

NEW JERSEY MINING CO
Form 8-K
October 25, 2017

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

FORM 8-K

Current Report

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

October 20, 2017

Commission file number: 000-28837

NEW JERSEY MINING COMPANY

(Exact Name of Registrant as Specified in its Charter)

Idaho

(State or other jurisdiction of incorporation or organization)

82-0490295

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

201 N. 3rd Street, Coeur d'Alene, ID
(Address of principal executive offices)

83814
(zip code)

Registrant's telephone number, including area code: **(208) 625-9001**

N/A

(Former Name or Former Address if Changed Since Last Report)

Check the appropriate box below if the Form 8K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17CFR230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communication pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

Item 2.04 Triggering Events That Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement.

On October 20, 2017, John Swallow, the President and CEO of New Jersey Mining Company (the “Company”), exercised his option to convert a portion of his note with the Company under the terms and conditions of the note allowing for conversion upon a qualified financing. Mr. Swallow elected to convert US \$60,000 of the existing note on the same terms of the recently completed financing (discussed more below in Item 3.02). The conversion reduced the Company’s debt balance by \$60,000. Mr. Swallow was issued 250,000 units, which were comprised of 500,000 shares and 250,000 warrants exercisable at a price of US \$0.20 for three years (ending October 20, 2020).

Item 3.02 Unregistered Sales of Equity Securities.

On October 20, 2017, the Company closed a private placement consisting of a total of 1,291,667 units sold at a price of US \$0.24 per unit, which resulted in gross proceeds to the Company of US \$250,000 and a debt reduction of US \$60,000. No commissions will be paid on the sale. Each unit consisted of two shares of common stock and one common stock purchase warrant exercisable at a price of US \$0.20 for a period of 36 months (ending October 20, 2020).

H&H Metals Corp. purchased 1,041,667 units, comprised of 2,083,334 shares and 1,041,667 warrants, for a total of US \$250,000. John Swallow converted \$60,000 of debt owed to him and was issued 250,000 units (as described in more detail above in Item 2.04). In total, the Company issued an aggregate of 1,291,667 units, comprised of 2,583,334 common shares and 1,291,667 warrants.

The above-described sale and issuance of the units, common shares and warrants (and the issuance of shares of common stock upon exercise thereof) were not registered under the Securities Act of 1933, as amended (“Securities Act”), or the securities laws of any state, are subject to resale restrictions and may not be offered or sold in the United States absent registration under the Securities Act. The foregoing sale of securities has been determined to be exempt from registration in reliance on Section 4(a)(2) of the Securities Act, as transactions by an issuer not involving a public offering, in which the investors are accredited and have acquired the securities for investment purposes only and not with a view to or for sale in connection with any distribution thereof.

Item 7.01 Regulation FD Disclosure.

On October 25, 2017, the Company issued a press release entitled “New Jersey Mining Company Closes Private Placement, Completes Purchase of the Golden Chest Mine.” A copy of the press release is attached as Exhibit 99.1 and is incorporated herein by reference. The information in this Current Report on Form 8-K (including the exhibits) is furnished pursuant to Item 7.01 and shall not be deemed to be “filed” for the purpose of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. This Current Report on Form 8-K will not be deemed an admission as to the materiality of any information in the Report that is required to be disclosed solely by Regulation FD.

Item 9.01. Financial Statements and Exhibits.

d) Exhibits

99.1 Press Release, dated October 25, 2017, entitled “New Jersey Mining Company Closes Private Placement, Completes Purchase of the Golden Chest Mine.”*

*The foregoing exhibit relating to Item 7.01 is intended to be furnished to, not filed with, the SEC pursuant to Regulation FD.

SIGNATURES

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

NEW JERSEY MINING COMPANY

By: /s/ John Swallow

John Swallow

Its: President & CEO

Date: October 25, 2017

Times, Serif">27,339,362 20,726,205 Loss per common share - basic and diluted \$ (0.10) \$ (0.36)

The following table presents securities that could potentially dilute basic loss per share in the future. For all periods presented, the potentially dilutive securities were not included in the computation of diluted loss per share because these securities would have been anti-dilutive for the years ended December 31:

	2016	2015
Stock options	5,269,250	5,571,250
Convertible debt	26,733,955	19,689,286
Common stock warrants	26,459,695	29,227,664
Convertible preferred stock:		
Series D Convertible Preferred	750,000	750,000
Series G Convertible Preferred	865,700	865,700
Series H Convertible Preferred	1,000,000	1,000,000
Series H2 Convertible Preferred	2,100,000	2,100,000
Series J Convertible Preferred	3,521,000	3,546,000
Series K Convertible Preferred	6,816,000	11,416,000

73,515,600 74,165,900

xii. Accounting for Income Taxes

We account for income taxes under the asset and liability method, which requires recognition of deferred tax assets, subject to valuation allowances, and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes. The Company considers many factors when assessing the likelihood of future realization of our deferred tax assets, including recent cumulative earnings experience by taxing jurisdiction, expectations of future taxable income or loss, the carry-forward periods available to us for tax reporting purposes, and other relevant factors. A valuation allowance is established if it is more likely than not that all or a portion of the net deferred tax assets will not be realized. If substantial changes in the Company's ownership should occur, as defined in Section 382 of the Internal Revenue Code, there could be significant limitations on the amount of net loss carry forwards that could be used to offset future taxable income.

Tax positions must meet a "more likely than not" recognition threshold at the effective date to be recognized. At December 31, 2016 and 2015, the Company did not have any uncertain tax positions. No interest and penalties related to uncertain tax positions were accrued at December 31, 2016 and 2015.

xiii. Accounting for Stock-Based Compensation

We maintain equity compensation plans under which incentive stock options and non-qualified stock options are granted to employees, independent members of our Board of Directors and outside consultants. We recognize equity compensation expense over the requisite service period using the Black-Scholes formula to estimate the fair value of the stock options on the date of grant. Employee awards are accounted for under ASC 718 where the awards are valued at grant date. Awards given to nonemployees are accounted for under ASC 505 where the awards are valued at earlier of commitment date or completion of services.

Determining Fair Value of Stock Option Grants

Valuation and Amortization Method - The fair value of each option award is estimated on the date of grant using the Black-Scholes pricing model based on certain assumptions. The estimated fair value of employee stock options is amortized to expense using the straight-line method over the vesting period, which generally is over three years.

Expected Term - The Company uses the simplified calculation of expected life, described in the FASB ASC 718, *Compensation-Stock Compensation*, as the Company does not currently have sufficient historical exercise data on which to base an estimate of expected term. Using this method, the expected term is determined using the average of the vesting period and the contractual life of the stock options granted.

Expected Volatility - Expected volatility is based on the Company's historical stock volatility data over the expected term of the award.

Risk-Free Interest Rate - The Company bases the risk-free interest rate used in the Black-Scholes valuation method on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining term.

Forfeitures - As required by FASB ASC 718, *Compensation-Stock Compensation*, the Company records stock-based compensation expense only for those awards that are expected to vest. The Company estimated a forfeiture rate of 5% for awards granted based on historical experience and future expectations of options vesting. We used this historical rate as our assumption in calculating future stock-based compensation expense.

The following table summarizes the assumptions we utilized for grants of stock options to the three sub-groups of our stock option recipients during the year ended December 31, 2015:

Assumptions	Non-Employee Board Members		CEO, other Officers and Employees	
Expected life	6.0 (yrs)		6.0 (yrs)	
Expected volatility	116.32%-141.15	%	116.32%-141.15	%
Risk-free interest rate	0.65%-2.54	%	0.65%-2.54	%
Forfeiture rate	5.00	%	5.00	%
Expected dividend yield	0.0	%	0.0	%

We recognized stock-based compensation expense of \$379,964 and \$208,989 for the years ended December 31, 2016 and 2015, respectively. The following table summarizes the effect of this stock-based compensation expense within each of the line items within our accompanying consolidated statements of operations for the years ended December 31:

	2016	2015
Research and development	\$ 65,500	\$ 50,617
Selling and marketing	42,315	32,704
General and administrative	272,149	125,668
Total stock-based compensation expense	\$ 379,964	\$ 208,989

During the years ended December 31, 2016 and 2015, the total fair value of stock options awarded was \$0 and \$598,582, respectively.

As of December 31, 2016, the total estimated fair value of unvested stock options to be amortized over their remaining vesting period was \$369,224. The non-cash, stock based compensation expense associated with the vesting of these options will be \$212,957 in 2017 and \$156,267 in 2018.

xiv. Advertising

Advertising costs are expensed as incurred. We incurred \$19,125 in 2016 and \$12,291 in 2015 for advertising.

xv. Fair Value of Financial Instruments

Due to their short maturities, the carrying amounts for cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate their fair value. Short-term and long-term liabilities are primarily related to liabilities transferred under contractual arrangements with carrying values that approximate fair value.

xvi. Fair Value Measurements

The Company follows the guidance of FASB ASC Topic 820, “*Fair Value Measurements and Disclosures*” (“ASC 820”) as it related to financial assets and financial liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis.

The Company generally defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company uses a three-tier fair value hierarchy, which classifies the inputs used in measuring fair values. These tiers include: Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company has determined that its financial assets are currently classified within Level 1 and that its financial liabilities are currently all classified within Level 3 in the fair value hierarchy.

The following tables set forth the Company’s financial assets and financial liabilities that were accounted for at fair value on a recurring basis as of December 31, 2016 and December 31, 2015. The development of the unobservable inputs for Level 3 fair value measurements and fair value calculations are the responsibility of the Company’s

management.

	December 31, 2016	Fair value measurements at December 31, 2016 using:		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Available-For-Sale Equity Securities	25,865	25,865	-	-
Total Financial Assets	\$ 25,865	\$ 25,865	\$ -	\$ -

	December 31, 2016	Quoted	Significant	Significant
		prices in active markets (Level 1)	other observable inputs (Level 2)	unobservable inputs (Level 3)
Series D Preferred Stock Purchase Warrants	\$ 23,313	-	-	\$ 23,313
Warrants Issued with Convertible Debt	1,661,795	-	-	1,661,795
Conversion Option Derivative Liabilities	951,059	-	-	951,059
Total Derivatives	\$ 2,636,167	\$ -	\$ -	\$ 2,636,167

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	December 31, 2015	Fair value measurements at December 31, 2015 using:		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Available-For-Sale Equity Securities	294,522	294,522	-	-
Total Financial Assets	\$ 294,522	\$ 294,522	\$ -	\$ -

	December 31, 2015	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Series D Preferred Stock Purchase Warrants	\$ 173,526	-	-	\$ 173,526
Warrants Issued with Convertible Debt	3,122,450	-	-	3,122,450
Conversion Option Derivative Liabilities	3,940,791	-	-	3,940,791
Total Derivatives	\$ 7,236,767	\$ -	\$ -	\$ 7,236,767

The following table provides a summary of the changes in fair value, including net transfers in and/or out, of the derivative financial instruments, measured at fair value on a recurring basis using significant unobservable inputs:

	January 1, 2016	Issuance fair value	Change in fair value	December 31, 2016
Series D Preferred Stock Purchase Warrants	\$ 173,526	\$ -	\$ (150,213)	\$ 23,313
Warrants Issued with Convertible Debt	3,122,450	1,094,432	(2,555,087)	1,661,795
Conversion Option Derivative Liabilities	3,940,791	1,547,127	(4,536,859)	951,059
Total Derivatives	\$ 7,236,767	\$ 2,641,559	\$ (7,242,159)	\$ 2,636,167

	January 1, 2015	Issuance fair value	Change in fair value	Gain on extinguishment of derivative liabilities	December 31, 2015
Series D Preferred Stock Purchase Warrants	\$ 159,875	\$ -	\$ 13,651	\$ -	\$ 173,526
Warrants Issued with Convertible Debt	-	2,320,021	802,429	-	3,122,450
	590,341	5,305,185	600,445	(2,555,180)	3,940,791

Conversion Option
Derivative Liabilities

Total Derivatives	\$ 750,216	\$ 7,625,206	\$ 1,416,525	\$ (2,555,180)	\$ 7,236,767
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The issuance fair values for 2016 and 2015 include the “day 1” derivative losses on the conversion option derivative liabilities of \$1,337,510 and \$805,476, respectively, which are included in “change in fair value of derivative liabilities” in the consolidated statements of operations.

