemed the Conversion Date. Interest shall cease to accrue with respect to any principal amount converted, provided that, the Company actually delivers the Conversion Shares within the time period required by Section 4(c)(ii) herein. Interest hereunder will be paid to the Person in whose name this Debenture is registered on the records of the Company regarding registration and transfers of this Debenture (the "Debenture Register"). Except as otherwise provided herein, if at any time the Company pays interest partially in cash and partially in shares of Common Stock to the holders of the Debentures, then such payment of cash shall be distributed ratably among the holders of the then-outstanding Debentures based on their (or their predecessor's) initial purchases of Debentures pursuant to the Purchase Agreement.
- d) Late Fee. All overdue accrued and unpaid interest to be paid hereunder shall entail a late fee at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted by applicable law (the "Late Fees") which shall accrue daily from the date such interest is due hereunder through and including the date of actual payment in full. Notwithstanding anything to the contrary contained herein, if, on any Interest Payment Date the Company has elected to pay accrued interest in the form of Common Stock but the Company is not permitted to pay accrued interest in Common Stock because it fails to satisfy the conditions for payment in Common Stock set forth in Section 2(a) herein, then, at the option of the Holder, the Company, in lieu of delivering either shares of Common Stock pursuant to this Section 2 or paying the regularly scheduled interest payment in cash, shall deliver, within three (3) Trading Days of each applicable Interest Payment Date, an amount in cash equal to the product of (x) the number of shares of Common Stock otherwise deliverable to the Holder in connection with the payment of interest due on such Interest Payment Date multiplied by (y) the highest VWAP during the period commencing on the Interest Payment Date and ending on the Trading Day prior to the date such payment is actually made. If any Interest Conversion Shares are issued to the Holder in connection with an Interest Payment Date and are not applied against an Interest Share Amount, then the Holder shall promptly return such excess shares to the Company.

- e) Prepayment. The Company shall have the option, upon 10 days' notice to Holder, to pre-pay all or a portion of the remaining outstanding principal and interest amount of this Debenture in cash, provided that (i) the Company shall pay the Holder a multiple of the principal and interest, (ii) such amount must be paid in cash on the next business day following such 10 day notice period, and (iii) the Holder may still convert this Debenture pursuant to the terms hereof at all times until such prepayment amount has been received in full. The multiple shall be 115% of the principal and interest at anytime from the Original Issue Date through the 12 month period immediately following the Original Issue Date (the "One Year Anniversary") and 125% of the principal and interest at anytime from the One Year Anniversary until the Maturity Date. If only a portion of the Debentures are pre-paid, such pre-payment will be done on a pro-rata basis.

Section 3. Registration of Transfers and Exchanges.

- a) Different Denominations. This Debenture is exchangeable for an equal aggregate principal amount of Debentures of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be payable for such registration of transfer or exchange.
- b) Investment Representations. This Debenture has been issued subject to certain investment representations of the original Holder set forth in the Purchase Agreement and may be transferred or exchanged only in compliance with the Purchase Agreement and applicable federal and state securities laws and regulations.
- c) Reliance on Debenture Register. Prior to due presentment for transfer to the Company of this Debenture, the Company and any agent of the Company may treat the Person in whose name this Debenture is duly registered on the Debenture Register as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Debenture is overdue, and neither the Company nor any such agent shall be affected by notice to the contrary.

- a) Voluntary Conversion. At any time after the Original Issue Date until this Debenture is no longer outstanding, this Debenture shall be convertible, in whole or in part, into shares of Common Stock at the option of the Holder, at any time and from time to time (subject to the conversion limitations set forth in Section 4(d) hereof). The Holder shall effect conversions by delivering to the Company a Notice of Conversion, the form of which is attached hereto as Annex A (each, a "Notice of Conversion"), specifying therein the principal amount of this Debenture to be converted and the date on which such conversion shall be effected (such date, the "Conversion Date"). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be the date that such Notice of Conversion is deemed delivered hereunder. No ink-original Notice of Conversion shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Conversion form be required. To effect conversions hereunder, the Holder shall not be required to physically surrender this Debenture to the Company unless the entire principal amount of this Debenture, plus all accrued and unpaid interest thereon, has been so converted in which case the Holder shall surrender this Debenture as promptly as is reasonably practicable after such conversion without delaying the Company's obligation to deliver the shares on the Share Delivery Date. Conversions hereunder shall have the effect of lowering the outstanding principal amount of this Debenture in an amount equal to the applicable conversion. The Holder and the Company shall maintain records showing the principal amount(s) converted and the date of such conversion(s). The Company may deliver an objection to any Notice of Conversion within one (1) Business Day of delivery of such Notice of Conversion. In the event of any dispute or discrepancy, the records of the Holder shall be controlling and determinative in the absence of manifest error. **The Holder, and any assignee by acceptance of this Debenture, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Debenture, the unpaid and unconverted principal amount of this Debenture may be less than the amount stated on the face hereof.**
- b) Conversion Price. The conversion price in effect on any Conversion Date shall be equal to \$0.075, subject to adjustment herein (the "Conversion Price").
- c) Mechanics of Conversion.
- i. Conversion Shares Issuable Upon Conversion of Principal Amount. The number of Conversion Shares issuable upon a conversion hereunder shall be determined by the quotient obtained by dividing (x) the outstanding principal amount of this Debenture to be converted by (y) the Conversion Price.
- ii. Delivery of Certificate Upon Conversion. Not later than three (3) Trading Days after each Conversion Date (the "Share Delivery Date"), the Company shall deliver, or cause to be delivered, to the Holder (A) a certificate or certificates representing the Conversion Shares which, on or after the earlier of (i) the six month anniversary of the Original Issue Date or (ii) the effective date of a registration statement covering the resale of the Conversion Shares held by the Holder, shall be free of restrictive legends and trading restrictions (other than those which may then be required by the Purchase Agreement) representing the number of Conversion Shares being acquired upon the conversion of this Debenture (including, if the Company has given continuous notice pursuant to Section 2(b) for payment of interest in shares of Common Stock at least 20 Trading Days prior to the date on which the Notice of Conversion is delivered to the Company, shares of Common Stock representing the payment of accrued interest otherwise determined pursuant to Section 2(a) but assuming that the Interest Notice Period is the 20 Trading Days period immediately prior to the date on which the Notice of Conversion is delivered to the Company and excluding for such issuance the condition that the Company deliver Interest Conversion Shares as to such interest payment prior to the commencement of the Interest Notice Period) and (B) a bank check in the amount of accrued and unpaid interest (if the Company has elected or is required to pay accrued interest in cash). On or after the earlier of (i) the six month anniversary of the Original Issue Date or (ii) the effective date of a registration statement covering the resale of the Conversion Shares held by the Holder, the Company shall deliver any certificate or certificates required to be delivered by the Company under this Section 4(c) electronically through the Depository Trust Company or another established clearing corporation performing similar functions.

iii. Failure to Deliver Certificates. If, in the case of any Notice of Conversion, such certificate or certificates are not delivered to or as directed by the applicable Holder by the Share Delivery Date, the Holder shall be entitled to elect by written notice to the Company at any time on or before its receipt of such certificate or certificates, to rescind such Conversion, in which event the Company shall promptly return to the Holder any original Debenture delivered to the Company and the Holder shall promptly return to the Company the Common Stock certificates issued to such Holder pursuant to the rescinded Conversion Notice.

iv. Obligation Absolute; Partial Liquidated Damages. The Company's obligations to issue and deliver the Conversion Shares upon conversion of this Debenture in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Holder in connection with the issuance of such Conversion Shares; provided, however, that such delivery shall not operate as a waiver by the Company of any such action the Company may have against the Holder. In the event the Holder of this Debenture shall elect to convert any or all of the outstanding principal amount hereof, the Company may not refuse conversion based on any claim that the Holder or anyone associated or affiliated with the Holder has been engaged in any violation of law, agreement or for any other reason, unless an injunction from a court, on notice to Holder, restraining and or enjoining conversion of all or part of this Debenture shall have been sought and obtained, and the Company posts a surety bond for the benefit of the Holder in the amount of 150% of the outstanding principal amount of this Debenture, which is subject to the injunction, which bond shall remain in effect until the completion of arbitration/litigation of the underlying dispute and the proceeds of which shall be payable to the Holder to the extent it obtains judgment. In the absence of such injunction, the Company shall issue Conversion Shares or, if applicable, cash, upon a properly noticed conversion. If the Company fails for any reason to deliver to the Holder such certificate or certificates pursuant to Section 4(c)(ii) by the Share Delivery Date, the Company shall pay to the Holder, in cash, as liquidated damages and not as a penalty, for each \$1,000 of principal amount being converted, \$10 per Trading Day (increasing to \$20 per Trading Day on the fifth (5<sup>th</sup>) Trading Day after such liquidated damages begin to accrue) for each Trading Day after such Share Delivery Date until such certificates are delivered or Holder rescinds such conversion. Nothing herein shall limit a Holder's right to pursue actual damages or declare an Event of Default pursuant to Section 8 hereof for the Company's failure to deliver Conversion Shares within the period specified herein and the Holder shall have the right to pursue all remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief. The exercise of any such rights shall not prohibit the Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.



v. Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Conversion. In addition to any other rights available to the Holder, if the Company fails for any reason to deliver to the Holder such certificate or certificates by the Share Delivery Date pursuant to Section 4(c)(ii), and if after such Share Delivery Date the Holder is required by its brokerage firm to purchase (in an open market transaction or otherwise), or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Conversion Shares which the Holder was entitled to receive upon the conversion relating to such Share Delivery Date (a "Buy-In"), then the Company shall (A) pay in cash to the Holder (in addition to any other remedies available to or elected by the Holder) the amount, if any, by which (x) the Holder's total purchase price (including any brokerage commissions) for the Common Stock so purchased exceeds (y) the product of (1) the aggregate number of shares of Common Stock that the Holder was entitled to receive from the conversion at issue multiplied by (2) the actual sale price at which the sell order giving rise to such purchase obligation was executed (including any brokerage commissions) and (B) at the option of the Holder, either reissue (if surrendered) this Debenture in a principal amount equal to the principal amount of the attempted conversion (in which case such conversion shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued if the Company had timely complied with its delivery requirements under Section 4(c)(ii). For example, if the Holder purchases Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted conversion of this Debenture with respect to which the actual sale price of the Conversion Shares (including any brokerage commissions) giving rise to such purchase obligation was a total of \$10,000 under clause (A) of the immediately preceding sentence, the Company shall be required to pay the Holder \$1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon conversion of this Debenture as required pursuant to the terms hereof.