The fair value of the derivative liabilities was determined using a binomial pricing model. The assumptions for the binomial pricing model are represented in the table below for the warrants issued in the Series D private placement reflected on a per share common stock equivalent basis.

Assumptions	November 10, 2011	Warrants revalued at December 31, 2015	Warrants revalued at December 31, 2016
Expected life (in months)	60.0	11.0	5.0
Expected volatility	104.5 %	104.9 %	83.5 %
Risk-free interest rate	0.875 %	0.65 %	0.62 %
Exercise price	\$ 0.81	\$ 0.25	\$ 0.25
Fair value per warrant	\$ 0.54	\$ 0.16	\$ 0.02

The assumptions for the binomial pricing model are represented in the table below for the warrants issued with the Convertible Debt in 2015 and 2016 reflected on a per share common stock equivalent basis.

Assumptions	At Issuance Fair value	Warrants revalued at December 31, 2015	Warrants revalued at December 31, 2016
Expected life (in months)	60.0	55.0-60.0	43.0-51.0
Expected volatility	118.3-120.1 %	136.3-141.6 %	110.0-116.0 %
Risk-free interest rate	1.48-1.69 %	1.29-1.76 %	1.93 %
Exercise price	\$ 0.40	\$ 0.40	\$ 0.40
Fair value per warrant	\$ 0.19-\$0.21	\$ 0.30	\$ 0.12-0.14

The assumptions for the binomial pricing model are represented in the table below for the conversion options reflected on a per share common stock equivalent basis.

Assumptions	At Issuance fair value	At Settlement fair value	Conversion options revalued at December 31, 2015	Conversion options revalued at December 31, 2016
Expected life (in months)	6.0-24.0	0-18.0	18-24	6.0-15.0
Expected volatility	104.2-153.8 %	86.9%-142.2 %	112.2-114.7 %	84.4-94.8 %

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Risk-free interest rate	0.05-0.99	%	0.01-0.72	%	1.06	%	0.62-0.85	%
Exercise price	\$ 0.10-\$0.35		\$ 0.10-\$0.25		\$ 0.28		\$ 0.28	
Fair value per conversion option	\$ 0.09-\$0.28		\$ 0.07-\$0.26		\$ 0.14-\$0.33		\$ 0.03-\$0.06	

xvii. Recently Issued Accounting Standards

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-03, “Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”). ASU 2015-03 requires that debt issuance costs be presented as a direct deduction from the carrying amount of the related debt liability, consistent with the presentation of debt discounts. Prior to the issuance of ASU 2015-03, debt issuance costs were required to be presented as deferred charge assets, separate from the related debt liability. ASU 2015-03 does not change the recognition and measurement requirements for debt issuance costs. The Company early-adopted ASU 2015-03 as of the end of its Fiscal 2015, and applied its provisions retrospectively. The adoption of ASU 2015-03 resulted in the reclassification of approximately \$888,000 unamortized debt issuance costs related to the Company’s Senior Notes (see Note 8) from other non-current assets to long-term debt within its consolidated balance sheets as of December 31, 2015. Other than this reclassification, the adoption of ASU 2015-03 and other new pronouncements that have been issued did not have an impact on the Company’s consolidated financial statements.

(4) Property and Equipment, net

Property and equipment as of December 31, 2016 and 2015 consisted of the following components:

	December 31,	
	2016	2015
Laboratory and manufacturing equipment	\$ 226,326	\$ 226,081
Office equipment	165,832	158,872
Leasehold improvements	8,117	8,117
PCT collaboration, demonstration and leased systems	461,858	461,858
Total property and equipment	862,133	854,928
Less accumulated depreciation	(852,720)	(834,779)
Net book value	\$ 9,413	\$ 20,149

Depreciation expense for the years ended December 31, 2016 and 2015 was \$17,939 and \$25,288, respectively.

(5) Retirement Plan

We provide all of our employees with the opportunity to participate in our retirement savings plan. Our retirement savings plan has been qualified under Section 401(k) of the Internal Revenue Code. Eligible employees are permitted to contribute to the plan through payroll deductions within statutory limitations and subject to any limitations included in the plan. During 2016 and 2015 we contributed \$22,627 and \$22,098, respectively, in the form of discretionary Company-matching contributions.

(6) Income Taxes

Tax positions must meet a “more likely than not” recognition threshold at the effective date to be recognized. At December 31, 2016 and 2015, the Company did not have any uncertain tax positions. No interest and penalties related to uncertain tax positions were accrued at December 31, 2016 and 2015. Our tax returns for fiscal years 2013, 2014 and 2015 are open to examination.

We did not record an income tax benefit or provision for the years ended December 31, 2016 and 2015.

Significant items making up the deferred tax assets and deferred tax liabilities as of December 31, 2016 and 2015 are as follows:

	2016	2015
Current deferred taxes		
Inventories	\$ 7,856	\$ 19,640
Accounts receivable allowance	17,253	-
Other accruals	33,399	23,714
Less: valuation allowance	(58,508)	(43,354)
Total current deferred tax assets	\$ -	\$ -
Long term deferred taxes:		
Accelerated tax depreciation	\$ 14,582	\$ 14,134
Non-cash, stock-based compensation, nonqualified	711,676	562,426
Impairment loss on investment	146,782	-
Goodwill and intangibles	-	-
Operating loss carry forwards and tax credits	13,561,012	12,028,900
Less: valuation allowance	(14,434,052)	(12,605,460)
Total long term deferred tax assets (liabilities), net	-	-
Total net deferred tax liabilities	\$ -	\$ -

A valuation allowance is established if it is more likely than not that all or a portion of the deferred tax asset will not be realized. Accordingly, a valuation allowance was established in 2016 and 2015 for the full amount of our deferred tax assets due to the uncertainty of realization. We believe based on our projection of future taxable operating income for the foreseeable future, it is more likely than not that we will not be able to realize the benefit of the deferred tax asset at December 31, 2016.

We have net operating loss carry-forwards for federal income tax purposes of \$30,471,000 as of December 31, 2016. Included in these numbers are loss carry-forwards that were obtained through the acquisition of BioSeq, Inc. and are subject to Section 382 NOL limitations. These net operating loss carry-forwards expire at various dates from 2018 through 2037.

We had net operating loss carry-forwards for state income tax purposes of approximately \$21,547,000 at December 31, 2016. These net operating loss carry-forwards expire at various dates from 2030 through 2037.

We have research and development tax credit carry-forwards for federal income tax purposes of approximately \$1,039,000 as of December 31, 2016 and research and development tax credit carry-forwards for state income tax purposes of approximately \$207,000 as of December 31, 2016. The federal credit carry-forwards expire at various dates from 2017 through 2037. The state credit carry-forwards expire at various dates from 2023 through 2032.

In addition, we have federal alternative minimum tax credit carry-forwards for federal income tax purposes of approximately \$217,000 as of December 31, 2016. These credits do not expire.

Our effective income tax (benefit) provision rate was different than the statutory federal income tax (benefit) provision rate as follows for the years ended December 31:

	2016	2015
Federal tax provision rate	34 %	34 %
Permanent differences	24 %	(12)%
State tax expense	0 %	0 %
Refundable AMT and R&D tax credit	0 %	0 %
Net operating loss carry back	0 %	0 %
Valuation allowance	(58)%	(23)%
Effective income tax provision	0 %	0 %

(7) Commitments and Contingencies

Operating Leases

Our corporate office is currently located at 14 Norfolk Avenue, South Easton, Massachusetts 02375. We are currently paying \$4,800 per month, on a lease extension, signed on December 29, 2016, that expires December 31, 2017, for our corporate office.

On November 1, 2014 we signed a lease for lab space in Medford, MA. We subsequently expanded our space in Medford. The lease expires December 30, 2017 and requires monthly payments of \$5,385 subject to annual cost of living increases.

Following is a schedule by years of future minimum rental payments required under operating leases with initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2016:

2017	\$ 122,220
Thereafter	-
Total minimum payments required	\$ 122,220

Royalty Commitments

BioMolecular Assays, Inc.

In 1996, we acquired our initial equity interest in BioSeq, Inc., which at the time was developing our original pressure cycling technology. BioSeq, Inc. acquired its pressure cycling technology from BioMolecular Assays, Inc. under a technology transfer and patent assignment agreement. In 1998, we purchased all of the remaining outstanding capital stock of BioSeq, Inc., and at such time, the technology transfer and patent assignment agreement was amended to require us to pay BioMolecular Assays, Inc., a 5% royalty on our sales of products or services that incorporate or utilize the original pressure cycling technology that BioSeq, Inc. acquired from BioMolecular Assays, Inc. We are also required to pay BioMolecular Assays, Inc. 5% of the proceeds from any sale, transfer or license of all or any portion of the original pressure cycling technology. These payment obligations terminated on March 7, 2016. During the years ended December 31, 2016 and 2015, we incurred approximately \$6,963 and \$31,301, respectively, in royalty expense associated with our obligation to BioMolecular Assays, Inc.

In connection with our acquisition of BioSeq, Inc., we licensed certain limited rights to the original pressure cycling technology back to BioMolecular Assays, Inc. This license is non-exclusive and limits the use of the original pressure cycling technology by BioMolecular Assays, Inc. solely for molecular applications in scientific research and development and in scientific plant research and development. BioMolecular Assays, Inc. is required to pay us a royalty equal to 20% of any license or other fees and royalties, but not including research support and similar payments, it receives in connection with any sale, assignment, license or other transfer of any rights granted to BioMolecular Assays, Inc. under the license. BioMolecular Assays, Inc. was required to pay us these royalties until the expiration in March 2016 of the patents held by BioSeq, Inc. since 1998. We have not received any royalty payments from BioMolecular Assays, Inc. under this license.

Battelle Memorial Institute

In December 2008, we entered into an exclusive patent license agreement with the Battelle Memorial Institute (“*Battelle*”). The licensed technology is the subject of a patent application filed by Battelle in 2008 and relates to a method and a system for improving the analysis of protein samples, including through an automated system utilizing pressure and a pre-selected agent to obtain a digested sample in a significantly shorter period of time than current methods, while maintaining the integrity of the sample throughout the preparatory process. In addition to royalty payments on net sales on “licensed products,” we are obligated to make minimum royalty payments for each year that we retain the rights outlined in the patent license agreement and we are required to have our first commercial sale of the licensed products within one year following the issuance of the patent covered by the licensed technology. After re-negotiating the terms of the contract in 2013, the minimum annual royalty was \$1,200 in 2014 and \$2,000 in 2015; the minimum royalties are \$3,000 in 2016, \$4,000 in 2017 and \$5,000 in 2018 and each calendar year thereafter during the term of the agreement.

Target Discovery Inc.

In March 2010, we signed a strategic product licensing, manufacturing, co-marketing, and collaborative research and development agreement with Target Discovery Inc. (“*TDI*”). Under the terms of the agreement, we have been licensed by TDI to manufacture and sell a highly innovative line of chemicals used in the preparation of tissues for scientific analysis (“*TDI reagents*”). The TDI reagents were designed for use in combination with our pressure cycling technology. The companies believe that the combination of PCT and the TDI reagents can fill an existing need in life science research for an automated method for rapid extraction and recovery of intact, functional proteins associated with cell membranes in tissue samples. We did not incur any royalty obligation under this agreement in 2015 or 2014.

In April 2012, we signed a non-exclusive license agreement with TDI to grant the non-exclusive use of our pressure cycling technology. We recorded \$20,000 and \$22,000 of minimum royalty income in 2016 and 2015, respectively. We executed an amendment to this agreement on October 1, 2016 wherein we agreed to pay a monthly fee of \$1,400 for the use of a lab bench, shared space and other utilities, and \$2,000 per day for technical support services as needed.

Severance and Change of Control Agreements

Each of Mr. Schumacher, and Drs. Ting, Lazarev, and Lawrence, executive officers of the Company, are entitled to receive a severance payment if terminated by us without cause. The severance benefits would include a payment in an amount equal to one year of such executive officer’s annualized base salary compensation plus accrued paid time off. Additionally, the officer will be entitled to receive medical and dental insurance coverage for one year following the

date of termination.

Each of these executive officers, other than Mr. Schumacher, is entitled to receive a change of control payment in an amount equal to one year of such executive officer's annualized base salary compensation, accrued paid time off, and medical and dental coverage, in the event of a change of control of the Company. In the case of Mr. Schumacher, this payment would be equal to two years of annualized base salary compensation, accrued paid time off, and two years of medical and dental coverage. The severance payment is meant to induce the aforementioned executives to remain in the employ of the Company, in general; and particularly in the occurrence of a change in control, as a disincentive to the control change.

(8) Convertible Debt and Other Debt

Senior Secured Convertible Debentures and Warrants

We entered into Subscription Agreements (the "Subscription Agreement") with various individuals (each, a "Purchaser") between July 23, 2015 and March 31, 2016, pursuant to which the Company sold Senior Secured Convertible Debentures (the "Debentures") and warrants to purchase shares of common stock equal to 50% of the number of shares issuable pursuant to the subscription amount (the "Warrants") for an aggregate purchase price of \$6,329,549 (the "Purchase Price").

The Company issued a principal aggregate amount of \$6,962,504 in Debentures which includes a 10% original issue discount on the Purchase Price. The Debenture does not accrue any additional interest during the first year it is outstanding but accrues interest at a rate equal to 10% per annum for the second year it is outstanding. The Debenture has a maturity date of two years from issuance. The Debenture is convertible any time after its issuance date. The Purchaser has the right to convert the Debenture into shares of the Company's common stock at a fixed conversion price equal to \$0.28 per share, subject to applicable adjustments. In the second year that the Debenture is outstanding, any interest accrued shall be payable quarterly in either cash or common stock, at the Company's discretion.

At any time after the Issuance Date, the Company has the option, subject to certain conditions, to redeem some or all of the then outstanding principal amount of the Debenture for cash in an amount equal to the sum of (i) 120% of the then outstanding principal amount of the Debenture, (ii) accrued but unpaid interest and (iii) any liquidated damages and other amounts due in respect of the Debenture.

The Company issued warrants exercisable into a total of 11,302,766 shares of our common stock. The Warrants issued in this transaction are immediately exercisable at an exercise price of \$0.40 per share, subject to applicable adjustments including full ratchet anti-dilution in the event that we issue any securities at a price lower than the exercise price then in effect. The Warrants have an expiration period of five years from the original issue date. The

Warrants are subject to adjustment for stock splits, stock dividends or recapitalizations and also include anti-dilution price protection for subsequent equity sales below the exercise price.

Subject to the terms and conditions of the Warrants, at any time commencing six months from the Final Closing, the Company has the right to call the Warrants for cancellation if the volume weighted average price of its Common Stock on the OTCQB (or other primary trading market or exchange on which the Common Stock is then traded) equals or exceeds three times the per share exercise price of the Warrants for 15 out of 20 consecutive trading days.

In connection with the Subscription Agreement and Debenture, the Company entered into Security Agreements with the Purchasers whereby the Company agreed to grant to Purchasers an unconditional and continuing, first priority security interest in all of the assets and property of the Company to secure the prompt payment, performance and discharge in full of all of Company's obligations under the Debentures, Warrants and the other Transaction Documents.

The Company determined that the conversion feature of the Debentures met the definition of a liability in accordance with ASC 815-40 and therefore bifurcated the conversion feature on each debt agreement and accounted for it as a derivative liability. The fair value of the conversion feature was accounted for as a note discount and are amortized to interest expense over the life of the loan. The fair value of the conversion feature was reflected in the conversion option liability line in the condensed consolidated balance sheets.

The proceeds from these convertible debts were allocated between the host debt instrument and the convertible option based on the residual method. The estimated fair value of the convertible option was determined using a binomial formula, resulting in allocations to the convertible option and accounted for as a liability in the Company's condensed consolidated balance sheet. In accordance with the provisions of ASC 815-40, the gross proceeds are offset by debt discounts, which are amortized to interest expense over the expected life of the debt.

ASC 470-20 states that the proceeds from the issuance of debt with detachable stock warrants should be allocated between the debt and warrants on the basis of their relative fair market values. The debt discount will be amortized to interest expense over the two-year term of these loans. We amortized \$3,740,746 of the debt discount to interest expense in 2016. The warrants issued in connection with the convertible debentures are classified as warrant derivative liabilities because the warrants are entitled to certain rights in subsequent financings and the warrants contain “down-round protection” and therefore, do not meet the scope exception for treatment as a derivative under ASC 815, Derivatives and Hedging, (“ASC 815”). Since “down-round protection” is not an input into the calculation of the fair value of the warrants, the warrants cannot be considered indexed to the Company’s own stock which is a requirement for the scope exception as outlined under ASC 815. The estimated fair value of the warrants was determined using the binomial model, resulting in an allocation of \$2,847,624 to the total warrants out of the gross proceeds of \$6,329,549. The fair value will be affected by changes in inputs to that model including our stock price, expected stock price volatility, the contractual term, and the risk-free interest rate. We will continue to classify the fair value of the warrants as a liability until the warrants are exercised, expire or are amended in a way that would no longer require these warrants to be classified as a liability, whichever comes first.

Other convertible notes

On May 13, 2016, one lender converted an outstanding note issued on April 28, 2015 and the related accrued interest totaling \$117,837 to 420,849 common shares. As of December 31, 2016, the outstanding balance on the note was zero.

On May 24, 2016, we sold an additional convertible note for \$107,000 with warrants to purchase 50,000 shares of common stock at an exercise price of \$0.55 per share. The purchaser has the right to convert the notes into shares of the Company’s common stock at a fixed conversion price equal to \$0.45 per share, subject to applicable adjustments. The estimated fair value of the warrants was determined using the binomial model, resulting in an allocation of \$12,406 to the total warrants and the recognition of a beneficial conversion feature of \$7,962, both of which were recorded as a discount to the note. We evaluated the convertible note and warrants for derivative liability treatment and determined that these instruments do not include certain rights such as price protection like our previous debt financings. Accordingly, we concluded that this financing arrangement did not qualify for derivative accounting treatment.

On June 14, 2016, we sold an additional convertible note for \$115,000 and issued 30,667 common shares to compensate the lender. On July 1, 2016, the note was modified to increase the principal amount to \$200,000 and we received the remaining proceeds of \$85,000 on the same date and issued 34,333 common shares as compensation to the lender. The lender has the right to convert the note into shares of the Company’s common stock at fixed conversion price equal to \$0.45 per share, subject to applicable adjustments. We valued the total 65,000 common shares using the stock prices at the respective dates the note proceeds were received and recorded the relative fair value of the shares amounting to \$26,000 as a debt discount to be amortized over the term of the loan. We then computed the effective conversion price of the note, noting that no beneficial conversion feature exists. We also evaluated the convertible

note for derivative liability treatment and determined that the instrument does not include certain rights such as price protection like our previous debt financing. Accordingly, we concluded that this financing arrangement did not qualify for derivative accounting treatment.

On July 29, 2016, we sold an additional convertible note for \$100,000 and issued 32,500 common shares to compensate the lender. The lender has the right to convert the notes into shares of the Company's common stock at a fixed conversion price equal to \$0.45 per share, subject to applicable adjustments. The proceeds were allocated between the convertible note and shares of common stock based on their relative fair values. The relative fair values of the convertible note and the common shares was \$87,241 and \$12,759, respectively. We then computed the effective conversion price of the note, noting that the convertible debt gave rise to a beneficial conversion feature (BCF) of \$12,759. The sum of the relative fair value of the common shares and the BCF of \$25,518 was recorded as a debt discount to be amortized over the term of the loan. We also evaluated the convertible note for derivative liability treatment and determined that the instruments does not include certain rights such as price protection like our previous debt financings. Accordingly, we concluded that this financing arrangements did not qualify for derivative accounting treatment.

On September 15, 2016, we sold an additional convertible note for \$500,000 and issued 200,000 common shares to compensate the lender. The lender has the right to convert the notes into shares of the Company's common stock at a fixed conversion price equal to \$0.45 per share, subject to applicable adjustments. The convertible note includes an original issue discount of \$40,541 and is subject to a one-time interest of 9% or \$45,000 which was recorded as a debt discount and amortized over the term of the loan. The proceeds were allocated between the convertible note and shares of common stock based on their relative fair values. The relative fair value of the convertible note was \$434,028. The allocation of the gross proceeds to the shares of common stock was \$65,972 and recorded as a debt discount to be amortized over the term of the loan. We then computed the effective conversion price of the note, noting that no beneficial conversion feature exists. We also evaluated the convertible note for derivative liability treatment and determined that the instrument does not include certain rights such as price protection like our previous debt financings. Accordingly, we concluded that this financing arrangement did not qualify for derivative accounting treatment.

The specific terms of the convertible notes and outstanding balances as of December 31, 2016 are listed in the tables below.