- vi. Reservation of Shares Issuable Upon Conversion. The Company covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock for the sole purpose of issuance upon conversion of this Debenture and payment of interest on this Debenture, each as herein provided, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holder (and the other holders of the Debentures), not less than such aggregate number of shares of the Common Stock as shall (subject to the terms and conditions set forth in the Purchase Agreement) be issuable (taking into account the adjustments and restrictions of Section 5) upon the conversion of the then outstanding principal amount of this Debenture and payment of interest hereunder. The Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and nonassessable and, if the Registration Statement is then effective under the Securities Act, shall be registered for public resale in accordance with such Registration Statement (subject to such Holder's compliance with its obligations under the Purchase Agreement).
- vii. Fractional Shares. No fractional shares or scrip representing fractional shares shall be issued upon the conversion of this Debenture. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such conversion, the Company shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Price or round up to the next whole share.

viii. Transfer Taxes and Expenses. The issuance of certificates for shares of the Common Stock on conversion of this Debenture shall be made without charge to the Holder hereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificates, provided that, the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the Holder of this Debenture so converted and the Company shall not be required to issue or deliver such certificates unless or until the Person or Persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid. The Company shall pay all Transfer Agent fees required for same-day processing of any Notice of Conversion and all fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Conversion Shares.

d) Holder's Conversion Limitations. The Company shall not effect any conversion of this Debenture, and a Holder shall not have the right to convert any portion of this Debenture, to the extent that after giving effect to the conversion set forth on the applicable Notice of Conversion, the Holder (together with the Holder's Affiliates, and any Persons acting as a group together with the Holder or any of the Holder's Affiliates) would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates shall include the number of shares of Common Stock issuable upon conversion of this Debenture with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which are issuable upon (i) conversion of the remaining, unconverted principal amount of this Debenture beneficially owned by the Holder or any of its Affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company subject to a limitation on conversion or exercise analogous to the limitation contained herein (including, without limitation, any other Debentures or the Warrants) beneficially owned by the Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 4(d), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. To the extent that the limitation contained in this Section 4(d) applies, the determination of whether this Debenture is convertible (in relation to other securities owned by the Holder together with any Affiliates) and of which principal amount of this Debenture is convertible shall be in the sole discretion of the Holder, and the submission of a Notice of Conversion shall be deemed to be the Holder's determination of whether this Debenture may be converted (in relation to other securities owned by the Holder together with any Affiliates) and which principal amount of this Debenture is convertible, in each case subject to the Beneficial Ownership Limitation. To ensure compliance with this restriction, the Holder will be deemed to represent to the Company each time it delivers a Notice of Conversion that such Notice of Conversion has not violated the restrictions set forth in this paragraph and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 4(d), in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as stated in the most recent of the following: (i) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (ii) a more recent public announcement by the Company, or (iii) a more recent written notice by the Company or the Company's transfer agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within two Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Debenture, by the Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon conversion of this Debenture held by the Holder. The Holder, upon notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 4(d), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon conversion of this Debenture held by the Holder and the Beneficial Ownership Limitation provisions of this Section 4(d) shall continue to apply. Any increase in the Beneficial Ownership Limitation will not be effective until the 61<sup>st</sup> day after such notice is delivered to the Company. The Beneficial Ownership Limitation provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 4(d) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation contained herein or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Debenture.



- a) Stock Dividends and Stock Splits If the Company, at any time while this Debenture is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on shares of Common Stock or any Common Stock Equivalents (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon conversion of, or payment of interest on, the Debentures), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares or (iv) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Company, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding any treasury shares of the Company) outstanding immediately before such event, and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Subsequent Equity Sales. If, at any time while this Debenture is outstanding, the Company or any Subsidiary, as applicable, sells or grants any option to purchase or sells or grants any right to reprice, or otherwise disposes of or issues (or announces any sale, grant or any option to purchase or other disposition), any Common Stock or Common Stock Equivalents entitling any Person to acquire shares of Common Stock at an effective price per share that is lower than the then Conversion Price (such lower price, the "Base Conversion Price" and such issuances, collectively, a "Dilutive Issuance") (if the holder of the Common Stock or Common Stock Equivalents so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share that is lower than the Conversion Price, such issuance shall be deemed to have occurred for less than the Conversion Price on such date of the Dilutive Issuance), then the Conversion Price shall be reduced to equal the Base Conversion Price. Such adjustment shall be made whenever such Common Stock or Common Stock Equivalents are issued. Notwithstanding the foregoing, no adjustment will be made under this Section 5(b) in respect of an Exempt Issuance. If the Company enters into a Variable Rate Transaction, despite the prohibition set forth in the Purchase Agreement, the Company shall be deemed to have issued Common Stock or Common Stock Equivalents at the lowest possible conversion price at which such securities may be converted or exercised. The Company shall notify the Holder in writing, no later than the Trading Day following the issuance of any Common Stock or Common Stock Equivalents subject to this Section 5(b), indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price and other pricing terms (such notice, the "Dilutive Issuance Notice"). For purposes of clarification, whether or not the Company provides a Dilutive Issuance Notice pursuant to this Section 5(b), upon the occurrence of any Dilutive Issuance, the Holder is entitled to receive a number of Conversion Shares based upon the Base Conversion Price on or after the date of such Dilutive Issuance, regardless of whether the Holder accurately refers to the Base Conversion Price in the Notice of Conversion.

c) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 5(a) above, if at any time the Company grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Debenture (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

d) Pro Rata Distributions. During such time as this Debenture is outstanding, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "Distribution"), at any time after the issuance of this Debenture, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Debenture (without regard to any limitations on conversion hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution (provided, however, to the extent that the Holder's right to participate in any such Distribution would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Distribution to such extent (or in the beneficial ownership of any shares of Common Stock as a result of such Distribution to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

e) Fundamental Transaction. If, at any time while this Debenture is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "Fundamental Transaction"), then, upon any subsequent conversion of this Debenture, the Holder shall have the right to receive, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction (without regard to any limitation in Section 4(d) on the conversion of this Debenture), the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Debenture is convertible immediately prior to such Fundamental Transaction (without regard to any limitation in Section 4(d) on the conversion of this Debenture). For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one (1) share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Conversion Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any conversion of this Debenture following such Fundamental Transaction. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Debenture and the other Transaction Documents (as defined in the Purchase Agreement) in accordance with the provisions of this Section 5(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the holder of this Debenture, deliver to the Holder in exchange for this Debenture a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Debenture which is convertible for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon conversion of this Debenture (without regard to any limitations on the conversion of this Debenture) prior to such Fundamental Transaction, and with a conversion price which applies the conversion price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such conversion price being for the purpose of protecting the economic value of this Debenture immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Debenture and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Debenture and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.



f) Calculations. All calculations under this Section 5 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 5, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of the Company) issued and outstanding.

g) Notice to the Holder.

i. Adjustment to Conversion Price. Whenever the Conversion Price is adjusted pursuant to any provision of this Section 5, the Company shall promptly deliver to each Holder a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Conversion by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of this Debenture, and shall cause to be delivered to the Holder at its last address as it shall appear upon the Debenture Register, at least twenty (20) calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange, provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to convert this Debenture during the 20-day period commencing on the date of such notice through the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 6.                    Forced Conversion. Notwithstanding anything herein to the contrary, if after the Original Issue Date, either (i) the VWAP for each of any 10 consecutive Trading Days, which period shall have commenced after the Original Issue Date (such period the "Threshold Period"), equals or exceeds \$0.50 (subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the Original Issue Date), or (ii) the Company's elects to lists a class of securities on a national securities exchange, the Company may, within 1 Trading Day after the end of any such Threshold Period, deliver a written notice to the Holder (a "Forced Conversion Notice" and the date such notice is delivered to the Holder, the "Forced Conversion Notice Date") to cause the Holder to convert all or part of the then outstanding principal amount of this Debenture plus, if so specified in the Forced Conversion Notice, accrued but unpaid interest, liquidated damages and other amounts owing to the Holder under this Debenture, it being agreed that the "Conversion Date" for purposes of Section 4 shall be deemed to occur on the third Trading Day following the Forced Conversion Notice Date (such third Trading Day, the "Forced Conversion Date"). The Company may not deliver a Forced Conversion Notice, and any Forced Conversion Notice delivered by the Company shall not be effective, unless all of the Equity Conditions are met (unless waived in writing by the Holder) on each Trading Day occurring during the applicable Threshold Period through and including the later of the Forced Conversion Date and the Trading Day after the date such Conversion Shares pursuant to such conversion are delivered to the Holder. Any Forced Conversion shall be applied ratably to all Holders based on their initial purchases of Debentures pursuant to the Purchase Agreement, provided that any voluntary conversions by a Holder shall be applied against the Holder's pro rata allocation, thereby decreasing the aggregate amount forcibly converted hereunder if only a portion of this Debenture is forcibly converted. For purposes of clarification, a Forced Conversion shall be subject to all of the provisions of Section 4, including, without limitation, the provision requiring payment of liquidated damages and limitations on conversions.

Section 7.                    Negative Covenants. As long as \$500,000 in the aggregate of the Debentures remain outstanding, unless the holders of at least 51% in principal amount of the then outstanding Debentures shall have otherwise given prior written consent, the Company shall not, and shall not permit any of the Subsidiaries to, directly or indirectly:

- a)                    other than Permitted Indebtedness, enter into, create, incur, assume, guarantee or suffer to exist any indebtedness for borrowed money of any kind, including, but not limited to, a guarantee, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom;
- b)                    other than Permitted Liens, enter into, create, incur, assume or suffer to exist any Liens of any kind, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom;
- c)                    repay, repurchase or offer to repay, repurchase or otherwise acquire more than a de minimis number of shares of its Common Stock or Common Stock Equivalents other than as to (i) the Conversion Shares or Warrant Shares as permitted or required under the Transaction Documents and (ii) repurchases of Common Stock or Common Stock Equivalents of departing officers and directors of the Company, provided that such repurchases shall not exceed an aggregate of \$100,000 for all officers and directors during the term of this Debenture;
- d)                    repay, repurchase or offer to repay, repurchase or otherwise acquire any Indebtedness, other than the Debentures if on a pro-rata basis, other than regularly scheduled principal and interest payments as such terms are in effect as of the Original Issue Date, provided that such payments shall not be permitted if, at such time, or after giving effect to such payment, any Event of Default exist or occur;
- e)                    pay cash dividends or distributions on any equity securities of the Company; or
- f)                    enter into any agreement with respect to any of the foregoing.

Section 8.                    Events of Default.