Fixed Rate Convertible Notes

Inception Date	Term	Loan Amount	Outstanding Balance	Original Issue Discount	Interest Rate	Deferred Finance Fees	Discount related to fair value of conversion feature and warrants/shares
July 22, 2015	24 months	\$ 2,180,000	\$ 2,180,000	\$ 218,000	10 % ²	\$ 388,532	\$ 2,163,074
September 25, 2015	24 months	1,100,000	1,100,000	110,000	10 % ²	185,956	1,022,052
October 2, 2015	24 months	150,000	150,000	15,000	10 % ²	26,345	140,832
October 6, 2015	24 months	30,000	30,000	3,000	10 % ²	5,168	26,721
October 14, 2015	24 months	50,000	50,000	5,000	10 % ²	8,954	49,377
November 2, 2015	24 months	250,000	250,000	25,000	10 % ²	43,079	222,723
November 10, 2015	24 months	50,000	50,000	5,000	10 % ²	8,790	46,984
November 12, 2015	24 months	215,000	215,000	21,500	10 % ²	38,518	212,399
November 20, 2015	24 months	200,000	200,000	20,000	10 % ²	37,185	200,000
December 4, 2015	24 months	170,000	170,000	17,000	10 % ²	37,352	170,000
December 11, 2015	24 months	360,000	360,000	36,000	10 % ²	75,449	360,000
December 18, 2015	24 months	55,000	55,000	5,500	10 % ²	11,714	55,000
December 31, 2015	24 months	100,000	100,000	10,000	10 % ²	20,634	100,000
January 11, 2016	24 months	100,000	100,000	10,000	10 % ²	24,966	80,034
January 20, 2016	24 months	50,000	50,000	5,000	10 % ²	9,812	40,188

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January 29, 2016	24 months	300,000	300,000	30,000	1	10 % ²	60,887	239,113
February 26, 2016	24 months	200,000	200,000	20,000	1	10 % ²	43,952	156,048
March 10, 2016	24 months	125,000	125,000	12,500	1	10 % ²	18,260	106,740
March 18, 2016	24 months	360,000	360,000	36,000	1	10 % ²	94,992	265,008
March 24, 2016	24 months	106,667	106,667	10,667	1	10 % ²	15,427	91,240
March 31, 2016	24 months	167,882	167,882	16,788	1	10 % ²	2,436	165,446
April 5, 2016	24 months	10,000	10,000	1,000	1	10 % ²	-	10,000
May 24, 2016	7 months	100,000	100,000	7,000		0 %	-	20,368
June 15, 2016	6 months	40,000	40,000	-		12 %	-	3,680
June 17, 2016	6 months	40,000	40,000	-		12 %	-	3,899
June 22, 2016	6 months	35,000	35,000	-		12 %	-	3,373
July 6, 2016	6 months	85,000	85,000	-		12 %	-	15,048
July 29, 2016	6 months	100,000	100,000	-		12 %	-	25,518
September 15, 2016	8 months	500,000	500,000	85,541		9 %	-	65,972
		\$ 7,229,549	\$ 7,229,549	\$ 725,496			\$ 1,158,408	\$ 6,060,837

1. The original issue discount is reflected in the first year.
2. The annual interest started accruing in the second year.

As of December 31, 2016, a total of approximately \$291,000 convertible debentures were purchased by related parties who were members of the Company's Board of Directors and management and their family members.

Deferred finance fees included cash commissions amounting to \$621,500 and the fair value of the 2,101,786 warrants issued to the placement agent amounting to \$536,908. For the year ended December 31, 2016, the Company recognized amortization expense related to the debt discounts indicated above of \$3,876,622. The unamortized debt discounts as of December 31, 2016 related to the convertible debentures and other convertible notes amounted to \$3,142,078.

Revolving Note Payable

On October 28, 2016, an accredited investor (the “*Investor*”) purchased from us a promissory note in the aggregate principal amount of up to \$2,000,000 (the “*Revolving Note*”) due and payable on the earlier of October 28, 2017 (the “*Maturity Date*”) or on the seventh business day after the closing of a Qualified Offering (as defined in the Revolving Note). Although the Revolving Note is dated October 26, 2016, the transaction did not close until October 28, 2016, when we received its initial \$250,000 advance pursuant to the Revolving Note. As a result, on the same day and pursuant to the Revolving Note, we issued to the Investor a Common Stock Purchase Warrant to purchase 625,000 shares of our common stock at an exercise price per share equal to \$0.40 per share. The Investor is obligated to provide us with advances of \$250,000 under the Revolving Note, but the Investor shall not be required to advance more than \$250,000 in any individual fifteen (15) day period and no more than \$500,000 in the thirty (30) day period immediately following the date of the initial advance. Notwithstanding the fifteen (15) day period limitation, on November 2, 2016, November 23, 2016, December 6, 2016 and December 16, 2016, we received \$1,000,000 pursuant to the Revolving Note and we issued to the Investor additional warrants to purchase 2,500,000 shares of our Common Stock. The terms of the Warrants are identical except for the exercise date, issue date, and termination date.

In the event that a Qualified Offering occurs on or prior to the six (6) month anniversary of October 28, 2016, within seven (7) Business Days of the closing of the Qualified Offering, the Company shall pay a cash fee equal to five percent (5%) of the total outstanding amount owed by the Company to the Holder as of the closing date of the Qualified Offering or, at the option of the Company, issue to the Holder a number of restricted shares of the Company’s common stock equal to (x) five percent (5%) of the total outstanding amount owed by the Company to the Holder as of the closing date of the Qualified Offering divided by (y) the purchase price provided by the documents governing the Qualified Offering. A Qualified Offering means the completion of a public offering of the Company’s securities pursuant to which the Company receives aggregate gross proceeds of at least Seven Million United States Dollars (US\$7,000,000) in consideration of the purchase of its securities and resulting in, pursuant to the effectiveness of the registration statement for such offering, the Company’s common stock being traded on the NASDAQ Capital Market, NASDAQ Global Select Market or the New York Stock Exchange.

In the event that a Qualified Offering occurs following the six (6) month anniversary of October 28, 2016, but prior to the Maturity Date, within seven(7) Business Days of the closing of the Qualified Offering, the Company shall pay a cash fee equal to five percent (5%) of the total outstanding amount owed by the Company to the Holder as of the closing date of the Qualified Offering or, at the option of the Company, issue to the Holder a number of restricted shares of the Company’s common stock equal to (x) five percent (5%) of the total outstanding amount owed by the Company to the Holder as of the closing date of the Qualified Offering divided by (y) the purchase price provided by the documents governing the Qualified Offering.

Interest on the principal balance of the Revolving Note shall be paid in full on the Maturity Date, unless otherwise paid prior to the Maturity Date. Interest shall be assessed as follows: (i) a one-time interest of 10% on all principal amounts advanced prior to April 28, 2017; (ii) the foregoing and 4% on any amount remaining outstanding if the principal amount is repaid between April 28, 2017 and July 28, 2017; or (iii) both of the foregoing and 4% on any amount remaining outstanding if the principal amount is repaid between July 28, 2017 and October 28, 2017.

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Broker fees amounting to \$116,500, the one-time interest of \$125,000 and the fair value of the 3,125,000 warrants issued to the Investor amounting to \$479,730 were recorded as debt discounts and amortized over the term of the revolving note. For the year ended December 31, 2016, the Company recognized amortization expense related to the debt discounts indicated above of \$84,200. The unamortized debt discounts as of December 31, 2016 related to the convertible debentures amounted to \$637,030.

The following table provides a summary of the changes in convertible debt and revolving note payable, net of unamortized discounts, during 2016:

	2016
Balance at January 1,	\$ 277,342
Issuance of convertible debt, face value	2,509,045
Issuance of revolving note payable, face value	1,250,000
Original issue discount	(189,496)
Debt discount from derivative liabilities (embedded conversion option and warrants)	(1,153,817)
Debt discount from beneficial conversion feature	(20,721)
Deferred financing fees	(385,371)
Debt discount related to one-time interest charge	(170,000)
Repayment of convertible debt	(107,000)
Conversion of convertible debt into common stock	(100,000)
Debt discount from shares and warrants issued with the notes	(596,867)
Accretion of interest and amortization of debt discount to interest expense	3,960,822
Balance at December 31,	5,273,937
Less: revolving note payable	612,970
Less: current portion of convertible debt	4,005,702
Convertible debt, long-term portion	\$ 655,265

Other Notes

On January 15, 2015 we signed a Merchant Agreement with a lender. Under the agreement, we received \$150,000 in exchange for rights to all customer receipts until the lender was paid \$187,500, which was collected at the rate of \$744 per business day. The payments were secured by essentially all tangible assets of the Company. \$67,925 of the proceeds were used to pay off the outstanding balance of a previous loan from this lender. The Company paid \$1,875 in fees in connection with this loan. The note was paid off in its entirety prior to December 31, 2015.

On January 29, 2015 we signed a Merchant Agreement with a lender. Under the agreement, we received \$200,000 in exchange for rights to all customer receipts until the lender was paid \$278,000, which was collected at the rate of \$1,985 per business day. The payments were secured by essentially all tangible assets of the Company. The Company paid \$999 in fees in connection with this loan. The note was paid off in its entirety prior to December 31, 2015.

On March 17, 2015 we signed a Merchant Agreement with a lender. Under the agreement, we received \$50,000 in exchange for rights to all customer receipts until the lender was paid \$67,450, which was collected at the rate of \$559 per business day. The payments were secured by essentially all tangible assets of the Company. The Company paid \$999 in fees in connection with this loan. The note was paid off in its entirety prior to December 31, 2015.

On May 29, 2015 we signed a Merchant Agreement with a lender. Under the agreement, we received \$100,000 in exchange for rights to all customer receipts until the lender was paid \$132,000, which was collected at the rate of \$1,098 per business day. The Company paid \$3,999 in fees in connection with this loan. The note was paid off in its entirety prior to December 31, 2015.

On August 28, 2015 we signed a Merchant Agreement with a lender. Under the agreement, we received \$300,000 in exchange for rights to all customer receipts until the lender is paid \$384,000, to be collected at the rate of \$2,560 per business day. The payments are not secured. On the closing date, \$131,710 of the proceeds were used to pay off the outstanding balances of two existing Notes. The Company paid \$6,000 in fees in connection with this loan. The loan was paid off in its entirety prior to December 31, 2016.

During the year ended December 31, 2015, we signed three ninety-day notes with an investor. Under the terms of the notes, the Company received a total of \$600,000. The investor converted these loans, plus \$60,000 in accrued interest into the Company's \$5 million PIPE offering on July 21, 2015. There was no gain or loss on the conversion.

During the year ended December 31, 2015, the Company made payments of \$587,949 in total on the non-convertible debt from non-related parties.

On January 6, 2016 we signed a Merchant Agreement with a lender. Under the agreement we received \$250,000 in exchange for rights to all customer receipts until the lender is paid \$322,500, which is collected at the rate of \$1,280 per business day. The payments were secured by second position rights to all customer receipts until the loan has been paid in full. \$138,840 of the proceeds were used to pay off the outstanding balance of a previous loan from another lender. The Company recognized a gain on the settlement of the previous loan of \$5,044 which was credited to interest expense. The Company paid \$2,500 in fees in connection with this loan. We received an additional \$93,161 in June 2016 under the existing Merchant Agreement. The note was still outstanding as of December 31, 2016 with a balance of \$157,287.