- a)                    "Event of Default" means, wherever used herein, any of the following events (whatever the reason for such event and whether such event shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

- i. any default in the payment of (A) the principal amount of any Debenture or (B) interest, liquidated damages and other amounts owing to a Holder on any Debenture, as and when the same shall become due and payable (whether on a Conversion Date or the Maturity Date or by acceleration or otherwise) which default, solely in the case of an interest payment or other default under clause (B) above, is not cured within 3 Trading Days;
- ii. the Company shall fail to observe or perform any other covenant or agreement contained in the Debentures (other than a breach by the Company of its obligations to deliver shares of Common Stock to the Holder upon conversion, which breach is addressed in clause (xi) below) which failure is not cured, if possible to cure, within the earlier to occur of (A) 5 Trading Days after notice of such failure sent by the Holder or by any other Holder to the Company and (B) 10 Trading Days after the Company has become or should have become aware of such failure;
- iii. a default or event of default (subject to any grace or cure period provided in the applicable agreement, document or instrument) shall occur under (A) any of the Transaction Documents or (B) any other material agreement, lease, document or instrument to which the Company or any Subsidiary is obligated (and not covered by clause (vi) below);
- iv. any representation or warranty made in this Debenture, any other Transaction Documents, any written statement pursuant hereto or thereto or any other report, financial statement or certificate made or delivered to the Holder or any other Holder shall be untrue or incorrect in any material respect as of the date when made or deemed made;
- v. the Company or any Significant Subsidiary (as such term is defined in Rule 1-02(w) of Regulation S-X) shall be subject to a Bankruptcy Event;
- vi. the Company or any Subsidiary shall default on any of its obligations under any mortgage, credit agreement or other facility, indenture agreement, factoring agreement or other instrument under which there may be issued, or by which there may be secured or evidenced, any indebtedness for borrowed money or money due under any long term leasing or factoring arrangement that (a) involves an obligation greater than \$150,000, whether such indebtedness now exists or shall hereafter be created, and (b) results in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable;
- vii. the Common Stock shall not be eligible for listing or quotation for trading on a Trading Market and shall not be eligible to resume listing or quotation for trading thereon within five Trading Days;

- viii. the Company shall be a party to any Change of Control Transaction or Fundamental Transaction or shall agree to sell or dispose of all or in excess of 50% of its assets in one transaction or a series of related transactions (whether or not such sale would constitute a Change of Control Transaction);
  - ix. the Company shall fail for any reason to deliver certificates to a Holder prior to the fifth Trading Day after a Conversion Date pursuant to Section 4(c) or any Forced Conversion Date pursuant to Section 6 or the Company shall provide at any time notice to the Holder, including by way of public announcement, of the Company's intention to not honor requests for conversions of any Debentures in accordance with the terms hereof;
  - x. any Person shall breach any agreement delivered to the initial Holders pursuant to Section 2 of the Purchase Agreement;
  - xi. the electronic transfer by the Company of shares of Common Stock through the Depository Trust Company or another established clearing corporation is no longer available or is subject to a "chill";
  - xii. any monetary judgment, writ or similar final process shall be entered or filed against the Company, any subsidiary or any of their respective property or other assets for more than \$50,000, and such judgment, writ or similar final process shall remain unvacated, unbonded or unstayed for a period of 45 calendar days; or
  - xiii. a false or inaccurate certification (including a false or inaccurate deemed certification) by the Company that the Equity Conditions are satisfied or that there has been no Equity Conditions failure or as to whether any Event of Default has occurred.
- b) Remedies Upon Event of Default. If any Event of Default occurs and such Event of Default is not cured within 30 days of the Company learning of such Event of Default, the outstanding principal amount of this Debenture, plus accrued but unpaid interest, liquidated damages and other amounts owing in respect thereof through the date of acceleration, shall become, at the Holder's election, immediately due and payable in cash at the Mandatory Default Amount. Commencing 5 days after the occurrence of any Event of Default that results in the eventual acceleration of this Debenture, the interest rate on this Debenture shall accrue at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted under applicable law. Upon the payment in full of the Mandatory Default Amount, the Holder shall promptly surrender this Debenture to or as directed by the Company. In connection with such acceleration described herein, the Holder need not provide, and the Company hereby waives, any presentment, demand, protest or other notice of any kind, and the Holder may immediately and without expiration of any grace period enforce any and all of its rights and remedies hereunder and all other remedies available to it under applicable law. Such acceleration may be rescinded and annulled by Holder at any time prior to payment hereunder and the Holder shall have all rights as a holder of the Debenture until such time, if any, as the Holder receives full payment pursuant to this Section 8(b). No such rescission or annulment shall affect any subsequent Event of Default or impair any right consequent thereon.

- a) Notices. Any and all notices or other communications or deliveries to be provided by the Holder hereunder, including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by facsimile, by email attachment, or sent by a nationally recognized overnight courier service, addressed to the Company, at the address set forth above, or such other facsimile number, email address, or address as the Company may specify for such purposes by notice to the Holder delivered in accordance with this Section 9(a). Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by facsimile, by email attachment, or sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile number or email address or address of the Holder appearing on the books of the Company, or if no such facsimile number or email attachment or address appears on the books of the Company, at the principal place of business of such Holder, as set forth in the Purchase Agreement. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number or email attachment to the email address set forth on the signature pages attached hereto prior to 5:30 p.m. (New York City time) on any date, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number or email attachment to the email address set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (iii) the second Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (iv) upon actual receipt by the party to whom such notice is required to be given.
- b) Absolute Obligation. Except as expressly provided herein, no provision of this Debenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, liquidated damages and accrued interest, as applicable, on this Debenture at the time, place, and rate, and in the coin or currency, herein prescribed. This Debenture is a direct debt obligation of the Company. This Debenture ranks pari passu with all other Debentures now or hereafter issued under the terms set forth herein.
- c) Lost or Mutilated Debenture. If this Debenture shall be mutilated, lost, stolen or destroyed, the Company shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated Debenture, or in lieu of or in substitution for a lost, stolen or destroyed Debenture, a new Debenture for the principal amount of this Debenture so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such Debenture, and of the ownership hereof, reasonably satisfactory to the Company.

- d) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Debenture shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflict of laws thereof. Each party agrees that all legal proceedings concerning the interpretation, enforcement and defense of the transactions contemplated by any of the Transaction Documents (whether brought against a party hereto or its respective Affiliates, directors, officers, shareholders, employees or agents) shall be commenced in the state and federal courts sitting in the City of New York, Borough of Manhattan (the "New York Courts"). Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such New York Courts, or such New York Courts are improper or inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Debenture and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by applicable law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Debenture or the transactions contemplated hereby. If any party shall commence an action or proceeding to enforce any provisions of this Debenture, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its attorneys fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding.
- e) Waiver. Any waiver by the Company or the Holder of a breach of any provision of this Debenture shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Debenture. The failure of the Company or the Holder to insist upon strict adherence to any term of this Debenture on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Debenture on any other occasion. Any waiver by the Company or the Holder must be in writing.
- f) Amendment. This Debenture may be modified or amended or the provisions hereof waived with the written consent of the Company and each Holder.

- g) Severability. If any provision of this Debenture is invalid, illegal or unenforceable, the balance of this Debenture shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law. The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of or interest on this Debenture as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Debenture, and the Company (to the extent it may lawfully do so) hereby expressly waives all benefits or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Holder, but will suffer and permit the execution of every such as though no such law has been enacted.
- h) Remedies, Characterizations, Other Obligations, Breaches and Injunctive Relief. The remedies provided in this Debenture shall be cumulative and in addition to all other remedies available under this Debenture and any of the other Transaction Documents at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the Holder's right to pursue actual and consequential damages for any failure by the Company to comply with the terms of this Debenture. The Company covenants to the Holder that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the Holder shall be entitled, in addition to all other available remedies, to an injunction restraining any such breach or any such threatened breach, without the necessity of showing economic loss and without any bond or other security being required. The Company shall provide all information and documentation to the Holder that is requested by the Holder to enable the Holder to confirm the Company's compliance with the terms and conditions of this Debenture.
- i) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.



j) Headings. The headings contained herein are for convenience only, do not constitute a part of this Debenture and shall not be deemed to limit or affect any of the provisions hereof.

Section 10. Disclosure. Upon receipt or delivery by the Company of any notice in accordance with the terms of this Debenture, unless the Company has in good faith determined that the matters relating to such notice do not constitute material, nonpublic information relating to the Company or its Subsidiaries, the Company shall within two (2) Business Days after such receipt or delivery publicly disclose such material, nonpublic information on a Current Report on Form 8-K or otherwise. In the event that the Company believes that a notice contains material, non-public information relating to the Company or its Subsidiaries, the Company so shall indicate to the Holder contemporaneously with delivery of such notice, and in the absence of any such indication, the Holder shall be allowed to presume that all matters relating to such notice do not constitute material, nonpublic information relating to the Company or its Subsidiaries.

\*\*\*\*\*

*(Signature Pages Follow)*

IN WITNESS WHEREOF, the Company has caused this Debenture to be duly executed by a duly authorized officer as of the date first above indicated.

**BOSTON THERAPEUTICS, INC.**

By: \_\_\_\_\_

Name:

Title:

Facsimile No. for delivery of Notices: \_\_\_\_\_

ANNEX A

NOTICE OF CONVERSION

The undersigned hereby elects to convert principal under the 6% Senior Convertible Debenture due 2018 of Boston Therapeutics, Inc., a Delaware corporation (the "Company"), into shares of common stock (the "Common Stock"), of the Company according to the conditions hereof, as of the date written below. If shares of Common Stock are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the holder for any conversion, except for such transfer taxes, if any.

By the delivery of this Notice of Conversion the undersigned represents and warrants to the Company that its ownership of the Common Stock does not exceed the amounts specified under Section 4 of this Debenture, as determined in accordance with Section 13(d) of the Exchange Act.

The undersigned agrees to comply with the prospectus delivery requirements under the applicable securities laws in connection with any transfer of the aforesaid shares of Common Stock.

Conversion calculations:

Date to Effect Conversion:

Principal Amount of Debenture to be Converted:

Payment of Interest in Common Stock \_\_ yes \_\_ no

If yes, \$\_\_\_\_\_ of Interest Accrued on Account of Conversion at Issue.

Number of shares of Common Stock to be issued:

Signature:

Name:

Address for Delivery of Common Stock Certificates:

Or

DWAC Instructions:

Broker No:

Account No:

**Schedule 1**

**CONVERSION SCHEDULE**

The 6% Senior Convertible Debentures due on 2018 in the aggregate principal amount of \$\_\_\_\_\_ are issued by Boston Therapeutics, Inc., a Delaware corporation. This Conversion Schedule reflects conversions made under Section 4 of the above referenced Debenture.