On January 20, 2016 we borrowed \$50,000 from an individual with no interest or fees. We paid back the loan in March 2016.

On February 8, 2016 we signed a Merchant Agreement with a lender. Under the agreement we received \$100,000 in exchange for third position rights to all customer receipts until the lender is paid \$129,900, which is collected at the rate of \$927 per business day. The Company paid \$2,000 in fees in connection with this loan. We received an additional \$125,000 in June 2016 under the existing Merchant Agreement of which \$48,420 was used to pay off the prior loan. The lender provided an additional \$70,000 on August 16, 2016. We repaid a portion of the \$70,000 with \$32,430 remaining as outstanding as of December 31, 2016.

On May 9, 2016 we signed a promissory note with a lender. Under the agreement we received \$200,000 net of a \$6,000 original issue discount and we repaid \$206,000 on August 25, 2016. In connection with this promissory note, we issued warrants exercisable into 100,000 shares of our common stock. The warrants issued in this transaction are immediately exercisable at an exercise price of \$0.55 per share. The warrants have an expiration period of three years from the original issue date. The warrants are subject to adjustment for stock splits, stock dividends or recapitalizations. The warrants were recorded as a component of our Stockholders' Equity. The estimated fair value of the warrants was determined using the binomial model, resulting in an allocation of \$27,349 to the total warrants and recorded as a discount to the note to be amortized over the term of the loan. We evaluated the warrants for derivative liability treatment and determined that these instruments do not include certain rights such as price protection like our previous debt financings. Accordingly, we concluded that these instruments did not qualify for derivative accounting treatment. In August 2016, the lender extended the maturity date of the note from August 11, 2016 to August 25, 2016. Consequently, a penalty interest of \$41,200 was added to the principal amount and settled through the issuance of 100,049 common shares. As of December 31, 2016, the outstanding balance on this note was zero.

On August 26, 2016 we signed a Merchant Agreement with a lender. Under the agreement we received \$122,465 net proceeds in exchange for rights to all customer receipts which is collected at the rate of \$1,386 per business day. The note was still outstanding as of December 31, 2016 with a balance of \$48,440.

Related Party Notes

During the year ended December 31, 2016, the Company received advances from certain officers of the Company amounting to \$20,000. These advances were non-interest bearing and payable on demand. As of December 31, 2016 there are no outstanding notes to related parties.

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(9) Stockholders' (Deficit)

Preferred Stock

We are authorized to issue 1,000,000 shares of preferred stock with a par value of \$0.01. Of the 1,000,000 shares of preferred stock:

- 1) 20,000 shares have been designated as Series A Junior Participating Preferred Stock (“*Junior A*”)
- 2) 313,960 shares have been designated as Series A Convertible Preferred Stock (“*Series A*”)
- 3) 279,256 shares have been designated as Series B Convertible Preferred Stock (“*Series B*”)
- 4) 88,098 shares have been designated as Series C Convertible Preferred Stock (“*Series C*”)
- 5) 850 shares have been designated as Series D Convertible Preferred Stock (“*Series D*”)
- 6) 500 shares have been designated as Series E Convertible Preferred Stock (“*Series E*”)
- 7) 240,000 shares have been designated as Series G Convertible Preferred Stock (“*Series G*”)
- 8) 10,000 shares have been designated as Series H Convertible Preferred Stock (“*Series H*”)
- 9) 21 shares have been designated as Series H2 Convertible Preferred Stock (“*Series H2*”)
- 10) 6,250 shares have been designated as Series J Convertible Preferred Stock (“*Series J*”)
- 11) 15,000 shares have been designated as Series K Convertible Preferred Stock (“*Series K*”)

As of December 31, 2016 and 2015, there were no shares of Junior A, and Series A, B, C, E, and H1 issued and outstanding.

Series D Convertible Preferred Stock

On November 11, 2011, we completed a registered direct offering, pursuant to which we sold an aggregate of 843 units for a purchase price of \$1,000 per unit, resulting in gross proceeds to us of \$843,000 (the “*Series D Placement*”).

Each unit (“*Series D Unit*”) consisted of (i) one share of Series D Convertible Preferred Stock, \$0.01 par value per share (the “*Series D Convertible Preferred Stock*”) convertible into 1,538.46 shares of our common stock, (subject to adjustment for stock splits, stock dividends, recapitalization, etc.) and (ii) one five-year warrant to purchase approximately 614 shares of our common stock at a per share exercise price of \$0.81, subject to adjustment as provided in the Warrants (“*Series D Warrant*”). The Series D Warrants will be exercisable beginning on May 11, 2012 and until the close of business on the fifth anniversary of the initial exercise date.

The proceeds from the sale of each Series D Unit were allocated between the Series D Convertible Preferred Stock and the Series D Warrants based on the residual method. The estimated fair value of the Series D Warrants was determined using a binomial formula, resulting in an allocation of the gross proceeds of \$283,725 to the total warrants issued. The allocation of the gross proceeds to the Series D Convertible Preferred Stock was \$559,275. In accordance with the provisions of ASC 470-20, an additional adjustment between Additional Paid in Capital and Accumulated Deficit of \$530,140 was recorded to reflect an implicit non-cash dividend related to the allocation of proceeds between the stock and warrants issued. The \$530,140 represents the value of the adjustment to additional paid in capital related to the beneficial conversion feature of the Series D Convertible Preferred Stock. The value adjustment was calculated by subtracting the fair market value of the underlying common stock on November 10, 2011 issuable upon conversion of the Series D Convertible Preferred Stock from the fair market value of the Series D Convertible Preferred Stock as determined when the Company performed a fair market value allocation of the proceeds to the Series D Convertible Preferred Stock and warrants. The warrants are recorded as a liability. See “Warrant Derivative Liability” below.

The Series D Convertible Preferred Stock will rank senior to the Company’s common stock and Series C Convertible Preferred Stock with respect to payments made upon liquidation, winding up or dissolution. Upon any liquidation, dissolution or winding up of the Company, after payment of the Company’s debts and liabilities, and before any payment is made to the holders of any junior securities, the holders of Series D Convertible Preferred Stock will first be entitled to be paid \$1,000 per share subject to adjustment for accrued but unpaid dividends.

We may not pay any dividends on shares of common stock unless we also pay dividends on the Series D Convertible Preferred Stock in the same form and amount, on an as-if-converted basis, as dividends actually paid on shares of our common stock. Except for such dividends, no other dividends may be paid on the Series D Convertible Preferred Stock.

Each share of Series D Convertible Preferred Stock is convertible into 1,538.46 shares of common stock (based upon an initial conversion price of \$0.65 per share) at any time at the option of the holder, subject to adjustment for stock splits, stock dividends, combinations, and similar recapitalization transactions (the “*Series D Conversion Ratio*”). Subject to certain exceptions, if the Company issues any shares of common stock or common stock equivalents at a per share price that is lower than the conversion price of the Series D Convertible Preferred Stock, the conversion price will be reduced to the per share price at which such shares of common stock or common stock equivalents are issued. Each share of Series D Convertible Preferred Stock will automatically be converted into shares of common stock at the Series D Conversion Ratio then in effect if, after six months from the closing of the Series D Placement, the common stock trades on the OTCQB (or other primary trading market or exchange on which the common stock is then traded) at a price equal to at least 300% of the then effective Series D Convertible Preferred Stock conversion price for 20 out of 30 consecutive trading days with each trading day having a volume of at least \$50,000. Unless waived under certain circumstances by the holder of the Series D Convertible Preferred Stock, such holder’s Series D

Convertible Preferred Stock may not be converted if upon such conversion the holder's beneficial ownership would exceed certain thresholds.

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In addition, in the event we consummate a merger or consolidation with or into another person or other reorganization event in which our shares of common stock are converted or exchanged for securities, cash or other property, or we sell, lease, license or otherwise dispose of all or substantially all of our assets or we or another person acquire 50% or more of our outstanding shares of common stock, then following such event, the holders of the Series D Convertible Preferred Stock will be entitled to receive upon conversion of the Series D Convertible Preferred Stock the same kind and amount of securities, cash or property which the holders of the Series D Convertible Preferred Stock would have received had they converted the Series D Convertible Preferred Stock immediately prior to such fundamental transaction.

The holders of Series D Convertible Preferred Stock are not entitled to vote on any matters presented to the stockholders of the Company for their action or consideration at any meeting of stockholders of the Company (or by written consent of stockholders in lieu of meeting), except that the holders of Series D Convertible Preferred Stock may vote separately as a class on any matters that would (i) amend, our Restated Articles of Organization, as amended, in a manner that adversely affects the rights of the Series D Convertible Preferred Stock, (ii) alter or change adversely the powers, preferences or rights of the Series D Convertible Preferred Stock or alter or amend the certificate of designation, (iii) authorize or create any class of shares ranking as to dividends, redemption or distribution of assets upon liquidation senior to, or otherwise pari passu with, the Series D Convertible Preferred Stock, or (iv) increase the number of authorized shares of Series D Convertible Preferred Stock.

If, within 12 months of the initial issuance of the Series D Convertible Preferred Stock, we issue any common stock, common stock equivalents, indebtedness or any combination thereof (a “*Subsequent Financing*”), the holders of Series D Convertible Preferred Stock will have the right to participate on a pro-rata basis in up to 50% of such Subsequent Financing.

Series D Warrants

The Series D Warrants originally had an exercise price equal to \$0.81 per share of common stock. In April 2012, the number of Series D Warrants increased by 530,406 to a total of 1,047,875 and each Series D Warrant had an exercise price reset to \$0.40 per share of common stock. In December of 2013 the number of Series D Warrants increased by 628,733 to a total of 1,676,608 and each Series D Warrant had an exercise price reset to \$0.25 per share of common stock. The Series D Warrants will be exercisable beginning on the six-month anniversary of the date of issuance and expire five years from the initial exercise date. The Series D Warrants permit the holder to conduct a “cashless exercise” at any time a registration statement registering, or the prospectus contained therein, is not available for the issuance of the shares of common stock issuable upon exercise of the Series D Warrant, and under certain circumstances at the expiration of the Series D Warrants. The exercise price and/or number of shares of common stock issuable upon exercise of the Series D Warrants are subject to adjustment for certain stock dividends, stock splits or similar capital reorganizations, as set forth in the Warrants. The exercise price is also subject to adjustment in the event that we issue any shares of common stock or common stock equivalents at a per share price that is lower than the exercise price for the Series D Warrants then in effect. Upon any such issuance, subject to certain exceptions, the exercise price will be

reduced to the per share price at which such shares of common stock or common stock equivalents are issued and number of Series D Warrant shares issuable thereunder shall be increased such that the aggregate exercise price payable thereunder, after taking into account the decrease in the exercise price, shall be equal to the aggregate exercise price prior to such adjustment. Unless waived under certain circumstance by the holder of a Series D Warrant, such holder may not exercise the Series D Warrant if upon such exercise the holder's beneficial ownership of the Company's common stock would exceed certain thresholds.

In the event we consummate a merger or consolidation with or into another person or other reorganization event in which our shares of common stock are converted or exchanged for securities, cash or other property, or we sell, lease, license or otherwise dispose of all or substantially all of our assets or we or another person acquire 50% or more of our outstanding shares of common stock, then following such event, the holders of the Series D Warrants will be entitled to receive upon exercise of the Series D Warrants the same kind and amount of securities, cash or property which the holders would have received had they exercised the Series D Warrants immediately prior to such fundamental transaction.

Series G Convertible Preferred Stock

On July 6 and November 15, 2012, we completed a private placement, pursuant to which we sold an aggregate of 145,320 units for a purchase price of \$5.00 per unit (the “Series G Purchase Price”), resulting in gross proceeds to us of \$726,600 (the “*Series G Private Placement*”). Each unit (“*Series G Unit*”) consists of (i) one share of Series G Convertible Preferred Stock, \$0.01 par value per share (the “Series G Preferred Stock”) convertible into 10 shares of our common stock, (subject to adjustment for stock splits, stock dividends, recapitalization, etc.) and (ii) a three-year warrant to purchase 5 shares of our common stock at a per share exercise price of \$0.50 (the “*Series G Warrant*”). The Series G Warrants will be exercisable until the close of business on the third anniversary of the applicable closing date of the Series G Private Placement.

Each share of Series G Preferred Stock will receive a cumulative dividend at the annual rate of (i) four percent (4%) on those shares of Series G Preferred Stock purchased from the Company by an individual purchaser with an aggregate investment of less than \$100,000, (ii) six percent (6%) on those shares of Series G Preferred Stock purchased from the Company by an individual purchaser with an aggregate investment of at least \$100,000 but less than \$250,000, and (iii) twelve percent (12%) on those shares of Series G Preferred Stock purchased from the Company by an individual purchaser with an aggregate investment of at least \$250,000. Dividends accruing on the Series G Preferred Stock shall accrue from day to day until, and shall be paid within fifteen (15) days of, the first anniversary of, the original issue date of the Series G Preferred Stock; provided, however, if any shares of the Company’s Series E Preferred Stock are outstanding at such time, payment of the accrued dividends on the Series G Preferred Stock shall be deferred until no such shares of Series E Convertible Preferred Stock remain outstanding. The Company may pay accrued dividends on the Series G Preferred Stock in cash or in shares of its common stock equal to the volume weighted average price of the common stock as reported by the OTCQB for the ten (10) trading days immediately preceding the Series G’s first anniversary.

At the election of the Company and upon required advanced notice, each share of Series G Preferred Stock will automatically be converted into shares of common stock at the Conversion Ratio then in effect: (i) if, after 6 months from the original issuance date of the Series G Preferred Stock, the common stock trades on the OTCQB (or other primary trading market or exchange on which the common stock is then traded) at a price equal to at least \$0.75, for 7 out of 10 consecutive trading days with average daily trading volume of at least 10,000 shares, (ii) on or after the first anniversary of the original issuance date of the Series G Preferred Stock or (iii) upon completion of a firm-commitment underwritten registered public offering by the Company at a per share price equal to at least \$0.75, with aggregate gross proceeds to the Company of not less than \$2.5 million. Unless waived under certain circumstances by the holder of the Series G Preferred Stock, such holder’s Series G Preferred Stock may not be converted if upon such conversion the holder’s beneficial ownership would exceed certain thresholds.

The holders of Series G Preferred Stock are not entitled to vote on any matters presented to the stockholders of the Company for their action or consideration at any meeting of stockholders of the Company (or by written consent of stockholders in lieu of meeting), except as required by law.

Series G Warrants

The Series G Warrants issued in the Series G Private Placement had an exercise price equal to \$0.50 per share and expired on July 6, 2015.

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Series H Convertible Preferred Stock

On December 28, 2012 the Company amended the Articles of Incorporation to authorize 10,000 shares of Series H Convertible Preferred Stock. On January 4, 2013, the Company reported that it had entered into a securities purchase and exchange agreement with an investor, pursuant to which the Company agreed to exchange 1,000,000 shares of the Company's common stock, par value \$0.01 per share of common stock held by the investor for an aggregate of 10,000 shares of a newly created series of preferred stock, designated Series H Convertible Preferred Stock, par value \$0.01 per share (the "*Series H Preferred Stock*") in a non-cash transaction. The investor originally purchased the common stock from the Company for \$0.8025 per share. The exchange ratio was 100 shares of common stock per share of Series H Preferred Stock at a stated conversion price of \$0.8025 per share.

Series H2 Convertible Preferred Stock

On December 23, 2014 the Company amended the Articles of Incorporation to authorize 21 shares of Series H2 Convertible Preferred Stock. On December 23, 2014, the Company reported that it had entered into a securities purchase and exchange agreement with an investor, pursuant to which the Company agreed to exchange 2,100,000 shares of the Company's common stock, par value \$0.01 per share of common stock held by the investor for an aggregate of 21 shares of a newly created series of preferred stock, designated Series H2 Convertible Preferred Stock, par value \$0.01 per share (the "*Series H2 Preferred Stock*") in a non-cash transaction. The investor originally acquired the common stock from the Company for \$0.25 per share in the warrant reset transaction on December 23, 2014. The exchange ratio was 100,000 shares of common stock per share of Series H2 Preferred Stock at a stated conversion price of \$0.25 per share.

Series J Convertible Preferred Stock

On February 6, March 28 and May 20, 2013, the Company entered into a Securities Purchase with various individuals pursuant to which the Company sold an aggregate of 5,087.5 units for a purchase price of \$400.00 per unit (the "Purchase Price"), or an aggregate Purchase Price of \$2,034,700. Each unit purchased in the initial tranche consists of (i) one share of a newly created series of preferred stock, designated Series J Convertible Preferred Stock, par value \$0.01 per share (the "*Series J Convertible Preferred Stock*"), convertible into 1,000 shares of the Company's common stock, par value \$0.01 per share and (ii) a warrant to purchase 1,000 shares of common stock at an exercise price equal to \$0.40 per share. The warrants expire three years from the issuance date.

From the date of issuance of any shares of Series J Convertible Preferred Stock and until the earlier of the first anniversary of such date, the voluntary conversion of any shares of Series J Convertible Preferred Stock, or the date of

any mandatory conversion (solely under the Company's control based upon certain triggering events) of the Series J Convertible Preferred Stock, dividends will accrue on each share of Series J Convertible Preferred Stock at an annual rate of (i) four percent (4%) of the Purchase Price on those shares of Series J Convertible Preferred Stock purchased from the Company pursuant to the Securities Purchase Agreement by an individual purchaser who purchased from the Company shares of Series J Convertible Preferred Stock with an aggregate Purchase Price of less than \$250,000, and (ii) six percent (6%) of the Purchase Price on those shares of Series J Convertible Preferred Stock purchased from the Company pursuant to the Securities Purchase Agreement by an individual purchaser who purchased shares of Series J Convertible Preferred Stock with an aggregate purchase price of at least \$250,000. Dividends accruing on the Series J Convertible Preferred Stock shall accrue from day to day until the earlier of the first anniversary of the date of issuance of such shares of Series J Convertible Stock, the voluntary conversion of any shares of Series J Convertible Preferred Stock, or the date of any mandatory conversion of the Series J Convertible Preferred Stock, and shall be paid, as applicable, within fifteen (15) days of the first anniversary of the original issue date of the Series J Convertible Preferred Stock, within five (5) days of the voluntary conversion of shares of the Series J Convertible Preferred Stock, or within five (5) days of the mandatory conversion of shares of the Series J Convertible Preferred Stock. The Company may pay accrued dividends on the Series J Convertible Preferred Stock in cash or, in the sole discretion of the Board of Directors of the Company, in shares of its common stock in accordance with a specified formula.

Each share of Series J Convertible Preferred Stock is convertible into 1,000 shares of common stock at the option of the holder on or after the six-month anniversary of the issuance of such share, subject to adjustment for stock splits, stock dividends, recapitalizations and similar transactions (the "Conversion Ratio"). Unless waived under certain circumstances by the holder of Series J Convertible Preferred Stock, such holder's shares of Series J Convertible Preferred Stock may not be converted if upon such conversion the holder's beneficial ownership would exceed certain thresholds.

At the election of the Company and upon required advance notice, each share of Series J Convertible Preferred Stock will automatically be converted into shares of common stock at the Conversion Ratio then in effect: (i) on or after the six-month anniversary of the original issuance date of the Series J Convertible Preferred Stock, the common stock trades on the OTCQB (or other primary trading market or exchange on which the common stock is then traded) at a price per share equal to at least \$0.80 for 7 out of 10 consecutive trading days with average daily trading volume of at least 50,000 shares, (ii) on the first anniversary of the original issuance date of the Series J Convertible Preferred Stock or (iii) within three days of the completion of a firm-commitment underwritten registered public offering by the Company at a per share price equal to at least \$0.80, with aggregate gross proceeds to the Company of not less than \$2.5 million. Unless waived under certain circumstances by the holder of the Series J Convertible Preferred Stock, such holder's Series J Convertible Preferred Stock may not be converted if upon such conversion the holder's beneficial ownership would exceed certain thresholds.

The holders of Series J Convertible Preferred Stock are not entitled to vote on any matters presented to the stockholders of the Company for their action or consideration at any meeting of stockholders of the Company (or by written consent of stockholders in lieu of meeting), except as required by law.

Series J Warrants

The Series J Warrants issued in the Series J Private Placement had an exercise price equal to \$0.40 per share and expired on February 6, March 28 and May 20, 2016.

Registration Rights Agreement

In connection with the Private Placement, the Company has agreed that, if, at any time after February 1, 2014, the Company files a Registration Statement relating to an offering of equity securities of the Company (the "Registration Statement"), subject to certain exceptions, including a Registration Statement relating solely to an offering or sale of securities having an aggregate public offering price of less than \$5,000,000, the Company shall include in the Registration Statement the resale of the shares of common stock underlying the Warrants. Shares of common stock issued upon conversion of Series J Convertible Preferred Stock or in payment of the dividend on the Series J Convertible Preferred Stock will not be registered and will not be subject to registration rights. This right is subject to customary conditions and procedures.

Series K Convertible Preferred Stock

On December 12, 2013, the Company entered into a Securities Purchase with various individuals pursuant to which the Company sold an aggregate of 4,000 units for a purchase price of \$250.00 per unit (the "Purchase Price"), for an aggregate Purchase Price of \$1,000,000. Each unit purchased in the initial tranche consists of (i) one share of a newly created series of preferred stock, designated Series K Convertible Preferred Stock, par value \$0.01 per share (the "Series K Convertible Preferred Stock"), convertible into 1,000 shares of the Company's common stock, par value \$0.01 per share and (ii) a warrant to purchase 500 shares of common stock at an exercise price equal to \$0.3125 per share. The warrants expire three years from the issuance date. Of the \$1,000,000 invested in the Private Placement, \$572,044 was received in cash and \$427,956 was from the conversion of outstanding indebtedness and interest. The Company incurred \$43,334 of fees in conjunction with this private placement. The purchasers in the initial tranche of the private placement consisted of certain existing and new investors in the Company as well as all of the members of the Company's Board of Directors.