Dated:

Date of Conversion (or for first entry, Original Issue Date)	Amount of Conversion	Aggregate Principal Amount Remaining Subsequent to Conversion (or original Principal Amount)	Company Attest

**THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THE SECURITIES UNDER SUCH ACT AND/OR APPLICABLE STATE SECURITIES LAWS, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED OR UNLESS SOLD PURSUANT TO RULE 144 OF SUCH ACT.**

**THE SECURITIES REPRESENTED HEREBY MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF A SECURITIES PURCHASE AGREEMENT BETWEEN THE COMPANY AND THE SECURITY HOLDER DATED JUNE \_\_, 2016, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.**

**BOSTON THERAPEUTICS, INC.**

**STOCK PURCHASE WARRANT**

THIS CERTIFIES that \_\_\_\_\_ (the "**Holder**") is entitled, upon the terms and subject to the conditions hereinafter set forth in this Warrant (this "**Warrant**"), at any time on or after (except as otherwise limited below) the date of the applicable event specified below and on or prior to the Expiration Date, but not thereafter, to subscribe for and to purchase from Boston Therapeutics, Inc., a Delaware corporation (the "**Company**"), shares of the Company's common stock, \$0.001 par value (the "**Common Stock**").

This Warrant is issued pursuant to a Securities Purchase Agreement of even date herewith (the "Purchase Agreement"), and is one of the Warrants (collectively, the "**Warrants**") being issued in connection with the issuance of shares of Common Stock (the "**Offering Shares**") being issued by the Company to raise interim financing of up to \$1,500,000 (the "**Offering**"). Capitalized terms used herein, but not otherwise defined, shall have the meanings ascribed to such terms in the Securities Purchase Agreement.

The following is a statement of the rights of the Holder of this Warrant and the conditions to which this Warrant is subject, to which the Holder, by the acceptance of this Warrant, agrees:

**1. Certain Definitions.**

1.1 "**Exercise Price**" means \$0.10 per Share.

1.2 "**Expiration Date**" means that date that is five (5) years after the issue date set forth above.

1.3 "**Shares**" means the shares of Common Stock issuable under this Warrant, computed in accordance with Section 2 below.

**2. Number of Shares and Exercise Price**

2.1 This Warrant shall be exercisable for [•] Shares at the Exercise Price.

2.2 This Warrant may be exercised at any time on or prior to the Expiration Date.

**3. Exercise of Warrant**

3.1 **Payment.** The purchase rights represented by this Warrant are exercisable by the Holder, in whole or in part, by the surrender of this Warrant and the Notice of Exercise annexed hereto duly executed at the Company's principal executive office (or such other office or agency of the Company as it may designate by notice in writing to the Holder at the address of the Holder appearing on the books of the Company), and upon payment of the aggregate Exercise Price of the Shares thereby purchased (by cash or by check or bank draft payable to the order of the Company); whereupon the Holder shall be entitled to receive a certificate for the number of Shares so purchased. The Company agrees that if at the time of the surrender of this Warrant and purchase of the Shares, the Holder shall be entitled to exercise this Warrant, the Shares so purchased shall be issued to the Holder as the record owner of such Shares as of the close of business on the date on which this Warrant shall have been exercised as aforesaid or on such later date requested by the Holder or on such earlier date agreed to by the Holder and the Company.

3.2 Cashless Exercise. Beginning on the six month anniversary of the date hereof, this Warrant may also be exercised by means of a "cashless exercise" in which the Holder shall be entitled to receive a certificate for the number of Warrant Shares equal to the quotient obtained by dividing  $[(A-B) (X)]$  by (A), as set forth below. Further, where:

(A) = the average closing price on the thirty (30) trading days immediately preceding the date on which Holder elects to exercise this Warrant by means of a "cashless exercise," as set forth in the applicable Notice of Exercise;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

The Holder will only be entitled to utilize this cashless exercise provision if the Shares underlying the Warrant are not registered for re-sale on a Form S-1 Registration Statement.

3.3 Delivery of Common Stock Certificates and New Warrant. As soon as reasonably practicable after each exercise of this Warrant, in whole or in part, and in any event within five (5) business days thereafter ("Warrant Share Delivery Date"), the Company, at its expense (including the payment by it of any applicable issue taxes), will cause the name of the Holder (or as Holder may direct) to be entered in the register of holders in respect of the Warrant Shares and further cause to be issued in the name of and delivered to the Holder hereof or as the Holder (upon payment by the Holder of any applicable transfer taxes) may direct:

(a) a certificate or certificates (with appropriate restrictive legends, as applicable) for the number of duly authorized, validly issued, fully paid and nonassessable Warrant Shares to which the Holder shall be entitled upon exercise; and

(b) in case exercise is in part only, a new Warrant document of like tenor, dated the date hereof, for the remaining number of Warrant Shares issuable upon exercise of this Warrant after giving effect to the partial exercise of this Warrant (including the delivery of any Warrant Shares as payment of the Exercise Price for such partial exercise of this Warrant).

3.4 Notwithstanding anything in this Warrant to the contrary, in no event shall the holder of this Warrant be entitled to exercise a number of Warrants (or portions thereof) in excess of the number of Warrants (or portions thereof) upon exercise of which the sum of (i) the number of shares of Common Stock beneficially owned by the holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unexercised Warrants and the unexercised or unconverted portion of any other securities of the Company subject to a limitation on conversion or exercise analogous to the limitation contained herein) and (ii) the number of shares of Common Stock issuable upon exercise of the Warrants (or portions thereof) with respect to which the determination described herein is being made, would result in beneficial ownership by the holder and its affiliates of more than 9.99% of the outstanding shares of Common Stock of the Company. For purposes of the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13D-G thereunder, except as otherwise provided in clause (i) of the preceding sentence. Notwithstanding anything to the contrary contained herein, the limitation on exercise of this Warrant set forth herein may not be amended without (i) the written consent of the holder hereof and the Company and (ii) the approval of a majority of shareholders of the Company.

#### **4. Nonassessable**

The Company covenants that all Shares which may be issued upon the exercise of this Warrant will be validly issued, fully paid and nonassessable and free from all taxes, liens and charges in respect of the issue thereof. Certificates for Shares purchased hereunder shall be delivered to the Holder promptly after the date on which this Warrant shall have been exercised.

#### **5. Fractional Shares**

No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. With respect to any fraction of a share called for upon the exercise of this Warrant, such fractional share shall be rounded down to the nearest whole share, and the Company shall pay to the Holder the amount of such fractional share multiplied by an amount equal to such fraction multiplied by the then current fair market value (determined in accordance with Section 3.2(a)) of a Share shall be paid in cash to the Holder.

#### **6. Charges, Taxes and Expenses**

Issuance of certificates for Shares upon the exercise of this Warrant shall be made without charge to the Holder hereof for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder.

#### **7. No Rights as Shareholders**

This Warrant does not entitle the Holder to any voting rights or other rights as a shareholder of the Company prior to the exercise hereof.

#### **8. Saturdays, Sundays, Holidays, etc.**

If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday, a Sunday or a legal holiday, then such action may be taken or such right may be exercised on the next succeeding day that is not a Saturday, Sunday or legal holiday.

#### **9. Adjustments**

a) **Stock Dividends and Splits**. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon exercise of this Warrant), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares or (iv) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 9(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re classification.

b) **Subsequent Equity Sales**. If the Company or any subsidiary thereof, as applicable, at any time while this Warrant is outstanding through the first anniversary of the date hereof, shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any Common Stock or common stock equivalents, at an effective price per share less than the Exercise Price then in effect (such lower price, the "Base Share Price" and such issuances collectively, a "Dilutive Issuance") (it being understood and agreed that if the holder of the Common Stock or common stock equivalents so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share that is less than the Exercise Price, such issuance shall be deemed to have occurred for less than the Exercise Price on such date of the Dilutive Issuance at such effective price), then simultaneously with the consummation of each Dilutive Issuance the Exercise Price shall be reduced and only reduced by multiplying the Exercise Price by a fraction, the numerator of which is the number of shares of Common Stock issued and outstanding immediately prior to the Dilutive Issuance plus the number of shares of Common Stock which the aggregate offering price for such Dilutive Issuance would purchase at the then Exercise Price, and the denominator of which shall be the sum of the number of shares of Common Stock issued and outstanding immediately prior to the Dilutive Issuance plus the number of shares of Common Stock so issued or issuable in connection with the Dilutive Issuance (such lower price, the "Base Conversion Price"). Notwithstanding the foregoing, no adjustments shall be made, paid or issued under this Section 9(b) in respect of an Exempt Issuance. The Company shall notify the Holder, in writing, no later than the trading day following the issuance or deemed issuance of any Common Stock or common stock equivalents subject to this Section 9(b), indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price and other pricing terms (such notice, the "Dilutive Issuance Notice"). For purposes of clarification, whether or not the Company provides a Dilutive Issuance Notice pursuant to this Section 9(b), upon the occurrence of any Dilutive Issuance, the Holder is entitled to receive a number of Warrant Shares based upon the Base Share Price regardless of whether the Holder accurately refers to the Base Share Price in the Notice of Exercise. If the Company issues Variable Rate Securities, despite the prohibition thereon in the Purchase Agreement, the Company shall be deemed to have issued Common Stock or common stock equivalents at the lowest possible conversion or exercise price at which such securities may be converted or exercised.

c) Subsequent Rights Offerings. If the Company, at any time while the Warrant is outstanding, shall issue rights, options or warrants to all holders of Common Stock entitling them to subscribe for or purchase shares of Common Stock (the "Purchase Rights"), then, upon any exercise of this Warrant, the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights that the Holder could have acquired if the Holder had held the number of Warrant Shares issued upon such exercise of this Warrant immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the beneficial ownership limitation in Section 3.4, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the beneficial ownership limitation). For the term of the Warrant, the Company shall hold such Purchase Rights for the benefit of the Holder until the Holder exercises this Warrant or any portion thereof.

d) Pro Rata Distributions. If the Company, at any time while this Warrant is outstanding, shall distribute to all holders of Common Stock evidences of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Stock (a "Distribution"), then, upon any exercise of this Warrant, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of Warrant Shares issued upon such exercise of this Warrant immediately before the date on which a record is taken for such Warrant, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution. For the term of the Warrant, the Company shall hold such Distribution for the benefit of the Holder until the Holder exercises this Warrant or any portion thereof.