From the date of issuance of any shares of Series K Convertible Preferred Stock and until the earlier of the first anniversary of such date, the voluntary conversion of any shares of Series K Convertible Preferred Stock, or the date of any mandatory conversion (solely under the Company's control based upon certain triggering events) of the Series K Convertible Preferred Stock, dividends will accrue on each share of Series K Convertible Preferred Stock at an annual rate of (i) four percent (4%) of the Purchase Price on those shares of Series K Convertible Preferred Stock purchased from the Company pursuant to the Securities Purchase Agreement by an individual purchaser who purchased from the Company shares of Series K Convertible Preferred Stock with an aggregate Purchase Price of less than \$100,000, and (ii) six percent (6%) of the Purchase Price on those shares of Series K Convertible Preferred Stock purchased from the Company pursuant to the Securities Purchase Agreement by an individual purchaser who purchased shares of Series K Convertible Preferred Stock with an aggregate purchase price of at least \$100,000. Dividends accruing on the Series K Convertible Preferred Stock shall accrue from day to day until the earlier of the first anniversary of the date of issuance of such shares of Series K Convertible Stock, the voluntary conversion of any shares of Series K Convertible Preferred Stock, or the date of any mandatory conversion of the Series K Convertible Preferred Stock, and shall be paid, as applicable, within fifteen (15) days of the first anniversary of the original issue

date of the Series K Convertible Preferred Stock, within five (5) days of the voluntary conversion of shares of the Series K Convertible Preferred Stock, or within five (5) days of the mandatory conversion of shares of the Series K Convertible Preferred Stock. The Company may pay accrued dividends on the Series K Convertible Preferred Stock in cash or, in the sole discretion of the Board of Directors of the Company, in shares of its common stock in accordance with a specified formula.

Each share of Series K Convertible Preferred Stock is convertible into 1,000 shares of common stock at the option of the holder on or after the six-month anniversary of the issuance of such share, subject to adjustment for stock splits, stock dividends, recapitalizations and similar transactions (the "Conversion Ratio"). Unless waived under certain circumstances by the holder of Series K Convertible Preferred Stock, such holder's shares of Series K Convertible Preferred Stock may not be converted if upon such conversion the holder's beneficial ownership would exceed certain thresholds.

At the election of the Company and upon required advance notice, each share of Series K Convertible Preferred Stock will automatically be converted into shares of common stock at the Conversion Ratio then in effect: (i) on or after the six-month anniversary of the original issuance date of the Series K Convertible Preferred Stock, the common stock trades on the OTCQB (or other primary trading market or exchange on which the common stock is then traded) at a price per share equal to at least \$0.80 for 7 out of 10 consecutive trading days with average daily trading volume of at least 50,000 shares, (ii) on the first anniversary of the original issuance date of the Series K Convertible Preferred Stock or (iii) within three days of the completion of a firm-commitment underwritten registered public offering by the Company at a per share price equal to at least \$0.80, with aggregate gross proceeds to the Company of not less than \$2.5 million. Unless waived under certain circumstances by the holder of the Series K Convertible Preferred Stock, such holder's Series K Convertible Preferred Stock may not be converted if upon such conversion the holder's beneficial ownership would exceed certain thresholds.

The proceeds from the sale of each Series K Unit were allocated between the Series K Convertible Preferred Stock and the Series K Warrants based on the relative fair value method. The estimated fair value of the Series K Warrants was determined using a Black-Scholes formula, resulting in an allocation of the gross proceeds of \$271,422 to the total warrants issued. The allocation of the gross proceeds to the Series K Convertible Preferred Stock was \$685,245, net of \$43,334 in fees. In accordance with the provisions of ASC 470-20, an additional adjustment in the aggregate between Additional Paid in Capital and Accumulated Deficit of \$1,495,415 was recorded for all tranches of Series K to reflect an implicit, deemed non-cash dividend related to the allocation of proceeds between the stock and warrants issued. The \$1,495,415 represents the aggregate value of the adjustment to additional paid in capital related to the beneficial conversion feature of the Series K Convertible Preferred Stock. The value adjustment was calculated by subtracting the fair market value of the underlying common stock on the closing dates issuable upon conversion of the Series K Convertible Preferred Stock from the fair market value of the Series K Convertible Preferred Stock as determined when the Company performed a fair market value allocation of the proceeds to the Series K Convertible Preferred Stock and warrants.

On January 29, 2014, the Company entered into a Securities Purchase Agreement with various accredited investors, pursuant to which the Company sold an aggregate of 4,875 units for a purchase price of \$250.00 per unit or an aggregate Purchase Price of \$1,218,750. This was the second tranche of a \$1.5 million private placement previously disclosed by the Company in its Current Report on Form 8-K filed with the Securities and Exchange Commission on December 12, 2013, which is incorporated by reference herein. The Purchasers in the second tranche of the Private Placement consisted of certain existing and new investors in the Company, as well as all of the members of the Company's board of directors.

Each unit purchased in the second tranche consists of (i) one share of Series K Convertible Preferred Stock, par value \$0.01 per share, convertible into 1,000 shares of the Company's common stock, par value \$0.01 per share and (ii) a warrant to purchase 500 shares of common stock at an exercise price equal to \$0.3125 per share, with a term expiring on January 29, 2017.

On February 28, 2014, the Company entered into a Securities Purchase Agreement with various accredited investors, pursuant to which the Company sold an aggregate of 1,854 units for a purchase price of \$340.00 per unit or an aggregate Purchase Price of \$630,360. This was the third tranche of a \$1.5 million private placement previously disclosed by the Company in its Current Report on Form 8-K filed with the Securities and Exchange Commission on December 12, 2013, which is incorporated by reference herein. The Purchasers in the third tranche of the Private Placement consisted of certain existing and new investors in the Company.

Each unit purchased in the third tranche consists of (i) one share of Series K Convertible Preferred Stock, par value \$0.01 per share convertible into 1,000 shares of the Company's common stock, par value \$0.01 per share and (ii) a warrant to purchase 500 shares of common stock at an exercise price equal to \$0.425 per share, with a term expiring on February 28, 2017.

On June 30, 2014, the Company entered into a Securities Purchase Agreement with various accredited investors, pursuant to which the Company sold an aggregate of 734 units for a purchase price of \$300.00 per unit or an aggregate Purchase Price of \$220,000. This was the fourth tranche of a \$1.5 million private placement previously disclosed by the Company in its Current Report on Form 8-K filed with the Securities and Exchange Commission on December 12, 2013, which is incorporated by reference herein. The Purchasers in the fourth tranche of the Private Placement consisted of certain existing and new investors in the Company.

Each unit purchased in the fourth tranche consists of (i) one share of Series K Convertible Preferred Stock, par value \$0.01 per share convertible into 1,000 shares of the Company's common stock, par value \$0.01 per share and (ii) a warrant to purchase 500 shares of common stock at an exercise price equal to \$0.375 per share, with a term expiring on June 30, 2017.

On November 12, 2014, the Company entered into a Securities Purchase Agreement with various accredited investors, pursuant to which the Company sold an aggregate of 1,052 units for a purchase price of \$250.00 per unit or an aggregate Purchase Price of \$263,000. This was the fifth tranche of a \$1.5 million private placement previously disclosed by the Company in its Current Report on Form 8-K filed with the Securities and Exchange Commission on December 12, 2013, which is incorporated by reference herein. The Purchasers in the fourth tranche of the Private Placement consisted of certain existing and new investors in the Company.

Each unit purchased in the fifth tranche consists of (i) one share of Series K Convertible Preferred Stock, par value \$0.01 per share convertible into 1,000 shares of the Company's common stock, par value \$0.01 per share and (ii) a warrant to purchase 500 shares of common stock at an exercise price equal to \$0.3125 per share, with a term expiring on November 12, 2017.

The Private Placement was originally expected to raise \$1.5 million and close on or before January 31, 2014. On January 29, 2014, the Company's Board of Directors voted to increase the subscription amount of the Private Placement by \$718,750. The Board of Directors also voted to extend the Private Placement until February 28, 2014. On February 28, 2014 the Company's Board of Directors voted to increase the subscription amount once again to a total of \$3.5 million and extended the closing to April 4, 2014. On April 13, 2014 the Company's Board of Directors voted to increase the subscription amount by \$1 million, to a total of \$4.5 million, and extended the closing to May 31, 2014. On July 7, 2014 the Company's Board of Directors voted to extend the closing to August 15, 2014. Together with the initial tranche of \$1,000,000 that closed on December 12, 2013, the second tranche of \$1,218,750 that closed January 29, 2014, the third tranche of \$630,360 that closed February 28, 2014, the fourth tranche of \$220,000 that closed June 30, 2014, and the fifth tranche of \$263,000 that closed November 12, 2014, the total consideration received by the Company in the Private Placement is \$3,332,110, which is comprised of \$2,511,404 in cash and \$820,706 from the conversion of outstanding indebtedness and Board of Director fees. The placement was closed after the November 12, 2014 round.

On September 22, 2014 the Company issued 64,000 shares of common stock for the conversion of 64 shares of Series K Preferred Convertible Stock.

In connection with the Series K Warrants, we calculated the fair value of the warrants received as described above using the Black- Scholes formula with the below assumptions:

Assumptions	Series K Warrants December 12, 2013	Series K Warrants January 29, 2014	Series K Warrants February 28, 2014	Series K Warrants June 30, 2014	Series K Warrants November 12, 2014
Contractual life (in months)	36	36	36	36	36
Expected volatility	136.1	152.4	152.7	153.9	153.9
Risk-free interest rate	0.39 %	0.39 %	0.39 %	0.90 %	0.90 %
Exercise price	\$ 0.3125	\$ 0.3125	\$ 0.425	\$ 0.375	\$ 0.3125
Fair value per warrant	\$ 0.20	\$ 0.30	\$ 0.37	\$ 0.29	\$ 0.23

The holders of Series K Convertible Preferred Stock are not entitled to vote on any matters presented to the stockholders of the Company for their action or consideration at any meeting of stockholders of the Company (or by

written consent of stockholders in lieu of meeting), except as required by law.

Series K Warrants

The warrants issued in the Private Placement have an exercise price equal to \$0.3125 per share, for the December 12, 2013 and January 29, 2014 warrants, \$0.425 per share for the February 28, 2014 warrants, \$0.375 per share for the June 30, 2014 warrants and \$0.3125 per share for the November 12, 2014 warrants, with a term expiring three years from the issuance date. The warrants also permit the holder to conduct a “cashless exercise” at any time the holder of the warrant is an affiliate of the Company. The exercise price and/or number of shares issuable upon exercise of the warrants will be subject to adjustment for stock dividends, stock splits or similar capital reorganizations, as set forth in the warrant agreement.

Subject to the terms and conditions of the warrants, at any time commencing six months from the closing date of the sale of Units under the Securities Purchase Agreement the Company has the right to call the warrants for cancellation if the volume weighted average price of its common stock on the OTCQB (or other primary trading market or exchange on which the common stock is then traded) equals or exceeds three times the per share exercise price of the warrants for either (i) 10 consecutive trading days or (ii) 15 out of 25 consecutive trading days.