e) Fundamental Transaction. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "Fundamental Transaction"), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder (without regard to any limitation in Section 2(e) on the exercise of this Warrant), the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(e) on the exercise of this Warrant). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 9(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction. For purposes of clarity, with respect to the exercise of this Warrant, the Holder shall only be entitled to receive the Alternate Consideration upon any exercise hereof subsequent to the consummation of the Fundamental Transaction. Notwithstanding anything to the contrary, in the event of a Change of Control Transaction, the Company or any Successor Entity (as defined below) shall, at the Holder's option, exercisable at any time concurrently with, or within 30 days after, the consummation of the Change of Control Transaction, purchase this Warrant from the Holder by paying to the Holder an amount of cash equal to the Black Scholes Value of the remaining unexercised portion of this Warrant on the date of the consummation of such Change of Control Transaction. "Black Scholes Value" means the value of this Warrant based on the Black and Scholes Option Pricing Model obtained from the "OV" function on Bloomberg, L.P. ("Bloomberg") determined as of the day of consummation of the applicable Change of Control Transaction for pricing purposes and reflecting (A) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the time between the date of the public announcement of the applicable Change of Control Transaction and the Termination Date, (B) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the HVT function on Bloomberg as of the Trading Day immediately following the public announcement of the applicable Change of Control Transaction, (C) the underlying price per share used in such calculation shall be the sum of the price per share being offered in cash, if any, plus the value (determined jointly by the Company and the Agent (or, in the event that the Agent no longer holds any Debentures, by Holders of at least 50.1% of the Warrant Shares issuable upon exercise of the outstanding Warrants)) of any non-cash consideration, if any, being offered in such Fundamental Transaction and (D) a remaining option time equal to the time between the date of the public announcement of the applicable Change of Control Transaction and the Termination Date. Notwithstanding anything herein to the contrary, in no event shall the Black Scholes Value exceed the price per share of Common Stock being offered in cash, if any, plus the value (determined jointly by the Company and the Agent (or, in the event that the Agent no longer holds any Debentures, by Holders of at least 50.1% of the Warrant Shares issuable upon exercise of the outstanding Warrants)) of any non-cash consideration per share being offered in such Change of Control Transaction multiplied by the number of Warrant Shares issuable upon exercise of this Warrant. For purposes herein, "Change of Control Transaction" means the occurrence after the date hereof of any of (a) an acquisition after the date hereof by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract or otherwise) of in excess of 50% of the voting securities of the Company (other than by means of conversion or exercise of the Debentures and the Securities issued together with the Debentures), (b) the Company merges into or consolidates with any other Person, or any Person merges into or consolidates with the Company and, after giving effect to such transaction, the stockholders of the Company immediately prior to such transaction own less than 50% of the aggregate voting power of the Company or the successor entity of such transaction, (c) the Company sells or transfers all or substantially all of its assets to another Person and the stockholders of the Company immediately prior to such transaction own less than 50% of the aggregate voting power of the acquiring entity immediately after the transaction, (d) a replacement at one time or within a three year period of all of the individuals who are members of the Board of Directors on the Original Issue Date which is not approved by the individuals who are members of the Board of Directors on the Original Issue Date (or by those individuals who are serving as members of the Board of Directors on any date whose nomination to the Board of Directors was approved by the members of the Board of Directors who are members on the Original Issue Date) or (e) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination).

f) Calculations. All calculations under this Section 9 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 9, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.

g) Notice to Holder.

i. Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 9, the Company shall promptly mail to the Holder a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be mailed to the Holder at its last address as it shall appear upon the Warrant Register of the Company, at least 15 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

g) Exempt Issuance. Exempt Issuance is defined as the issuance of securities associated with (a) shares of Common Stock or options to employees, officers, consultants or directors of the Company pursuant to any stock or option plan duly adopted by the Board of Directors of the Company, (b) securities upon the exercise of or conversion of any securities issued hereunder, convertible securities, options or warrants issued and outstanding on the date hereof, provided that such securities have not been amended since the date hereof, or (c) securities issued in connection with acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, provided that any such issuance shall only be to a person (or to the equityholders of a person) which is, itself or through its subsidiaries, an operating company or an owner of an asset in a business synergistic with the business of the Company and shall provide to the Company additional benefits in addition to the investment of funds, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities.

## 10. Miscellaneous.

10.1 Loss, Theft, Destruction or Mutilation of Warrant. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, delivery of an indemnity agreement reasonably satisfactory in form and substance to the Company or, in the case of mutilation, on surrender and cancellation of this Warrant, the Company shall execute and deliver, in lieu of this Warrant, a new Warrant executed in the same manner as this Warrant and of like tenor and amount.

10.2 Waivers and Amendments. This Warrant and the obligations of the Company and the rights of the Holder under this Warrant may be amended, waived, discharged or terminated (either generally or in a particular instance, either retroactively or prospectively and either for a specified period of time or indefinitely) with the written consent of the Company (which shall not be required in connection with a waiver of rights in favor of the Company) and the holders of at least a majority of the then-outstanding aggregate principal amount under the Notes; *provided, however*, that no such amendment or waiver shall reduce the number of Shares represented by this Warrant without the consent of the Holder hereof; and *provided further, however*, that nothing shall prevent the Holder from individually agreeing to waive the observation of any term of this Warrant. Any amendment, waiver, discharge or termination effected in accordance with this Section [10.2] shall be binding upon the Company, the Holder, and except pursuant to a waiver by an individual holder of another Warrant pursuant to the final proviso in the immediately preceding sentence, each other holder of Warrants.

10.3 Notices. Any notice, request or other communication required or permitted hereunder shall be given in accordance with the Purchase Agreement.

10.4 Severability. If one or more provisions of this Warrant are held to be unenforceable under applicable law, such provision(s) shall be excluded from this Warrant and the balance of this Warrant shall be interpreted as if such provision(s) were so excluded and shall be enforceable in accordance with its terms.

10.5 Successors and Assigns. Neither this Warrant nor any rights hereunder are transferable without the prior written consent of the Company. Notwithstanding the foregoing, the Holder shall be permitted to transfer this Warrant to any affiliate (as that term is defined in the Securities Act of 1933, as amended) of the Holder. If a transfer is permitted pursuant to this Section, the transfer shall be recorded on the books of the Company upon the surrender of this Warrant, properly endorsed, to the Company at its principal offices, and the payment to the Company of all transfer taxes and other governmental charges imposed on such transfer. In the event of a partial transfer, the Company shall issue to the holders one or more appropriate new warrants. Subject to the foregoing, the provisions of this Warrant shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the Company and the Holder.

10.6 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to the Holder, upon any breach or default of the Company under this Warrant shall impair any such right, power, or remedy of the Holder nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default therefore or thereafter occurring. Any waiver, permit, consent, or approval of any kind or character on the part of the Holder of any breach or default under this Warrant or any waiver on the part of the Holder of any provisions or conditions of this Warrant must be made in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Warrant or by law or otherwise afforded to the Investors, shall be cumulative and not alternative.

10.7 Titles and Subtitles. The titles of the paragraphs and subparagraphs of this Warrant are for convenience of reference only and are not to be considered in construing this Warrant.

10.8 Construction. The language used in this Warrant will be deemed to be the language chosen by the parties to express their mutual intent and no rules of strict construction will be applied against any party.

10.9 Governing Law. THIS WARRANT SHALL BE GOVERNED IN ALL RESPECTS BY THE LAWS OF THE STATE OF DELAWARE AS SUCH LAWS ARE APPLIED TO AGREEMENTS BETWEEN DELAWARE RESIDENTS ENTERED INTO AND TO BE PERFORMED ENTIRELY WITHIN DELAWARE.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized.

**BOSTON THERAPEUTICS, INC.**

By:

Name:

Title:

**NOTICE OF EXERCISE**

(To be executed upon exercise of Warrant)

WARRANT NO. \_\_\_\_

TO: Boston Therapeutics, Inc.  
[Address]  
Attn: Secretary

The undersigned hereby irrevocably elects to exercise the right of purchase represented by the within Warrant Certificate for, and to purchase thereunder, securities of Boston Therapeutics, Inc., as provided for therein, and:

Payment shall take the form of (check applicable box):

in lawful money of the United States; or

(if available) the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2.2 to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in Section 2.2.

Accredited Investor. The undersigned is an "accredited investor" as defined in Regulation D promulgated under the Securities Act of 1933, as amended.

Please issue a certificate or certificates representing said Warrant Shares in the name of the undersigned (please print name, address and social security number):

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Signature: \_\_\_\_\_

Note: The above signature should correspond exactly with the name on the first page of this Warrant Certificate.

The Warrant Shares shall be delivered by physical delivery of a certificate to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If said number of shares shall not be all the shares purchasable under the within Warrant Certificate, a new Warrant Certificate is to be issued in the name of said undersigned for the balance remaining of the shares purchasable thereunder rounded up to the next higher whole number of shares.

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**Boston Therapeutics Inc.**  
**233 Needham Street**  
**Newton, MA 02464**

August 12, 2016

CJY Holdings Limited  
12 Repulse Bay Road  
Repulse Bay, Hong Kong

**Re: 10% Convertible Promissory Notes issued to CJY Holdings Limited by Boston Therapeutics Inc. in the aggregate principal amount of \$1,702,000 (the "Notes")**

Gentlemen:

Reference is hereby made to the Notes. All terms not defined below shall have the meaning as set forth in the Notes. By executing this letter, the undersigned parties hereby agree that the Notes shall be amended and restated to provide for a Maturity Date of August 12, 2018.

In addition, the undersigned parties hereby agree that the Notes shall be amended and restated to add Article 2(a)(ii)(D) as follows:

"(D) Subsequent Equity Sales. If, at any time while this Note is outstanding, the Company or any subsidiary, as applicable, sells or grants any option to purchase or sells or grants any right to repurchase, or otherwise disposes of or issues (or announces any sale, grant or any option to purchase or other disposition), any Common Stock or Common Stock equivalents entitling any person to acquire shares of Common Stock at an effective price per share that is lower than the then Conversion Price (such lower price, the "Base Conversion Price" and such issuances, collectively, a "Dilutive Issuance") (if the holder of the Common Stock or Common Stock equivalents so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share that is lower than the Conversion Price, such issuance shall be deemed to have occurred for less than the Conversion Price on such date of the Dilutive Issuance), then the Conversion Price shall be reduced to equal the Base Conversion Price. Such adjustment shall be made whenever such Common Stock or Common Stock equivalents are issued. Notwithstanding the foregoing, no adjustment will be made under this Section in respect of an Exempt Issuance (as defined below). If the Company enters into a variable rate transaction to issue Variable Rate Securities (as defined below), the Company shall be deemed to have issued Common Stock or Common Stock equivalents at the lowest possible conversion price at which such securities may be converted or exercised. The Company shall notify the Holder in writing, no later than the Trading Day (as defined below) following the issuance of any Common Stock or Common Stock equivalents subject to this Section, indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price and other pricing terms (such notice, the "Dilutive Issuance Notice"). For purposes of clarification, whether or not the Company provides a Dilutive Issuance Notice pursuant to this Section, upon the occurrence of any Dilutive Issuance, the Holder is entitled to receive a number of Conversion Shares based upon the Base Conversion Price on or after the date of such Dilutive Issuance, regardless of whether the Holder accurately refers to the Base Conversion Price in the Notice of Conversion.

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"Exempt Issuance" is defined as the issuance of securities associated with (a) shares of Common Stock or options to employees, officers, consultants or directors of the Company pursuant to any stock or option plan duly adopted by the Board of Directors of the Company, (b) securities upon the exercise of or conversion of any securities issued hereunder, convertible securities, options or warrants issued and outstanding on the date hereof, provided that such securities have not been amended since the date hereof, or (c) securities issued in connection with acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, provided that any such issuance shall only be to a person (or to the equityholders of a person) which is, itself or through its subsidiaries, an operating company or an owner of an asset in a business synergistic with the business of the Company and shall provide to the Company additional benefits in addition to the investment of funds, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities.

"Trading Day" means a day on which the principal Trading Market (as defined below) is open for trading.

"Trading Market" means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, OTCQB or OTCQX (or any successors to any of the foregoing).

"Variable Rate Securities" shall include: (A) any debt or equity securities which are convertible into, exercisable or exchangeable for, or carry the right to receive additional shares of Common Stock either at a conversion price, exercise price or exchange rate or other price that is based upon, and/or varies with, the trading prices of or quotations for the shares of Common Stock at any time after the initial issuance of such security or with a fixed conversion, exercise or exchange price that is subject to being reset at some future date at any time after the initial issuance of such debt or equity security, and (B) any amortizing convertible security which amortizes prior to its maturity date, where the Company is required or has the option to (or any investor in such transaction has the option to require the Company to) make such amortization payments in shares of Common Stock."

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We kindly request that you execute this letter below indicating that you agree with the above amendments.

Sincerely,

Boston Therapeutics, Inc.

By: /s/ Conroy Chi-Heng Cheng  
Name: Conroy Chi-Heng Cheng  
Title: Interim Chief Executive Officer

AGREED AND ACKNOWLEDGED:

CJY Holdings Limited

By: /s/ Cheng Chi Him  
Name: Cheng Chi Him  
Title:

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**EXECUTIVE EMPLOYMENT AGREEMENT**

THIS EXECUTIVE EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into as of the 12th day of August, 2016 (the "Start Date"), by and between Carl W. Rausch (the "Executive") and Boston Therapeutics, Inc., a Delaware corporation, currently headquartered at 233 Needham Street, Newton, MA 02464 (the "Company").

W I T N E S S E T H:

WHEREAS, the Company is a pre-clinical and clinical-stage pharmaceutical company focused on the development, outsourced contract manufacture and commercialization of carbohydrate-based therapeutic drugs and dietary supplements designed to address blood sugar management and inflammatory diseases in a safe and efficient manner (the "Business"); and

WHEREAS, the Company desires to employ Executive, and Executive desires to be employed by the Company, on the terms and conditions set forth in the Agreement;

NOW, THEREFORE, in consideration of the foregoing, Executive's employment by the Company as provided herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**1. Employment.**

(A) The Company employs Executive, and Executive accepts employment with the Company, as the Company's Chief Executive Officer, upon the terms and conditions set forth in this Agreement. Executive shall report to the Board of Directors. As more fully set forth below, Executive shall (1) devote a significant portion of his working time, attention, and energy, using his best efforts, to perform his duties and provide his services under the Agreement; (2) faithfully and competently serve and further the interests of the Company in every lawful way, giving honest, diligent, loyal, and cooperative service to the Company; (3) discharge all such duties and perform all such services as aforesaid in a timely manner; and (4) comply with all lawful policies which from time to time may be in effect at the Company or that the Company adopts.

(B) Except for business travel by the Executive that may from time to time be necessary or advisable on behalf of the Company, the Executive will provide his services in a virtual manner and all parties understand that Executive will be located in Hong Kong for a period and Executive will travel to and from the various territories covered by the Company. Within six months from the date hereof, the Executive will relocate to the United States.

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2. **Conflicts of Interest.** Executive represents, warrants and agrees that he is not presently engaged in, nor shall he during the term of his employment with the Company enter into, any employment, consulting or agency relationship or agreement with any third party whose interests would be reasonably expected to conflict with those of the Company. Executive further represents, warrants and agrees that he does not presently, nor shall he, during the term of his employment with the Company, possess any significant interest, directly or indirectly, including through Executive's family or through businesses, organizations, trusts, or other entities owned or controlled by Executive, in any third party whose interests would be reasonably expected to conflict with those of the Company. Executive will not engage in any other employment, consulting, or other business activity in conflict with the Company without the prior written consent of the Board of Directors, but Executive may, with written notice to the Board of Directors, (i) serve on the boards of directors of, or in an advisory capacity to charitable organizations and not-for-profit corporations, (ii) serve on the boards of directors of companies which Executive currently serves on as of the date of this Agreement and (iii) may pursue passive investments, provided that such activities do not unreasonably interfere with Executive's duties and responsibilities to the Company or create an actual or apparent conflict of interest with the Company. Without limiting the generality of the foregoing, Executive also represents, warrants, and agrees that:

(A) he is not subject to any agreement, including any confidentiality, non-competition or non-solicitation agreement, invention assignment agreement, or other restrictive agreement or covenant, whether oral or written, that would in any way restrict or prohibit his ability to enter into and execute the Agreement, perform his duties and responsibilities and provide his services under the Agreement, or abide by policies of the Company;

(B) he has respected and at all times in the future will continue to respect the rights of his previous employers in trade secret and confidential information;

(C) he has left with his previous employers all confidential documents, computer software programs, computer disks, client lists, CD's, DVD's, USB devices, and any other materials that are proprietary to his previous employers, has not taken copies of any such materials, and will not remove or cause to be removed any such materials or copies of any such materials from his previous employers;

(D) prior to leaving the employ of his most recent previous employer, the Executive did not advise any person who is doing business with his most recent previous employer of his decision to leave the employ of such employer or to become employed by the Company;

(E) the information Executive supplied to the Company in connection with Executive's application for employment with the Company is true and correct; and

(F) without in any way limiting the Executive's duty of loyalty to the Company, so long as the Executive remains employed by the Company, any and all business opportunities in the Business from whatever source that the Executive may receive or otherwise become aware of through any means shall belong to the Company, and unless the Company specifically, after full disclosure by the Executive of each and any such opportunity, waives its right in writing, the Company shall have the sole right to act upon any of such business opportunities as the Company deems advisable.

**3. Compensation.** Subject to the terms and conditions of the Agreement, as compensation for Executive's services performed pursuant to the Agreement, the Company agrees to pay, or cause to be paid, to Executive, and Executive agrees to accept, the following compensation during the term of Executive's employment with the Company:

(A) Sign-on Bonus. A sign-on bonus of Sixty Thousand and 00/100 Dollars (\$60,000.00) to be paid to Executive on the Start Date.

(B) Base Salary. A base salary of \$224,000.00 (the "Base Salary"), such Base Salary to commence on the Start Date and shall be payable in periodic equal installments in accordance with the normal payroll practices of the Company, but in no event less often than monthly. Upon the Executive relocating to the United States, the Base Salary will be increased to \$264,000.00. On May 31 of every year during the Term, the Base Salary will be increased on an annual basis to benchmark standards for the industry given proper published public company comparisons from referenced biopharma quality industrial compensation surveys such as a Randford survey as well as pursuant to appropriate cost of living adjustments subject to achievement of certain milestones as agreed between the Board of Directors and the Executive. The Base Salary will be increased by twenty thousand and 00/100 Dollars per year (\$20,000.00) upon the Company successfully listing on a major national stock exchange. The Executive's Base Salary will be subject to modification during the Executive's employment in accordance with the Company's practices, policies, and procedures but will not be reduced without Executive's mutual agreement.

(C) Equity Awards. Executive shall also be entitled to an issuance of a Stock Option (the "Option") to acquire an aggregate of Six Million (6,000,000) shares of common stock of the Company, exercisable for five (5) years, subject to vesting. The Option shall be earned and vested in three (3) equal tranches of 2,000,000 upon the Company the Company raising \$1,000,000 in financing, the Company raising \$5,000,000 in financing and the Company entering into a significant corporate alliance for substantial marketing and selling of the Company's product portfolio. The initial tranche shall be exercisable at \$0.20 per share, the second tranche will be \$0.40 per share and the third tranche shall be \$0.60 per share, which such vesting is subject to Executive's continued employment as an executive with the Company as of the vesting date.

- (D) In addition, as additional consideration for Executive's commitment to the Company, the stock options previously granted to the Executive shall be amended to provide that the stock option granted to the Executive on September 15, 2011 and March 25, 2015 shall be amended to extend the expiration date to the ten (10) year anniversary of the date hereof and such options shall be considered fully vested.
- (E) *Bonuses.* In addition to the Executive's annual Base Salary, during the term of the Executive's employment hereunder, the Executive shall be entitled only to such bonuses or additional compensation as may be granted to the Executive by the Board of Directors, in its sole discretion.

In addition, the Executive will be eligible for annual performance bonuses (the "Milestone Bonus"). The amount of any Milestone Bonus will be up to 100% of annual cash salary based on the achievement of predetermined corporate and individual objectives as defined by the Board on an annual basis, in its absolute discretion. Objectives must be both reasonable and achievable based on the combined authority of the Executive and available resources of the Company. Each objective shall be assigned a corresponding earned value defined as a percentage of annual cash salary, the total of which shall be 100%. The Bonus may be paid in shares of common stock of the Company or in common stock options of the Company if agreed in writing by the Company and the Executive. In the event any portion of such bonus is paid in shares of common stock or in stock options, the payment of such shares or options shall be deferred at the Executive's election by crediting such shares to a notional account with the Company and shall be distributed from such account upon the later of (i) the date designated (to the extent consistent with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code")) by the Executive with respect to such bonus or (ii) the earliest to occur of the 30<sup>th</sup> day after the first anniversary of the date annual are paid in cash or would have been paid to the other members of management of the Company, or the Executive's death, disability or termination of employment.

- (F) *Stock Grants.* The vesting of any unvested shares of common stock, preferred stock or shares underlying stock options held by Executive are subject to the continued employment with the Company by Executive, provided, however, all shares that have not vested shall vest immediately in the event the Executive is terminated by the Company without Cause, the Executive resigns for Good Reason, there is a Change in Control or a Merger Event, any unvested common shares, preferred shares or stock option shares held by Executive shall immediately vest to the Executive. Change in Control is defined as a transaction (other than an offering of the Company's common stock through a registration statement filed with the Securities and Exchange Commission or through a private placement memorandum) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (other than the Company, any of its subsidiaries, an Executive benefit plan maintained by the Company or any of its subsidiaries or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act), of securities of the Company possessing fifty percent (50%) or more of the total combined voting power of the Company's securities outstanding immediately after such acquisition. Notwithstanding the foregoing, a transaction shall not constitute a "Change in Control" if: (i) its sole purpose is to change the state or Country of the Company's incorporation; (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction; (iii) it constitutes the Company's initial public offering of its securities; or (iv) it is a transaction effected primarily for the purpose of financing the Company with cash (as determined by the Board in good faith and without regard to whether such transaction is effectuated by a merger, equity financing or otherwise). A Merger Event is the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (A) a merger, consolidation, reorganization, or business combination or (B) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or (C) the acquisition of assets or stock of another entity, whereby any "person" or related "group" of "persons" directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act), of securities of the Company possessing fifty percent (50%) or more of the total combined voting power of the Company's securities outstanding immediately after such event.

(G) Other Benefits. The Executive shall be eligible to participate in such pension, life insurance, health insurance, disability insurance and other benefit plans, if any, which the Company may from time to time make available to similar-level employees.

(H) Vacation. Executive shall be entitled to four (4) weeks of paid vacation during each successive one year period of his employment by the Company, which vacation time shall be taken at such time or times in each such one year period so as not to materially and adversely interfere with the performance of his responsibilities under this Agreement. Executive shall be entitled to carry over any unused vacation time from one year to the next.

**4. Business Expenses.** Subject to Executive obtaining prior written approval of expenses and substantiation of authorized expenses in accordance with Company policy and applicable tax laws, during the term of Executive's employment with the Company, the Company will reimburse Executive, or cause Executive to be reimbursed, for the ordinary and necessary business expenses authorized by an employee appointed by the Board of Directors, which shall be reviewed by the Board of Directors on a quarterly basis.

**5. Term; Termination.**

(A) The term ("Term") of the Agreement shall commence on the Start Date and shall continue through the third anniversary of the Start Date. Executive may terminate the Agreement for Good Reason (as defined below) at any time upon 30 days' written notice to Company, provided the Good Reason has not been cured within such period of time. The Company may terminate its employment of Executive under the Agreement for Cause (as defined below) at any time by written notice to Executive.

(B) As used in the Agreement, the term "Good Reason" shall mean any reduction in his then-current Salary, failure to pay or provide required Salary, the voluntary or involuntary dissolution of Company, the filing of a petition in bankruptcy by Company or upon an assignment for the benefit of creditors of the assets of Company or a material breach of the provisions of the Agreement by the Company.

(C) As used in the Agreement, the term "Cause" shall mean any of the following:

- (i) the Executive's intentional falsification (actual or attempted) of records or results of the Company; the Executive's theft or embezzlement, or attempted theft or embezzlement, of money or material property of the Company; the Executive's perpetration or attempted perpetration of fraud, or the Executive's participation in a fraud or attempted fraud, on the Company; Executive's violation of the laws and regulations prohibiting insider trading, including but not limited to disclosing material non-public information concerning the Company to any third party who is not an officer or director of the Company; or the Executive's misappropriation, or attempted misappropriation, of any material tangible or intangible assets or property of the Company;
- (ii) any act or omission by the Executive that constitutes a breach of the duty of loyalty to the Company, including but not limited to any undisclosed conflict of interest or violation of Section 2 hereof or of any written conflict of interest policy of the Company in effect at the time the conduct occurs;
- (iii) the Executive's conviction of or plea of no contest to a felony, the Executive's commission of an act of moral turpitude that would be reasonably expected to, or that does, damage the reputation of the Company or materially undermines the Executive's ability to lead the Company as its chief executive officer, or the Executive's sexual or other prohibited harassment of, or prohibited discrimination against, any employee of the Company;

- (iv) the Executive's illegal use of controlled substances, or the Executive's abuse of alcohol that adversely affects the Executive's performance for the Company;
- (v) the Executive's refusal or failure to carry out a lawful directive of the Board of Directors that has been communicated to Executive; or
- (vi) a material breach by the Executive of any of the provisions of the Agreement.

(D) Payments to Executive Upon Termination of the Agreement.

(i) In the event the Agreement is terminated prior to the expiration of the Term by the Company without Cause or by the Executive with Good Reason, the Company shall pay to Executive the amounts set forth in this Section within ninety (90) days of the effective date of termination: (i) an amount equal to Executive's accrued but unpaid Base Salary and earned but unpaid Bonus prior to the Termination Date; (ii) reimbursement for any reimbursable business expenses incurred in accordance with the Agreement prior to the Termination Date; and (iii) the Executive's Salary for a period of one (1) year. Further, any equity bonus shall vest as set forth under Section 3 of the Agreement.

(ii) In the event the Agreement is terminated prior to the expiration of the Term by the Company for Cause, due to Executive's death or Disability or by the Executive without Good Reason, the Company shall pay to Executive the amounts set forth in this Section: (i) accrued but unpaid Salary and earned but unpaid Bonus prior to the Termination Date; and (ii) reimbursement for any reimbursable business expenses incurred in accordance with the Agreement prior to the Termination Date.

(iii) Upon expiration of the Term if the Agreement shall not be renewed, the Company shall pay to Executive the amounts set forth in this Section: (i) all of Executive's accrued but unpaid Base Salary and earned but unpaid Bonus; and (ii) reimbursement for any reimbursable business expenses incurred in accordance with the Agreement prior to the end of the Term.

The Company's obligations under this Section shall survive termination of the Agreement.

6. **Use.** By signing the Agreement, Executive grants the Company and its agents the right and license, without further compensation to Executive, to use, publish, display and distribute, as often as desired in connection with the businesses of the Company, Executive's name, biographical information, likeness and any photographs or videos that are taken of Executive during Executive's employment by the Company or any photographs that Executive supplies to the Company. Executive may inspect and approve such uses of Executive's name, biography, likeness and photographs and videos, which inspection and approval shall not be unreasonably withheld, delayed, or conditioned.

7. **Confidential Information.** Executive acknowledges and agrees that:



(A) during the course of Executive's employment with the Company, Executive will learn about, will develop and help to develop, and will be entrusted in strict confidence with confidential and proprietary information and trade secrets that are owned by the Company and that are not available to the general public or the Company's competitors, including (1) its business operations, finances, balance sheets, financial projections, tax information, accounting systems, value of properties, internal governance, structures, plans (including strategic plans and marketing plans), shareholders, directors, officers, employees, contracts, client characteristics, idiosyncrasies, identities, needs, and credit histories, referral sources, suppliers, development, acquisition, and sale opportunities, employment, personnel, and compensation records and programs, confidential planning and/or policy matters, and/or other matters and materials belonging to or relating to the internal affairs and/or business of the Company, (2) information that the Company is required to keep confidential in accordance with confidentiality obligations to third parties, (3) communications between the Company, its officers, directors, shareholders, members, partners, or employees, on the one hand, and any attorney retained by the Company for any purpose, or any person retained or employed by such attorney for the purpose of assisting such attorney in his or his representation of the Company, on the other hand, and (4) other matters and materials belonging to or relating to the internal affairs and/or business of the Company, including information recorded on any medium that gives it an opportunity to obtain an advantage over its competitors who do not know or use the same or by which the Company derives actual or potential value from such matter or material not generally being known to other persons or entities who might obtain economic value from its use or disclosure (all of the foregoing being hereinafter collectively referred to as the "Confidential Information");

(B) the Company has developed or purchased or will develop or purchase the Confidential Information at substantial expense in a market in which the Company faces intense competitive pressure, and the Company has kept and will keep secret the Confidential Information;

(C) nothing in the Agreement shall be deemed or construed to limit or take away any rights or remedies the Company may have, at any time, under statute, common law or in equity or as to any of the Confidential Information that constitutes a trade secret under applicable law.

**8. Confidentiality Covenants.** To the extent that Executive developed or had access to Confidential Information before entering into the Agreement, Executive represents and warrants that he has not used for his own benefit or for the benefit of any other person or entity other than the Company, and Executive has not disclosed, directly or indirectly, to any other person or entity, any of the Confidential Information. Unless and until the Confidential Information becomes publicly known through legitimate means or means not involving any act or omission by Executive:

- (A) The Confidential Information is, and at all times shall remain, the sole and exclusive property of the Company;
- (B) except as otherwise permitted by the Agreement, Executive shall use commercially reasonable efforts to guard and protect the Confidential Information from unauthorized disclosure to any other person or entity;
- (C) Executive shall not use for Executive's own benefit, or for the benefit of any other person or entity other than the Company, and shall not disclose, directly or indirectly, to any other person or entity, any of the Confidential Information; and
- (D) Except in the ordinary course of the Company's businesses, Executive shall not seek or accept any of the Confidential Information from any former, present, or future employee of any of the Company.

**9. Intellectual Property Rights.**

(A) As used in the Agreement, the term "Inventions" means all procedures, systems, formulas, recipes, algorithms, methods, processes, uses, apparatuses, compositions of matter, designs or configurations, computer programs of any kind, discovered, conceived, reduced to practice, developed, made, or produced, or any improvements to them, and shall not be limited to the meaning of "invention" under the United States patent laws. Executive agrees to disclose promptly to the Company any and all Inventions, whether or not patentable and whether or not reduced to practice, conceived, developed, or learned by Executive during the Executive's employment with the Company or during a period of one hundred eighty (180) days after the effective date of termination of Executive's employment with the Company for any reason, either alone or jointly with others, which relate to or result from the actual or anticipated business, work, research, investigations, products, or services of the Company, or which result, to any extent, from use of the premises or property of the Company (each a "Company Invention"). Executive acknowledges and agrees that the Company is the sole owner of any and all property rights in all such Company Inventions, including the right to use, sell, assign, license, or otherwise transfer or exploit the Company Inventions, and the right to make such changes in them and the uses thereof as the Company may from time to time determine. Executive agrees to disclose in writing and to assign, and Executive hereby assigns, to the Company, without further consideration, Executive's entire right, title, and interest (throughout the United States and in all foreign countries) free and clear of all liens and encumbrances, in and to all such Company Inventions, which shall be the sole property of the Company, whether or not patentable. This Section 12 does not apply to any Inventions: (1) for which no equipment, supplies, facility, or Confidential Information of the Company were used; (2) that were developed entirely on Executive's own time; and (3) that do not relate at the time of conception or reduction to practice to the current business of the Company or its actual or demonstrably anticipated research or development, or which do not result from any work performed by Executive for the Company.

- (B) Executive acknowledges and agrees that all materials of the Company, including slides, PowerPoint or Keynote presentations, books, pamphlets, handouts, audience participation materials and other data and information pertaining to the business and clients of the Company, either obtained or developed by Executive on behalf of the Company or furnished by the Company to Executive, or to which Executive may have access, shall remain the sole property of the Company and shall not be used by Executive other than for the purpose of performing under the Agreement, unless a majority of the Board of Directors (the "Majority Board") provides their prior written consent to the contrary.
- (C) Unless the Majority Board otherwise agrees in writing, Executive acknowledges and agrees that all writings and other works which are copyrightable or may be copyrighted (including computer programs) which are related to the present or planned businesses of the Company and which are or were prepared by Executive during the Executive's employment with the Company are, to the maximum extent permitted by law, deemed to be works for hire, with the copyright automatically vesting in the Company. To the extent that such writings and works are not works for hire, Executive hereby disclaims and waives any and all common law, statutory, and "moral" rights in such writings and works, and agrees to assign, and hereby does assign, to the Company all of Executive's right, title and interest, including copyright, in such writings and works.
- (D) Nothing contained in the Agreement grants, or shall be deemed or construed to grant, Executive any right, title, or interest in any trade names, service marks, or trademarks owned by the Company (all such trade names, service marks, and trademarks being hereinafter collectively referred to as the "Marks"). Executive may use the Marks solely for the purpose of performing his duties under the Agreement. Executive agrees that he shall not use or permit the use of any of the Marks in any other manner whatsoever without the prior written consent of the Majority Board.
- (E) Executive further agrees to reasonably cooperate with the Company hereafter in obtaining and enforcing patents, copyrights, trademarks, service marks, and other protections of the Company's rights in and to all Company Inventions, writings and other works. Without limiting the generality of the foregoing, Executive shall, at any time during and after his employment with the Company, at the Company's reasonable request, execute specific assignments in favor of the Company, or its nominee, of Executive's interest in any of the Company Inventions, writings or other works covered by the Agreement, as well as execute all papers, render all reasonable assistance, and perform all lawful acts which the Company reasonably considers necessary or advisable for the preparation, filing, prosecution, issuance, procurement, maintenance or enforcement of patents, trademarks, service marks, copyrights and other protections, and any applications for any of the foregoing, of the United States or any foreign country for any Company Inventions, writings or other works, and for the transfer of any interest Executive may have therein. Executive shall execute any and all papers and documents required to vest title in the Company or its nominees in any Company Inventions, writings, other works, patents, trademarks, service marks, copyrights, applications and interests to which the Company is entitled under the Agreement.

**10. Remedies.** Without limiting any of the other rights or remedies available to the Company at law or in equity, Executive agrees that any actual or threatened violation of any of the provisions of Sections 8, 9, or 10 may be immediately restrained or enjoined by any court of competent jurisdiction, and that any temporary restraining order or emergency, preliminary, or final injunctions may be issued in any court of competent jurisdiction without notice and without bond. As used in the Agreement, the term "any court of competent jurisdiction" shall include the state and federal courts sitting, or with jurisdiction over actions arising, in Suffolk County, in the State of Massachusetts the jurisdiction, venue, and convenient forum of which are hereby expressly CONSENTED TO by Executive and the Company, all objections thereto being expressly WAIVED by Executive and the Company. Notwithstanding anything to the contrary contained in the Agreement, the provisions of Sections 2 and 7 through 12 of the Agreement shall survive the termination of the term of Executive's employment with the Company for any reason.

**11. Independent Covenants.** The restrictive covenants and provisions contained in Sections 8, 9 and 10 above shall be construed as agreements which are independent of any other provision of the Agreement or any other understanding or agreement between the parties, and the existence of any claim or cause of action of Executive against the Company, of whatsoever nature, shall not constitute a defense to the enforcement by the Company of the covenants contained in the Agreement. Executive agrees to indemnify and hold the Company harmless from and against any and all claims, demands, actions, losses, liabilities, costs, damages and expenses (including reasonable attorneys' fees and court costs) which the Company suffers, sustains, or incurs as a result of, in connection with or arising out of Executive's material breach of any of the provisions of the Agreement, or the efforts of the Company to enforce the terms of the Agreement, including the restrictive covenants contained in the Agreement.

**12. Maximum Enforcement.** It is the desire of the parties that the provisions of Sections 8 through 12 of the Agreement be enforced to the fullest extent permissible under the laws and public policies in each jurisdiction in which enforcement might be sought. Accordingly, without in any way limiting the general applicability of Sections 13(G) and 13(I) of the Agreement, if any particular portion of Sections 9, 10, 11, or 12 of the Agreement shall ever be adjudicated as invalid or unenforceable, or if the application thereof to any party or circumstance shall be adjudicated to be prohibited by or invalid under such laws or public policies, such Section or Sections shall be deemed amended to delete therefrom such portion so adjudicated, such deletion to apply only with respect to the operation of such Sections or Sections in the particular jurisdiction so adjudicating on the parties and under the circumstances as to which so adjudicated and only to the minimum extent so required, and the parties shall be deemed to have substituted for such portion deleted words which give the maximum scope permitted under applicable law to such Section or Sections. In the event of litigation between Executive and the Company, Executive undertakes to and shall, upon request of the Company, stipulate in such litigation to any and all of the representations, warranties, and acknowledgments that Executive has made in the Agreement.

**13. Miscellaneous.**

- (A) Each party agrees to cooperate with the other and to execute and deliver all such additional documents and instruments, and to take all such other action, as the other party may reasonably request from time to time to effectuate the provisions and purposes of the Agreement.
- (B) Whenever the term "include," "including," or "included" is used in the Agreement, it shall mean including without limiting the foregoing. The recitals to the Agreement are, and shall be construed to be, an integral part of the Agreement. Any and all exhibits attached to the Agreement are incorporated by reference and constitute a part of the Agreement as if set forth in the Agreement in their entirety.
- (C) Except as otherwise provided in the Agreement, all notices, requests, consents, and other communications required or permitted under the Agreement shall be in writing and signed by the party giving notice, and shall be deemed to have been given when hand-delivered by personal delivery, or by Federal Express or similar courier service, or three (3) business days after being deposited in the United States mail, registered or certified mail, with postage prepaid, return receipt requested, addressed as follows:

If to the Company:  
233 Needham Street  
Newton, MA 02464

If to the Executive:

\_\_\_\_\_  
\_\_\_\_\_

or to such other address as either party may designate for himself or itself by notice given to the other party from time to time in accordance with the provisions of the Agreement.

(D) The Agreement is personal to the Executive, and the Executive may not assign it or his rights under it. The Company may assign the Agreement, including Executive's confidentiality and other obligations under Sections 8, 9 and 10 of the Agreement, along with the Company's rights and remedies contained in Sections 9 through 12 of the Agreement, to any entity controlling, controlled by, or under common control with the Company, or to any entity succeeding to the portion of the business that includes employee's primary job functions, substantially all of the business of the Company, or substantially all of the assets of the Company. Subject to the foregoing, the Agreement shall be binding upon and shall inure to the benefit of the parties and their respective heirs, personal and legal representatives, successors and assigns.

(E) No delay on the part of any party in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by any party of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy. The waiver of any breach or condition of the Agreement by either party shall not constitute a precedent in the future enforcement of any of the terms and conditions of the Agreement.

(F) The headings of Sections and Subsections contained in the Agreement are merely for convenience of reference and shall not affect the interpretation of any of the provisions of the Agreement. The Agreement is deemed to have been drafted jointly by the parties, and any uncertainty or ambiguity shall not be construed for or against either party as an attribution of drafting to either party. Whenever the context so requires, the singular shall include the plural and vice versa. All words and phrases shall be construed as masculine, feminine or neuter gender, according to the context.

(G) Whenever possible, each provision of the Agreement shall be construed and interpreted in such a manner as to be effective and valid under applicable law, but if any provision of the Agreement or the application thereof to any party or circumstance shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition without invalidating the remainder of such provision or any other provision of the Agreement or the application of such provision to other parties or circumstances.

- (H) All discussions, correspondence, understandings, and agreements heretofore had or made between the parties relating to its subject matter are superseded by and merged into the Agreement, which alone fully and completely expresses the agreement between the parties relating to its subject matter, and the same is entered into with no party relying upon any statement or representation made by or on behalf of any party not embodied in the Agreement, provided, however, that, any previous requirements that Executive not disclose or use information of or concerning the Company that is confidential shall remain in full force and effect. Any modification of the Agreement may be made only by a written agreement signed by both of the parties to the Agreement.
- (I) The parties acknowledge and agree that the Company is headquartered in Massachusetts. The parties further acknowledge and agree that, to promote uniformity in the interpretation of this and similar agreements, the validity, construction, and enforceability of the Agreement shall be governed in all respects by the internal laws of Massachusetts applicable to agreements made and to be performed entirely within Massachusetts, without regard to the conflicts of laws principles of Massachusetts or any other state.
- (J)
- (K) All payments to Executive under the Agreement shall be subject to such deductions for applicable withholding taxes, social security, employee benefits, and the like as required or permitted by applicable law. Executive recognizes and agrees that he may be paid under the Agreement and also employed by a payroll entity affiliated with the Company.
- (L) The Agreement may be executed in any one or more counterparts, each of which shall constitute an original, no other counterpart needing to be produced, and all of which, when taken together, shall constitute but one and the same instrument. For purposes of finalizing the Agreement, the signature of any party on the Agreement, or any amendment hereto, transmitted electronically may be relied upon as if such document were an original document.
- (M) The parties represent and warrant to each other that they have read the Agreement in its entirety, that they understand the terms of the Agreement and understand that the terms of the Agreement are enforceable, that they have had ample opportunity to negotiate with each other with regard to all of its terms, that they have entered into the Agreement freely and voluntarily, that they intend to and shall be legally bound by the Agreement, and that they have full power, right, authority, and competence to enter into and execute the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Executive Employment Agreement as of the date first above written.

BOSTON THERAPEUTICS, INC.

By: /s/ Conroy Chi-Heng Cheng

Name: Conroy Chi-Heng Cheng

Title: Interim CEO

/s/ Carl W. Rausch

Carl W. Rausch