Registration Rights Agreement

In connection with the Private Placement, the Company has agreed that, if, at any time after February 1, 2014, the Company files a Registration Statement relating to an offering of equity securities of the Company (the "Registration Statement"), subject to certain exceptions, including a Registration Statement relating solely to an offering or sale of securities having an aggregate public offering price of less than \$5,000,000, the Company shall include in the Registration Statement the resale of the shares of common stock underlying the warrants. Shares of common stock issued upon conversion of Series K Convertible Preferred Stock or in payment of the dividend on the Series K Convertible Preferred Stock will not be registered and will not be subject to registration rights. This right is subject to customary conditions and procedures.

Common Stock

Stock Options and Warrants

Our stockholders approved our amended 2005 Equity Incentive Plan (the "2005 Plan") pursuant to which an aggregate of 1,800,000 shares of our common stock were reserved for issuance upon exercise of stock options or other equity awards made under the 2005 Plan. Under the 2005 Plan, we may award stock options, shares of common stock, and other equity interests in the Company to employees, officers, directors, consultants, and advisors, and to any other persons the Board of Directors deems appropriate. As of December 31, 2016, options to acquire 1,153,750 shares were outstanding under the 2005 Plan with 586,250 shares available for future grant under the Plan.

On December 12, 2013 at the Company's special meeting the shareholders approved the 2013 Equity Incentive Plan (the "2013 Plan") pursuant to which 3,000,000 shares of our common stock were reserved for issuance upon exercise of stock options or other equity awards under the 2013 Plan. Under the Plan, we may award stock options, shares of common stock, and other equity interests in the Company to employees, officers, directors, consultants, and advisors, and to any other persons the Board of Directors deems appropriate. As of December 31, 2016, options to acquire 2,047,500 shares were outstanding under the Plan with 952,500 shares available for future grant under the 2013 Plan.

On November 29, 2015 the Company's Board of Directors adopted the 2015 Nonqualified Stock Option Plan (the "2015 Plan") pursuant to which 5,000,000 shares of our common stock were reserved for issuance upon exercise of non-qualified stock options under the 2015 Plan. Under the Plan, we may award non-qualified stock options in the Company to employees, officers, directors, consultants, and advisors, and to any other persons the Board of Directors deems appropriate. As of December 31, 2016, non-qualified options to acquire 2,068,000 shares were outstanding under the Plan with 2,932,000 shares available for future grants under the 2015 Plan.

All of the outstanding non-qualified options had an exercise price that was at or above the Company's common stock share price on December 31, 2016.

The following tables summarize information concerning options and warrants outstanding and exercisable:

	Stock Options		Warrants		Total	
	Shares	Weighted Average price per share	Shares	Weighted Average price per share	Shares	Exercisable
Balance outstanding, January 1, 2015	3,406,250	\$ 0.51	19,182,201	\$ 0.49	22,588,451	20,858,111
Granted	2,500,000	0.40	10,837,141	0.40	13,337,141	
Exercised	-	-	-	-	-	
Expired	(205,000)	1.00	(791,678)	0.31	(996,678)	
Forfeited	(130,000)	0.70	-	-	(130,000)	
Balance outstanding, December 31, 2015	5,571,250	\$ 0.44	29,227,664	\$ 0.44	34,798,914	31,664,469
Granted	-	-	8,179,552	0.42	8,179,552	
Exercised	-	-	(70,000)	0.31	(70,000)	
Expired	(186,000)	1.00	(10,877,521)	0.55	(11,063,521)	
Forfeited	(116,000)	0.51	-	-	(116,000)	
Balance outstanding, December 31, 2016	5,269,250	\$ 0.42	26,459,695	\$ 0.40	31,728,945	29,730,959

Range of Exercise Prices	Options Outstanding	Options Exercisable
	Weighted Average	Weighted Average

	Number of Options	Remaining Contract Life (Years)	Exercise Price	Number of Options	Remaining Contract Life (Years)	Exercise Price
\$0.30 - \$0.39	1,625,500	7.7	\$ 0.30	1,342,762	7.7	\$ 0.30
0.40 - 0.49	2,786,000	8.7	0.40	1,454,665	8.4	0.40
0.50 - 0.59	226,250	5.6	0.50	226,250	5.6	0.50
0.60 - 0.69	385,500	3.1	0.60	385,500	3.1	0.60
0.70 - 1.25	246,000	2.3	1.00	246,000	2.3	1.00
\$0.30 - \$1.25	5,269,250	7.6	\$ 0.42	3,655,177	7.1	\$ 0.43

There was \$369,224 of total unrecognized compensation cost, net of estimated forfeitures, related to non-vested stock options granted as of December 31, 2016. This cost is expected to be recognized over a period of 1.81 years, and will be adjusted for any future changes in estimated forfeitures.

The Series D Warrants issued in connection with the registered direct offering of Series D Convertible Preferred are measured at fair value and liability-classified because the Series D Warrants contain “down-round protection” and therefore, do not meet the scope exception for treatment as a derivative under ASC 815, *Derivatives and Hedging*, (“ASC 815”). Since “down-round protection” is not an input into the calculation of the fair value of the warrants, the warrants cannot be considered indexed to the Company’s own stock which is a requirement for the scope exception as outlined under ASC 815. The estimated fair value of the warrants was determined using the binomial model, resulting in an allocation of the gross proceeds \$283,725 to the warrants issued in the Series D registered direct offering. The fair value will be affected by changes in inputs to that model including our stock price, expected stock price volatility, the contractual term, and the risk-free interest rate. We will continue to classify the fair value of the warrants as a liability until the warrants are exercised, expire or are amended in a way that would no longer require these warrants to be classified as a liability, whichever comes first. The down-round protection for the Series D Warrants survives for the life of the Series D Warrants, which ends in May 2017.

In connection with the senior secured convertible debentures issued in our private placement with closings in 2015 and 2016, we issued warrants to the lenders to purchase an aggregate 8,767,857 and 2,517,052 shares of the Common Stock, respectively, at an exercise price of \$0.40 per share, expiring five years after the issuance date. We also issued, in 2015 and 2016, warrants to the placement agent to purchase an aggregate 1,689,286 and 412,500 shares of the Common Stock, respectively, at an exercise price of \$0.40 per share, expiring five years after the issuance date.

On December 31, 2015, we extended the expiration dates to two more years on certain warrants related to bridge loans. These warrants were originally issued with a three-year expiration. The incremental value for the warrant extension was \$69,627 which was recognized as interest expense.

In 2015, we recorded expense of \$93,488 related to warrants issued an investor relations firm in 2014 to purchase 300,000 shares of restricted common stock.

In November 2016 we issued warrants to purchase 330,000 shares of restricted common stock to an investor relations firm for services rendered with a total fair value of \$84,735.

Common Stock Issuances

With respect to the convertible debenture for \$223,000 signed by the Company on December 4, 2013, a lender, with the prior approval of the Company, chose to convert a portion of the outstanding note balance into shares of the Company's common stock, and to extend the note for approximately 45 days after each conversion, as follows:

On January 14, 2015 \$25,000 was converted into 100,000 shares of the Company's common stock.

On February 25, 2015 \$38,000 was converted into 140,741 shares of the Company's common stock.

On April 10, 2015 \$35,000 was converted into 140,000 shares of the Company's common stock.

On May 29, 2015 \$35,000 was converted into 140,000 shares of the Company's common stock.

On July 21, 2015 \$20,000 was converted into 80,000 shares of the Company's common stock.

On August 13, 2015 \$40,000 was converted into 160,000 shares of the Company's common stock.

On September 25, 2015 \$30,000 was converted into 120,000 shares of the Company's common stock.

For each extension, the Company paid a fee of \$13,000, \$13,000, \$10,000, and \$8,000, respectively. This note was paid off in its entirety on November 5, 2015.

During the year ended December 31, 2015, the Company issued 1,755,091 shares with a fair value of \$457,030 for consulting and investor relation services.

On August 14, 2015, the Company closed a Securities Exchange Agreement with Everest Investments Holdings of Warsaw, Poland under which Everest purchased 1,000,000 shares of the Company's restricted Common Stock at a purchase price of \$0.50/share. In exchange, the Company received 601,500 shares of Everest Investments ("Everest"), a publicly-traded company on the Main Market of the Warsaw Stock Exchange. The shares of Everest were valued at approximately \$400,000 as of the closing date.

With respect to the convertible debenture for \$150,000 signed by the Company on June 4, 2014, a lender, with prior approval of the Company, chose to convert a portion of the outstanding note balance into shares of the Company's common stock, and to extend the note for approximately 30 days after each conversion, as follows:

On February 18, 2015 \$25,000 was converted into 100,000 shares of the Company's common stock.

On March 18, 2015 \$22,500 was converted into 90,000 shares of the Company's common stock.

On March 31, 2015 \$27,500 was converted into 110,000 shares of the Company's common stock.

On April 17, 2015 \$30,000 was converted into 120,000 shares of the Company's common stock.

With respect to the convertible debenture for \$75,000 signed by the Company on November 10, 2014, a lender, upon the request of the Company, on June 8, 2015 agreed to extend the conversion date of the note until July 20, 2015. The lender received 40,000 shares of the Company's common stock in exchange for the extension. The Company recorded \$10,000 to interest expense for this transaction. This note was paid off in its entirety on July 24, 2015.

On various dates in December 2015, \$58,919 of existing convertible debt and interest was converted into 235,676 shares of the Company's common stock.

On April 22, 2016, we issued 22,996 shares of common stock in connection with a cashless exercise of 70,000 warrants.

On May 6, 2016, all remaining Series K preferred shareholders except one converted 4,600 shares of preferred stock into approximately 4.6 million shares of the Company's common stock. The Company issued 247,435 shares of common stock to pay the accrued dividend of \$63,413 on Series K preferred stock.

On May 13, 2016, we issued 420,849 shares of common stock to convert \$117,837 of convertible note principal and related interest. See Note 8.

On various dates from January to September 2016, we issued a total of 297,500 shares of common stock in connection with the convertible notes issued to lenders. We also issued 100,049 shares of common stock to settle debt of \$41,200. See Note 8.

On August 29, 2016, a Series J preferred shareholder converted 25 shares of preferred stock into 25,000 shares of the Company's common stock. The Company issued 1,112 shares of common stock to pay the accrued dividend of \$442 on Series J preferred stock.

From August 29, 2016 through December 31, 2016, we completed five tranches of a private placement, pursuant to which we sold an aggregate of 1,525,000 shares of common stock, \$0.01 par value, for a purchase price of \$0.40 per share, resulting in gross proceeds to us of \$610,000. The shares were issued and sold to a total of 2 accredited investors pursuant to a securities purchase agreement entered into as of August 29, 2016. The investors received warrants to purchase 1,525,000 shares of the Company's common stock at \$0.50 exercise price. The warrants expire 5 years after issuance. We also incurred stock issuance costs related to broker and legal fees of \$79,035 which were charged to additional paid in capital.

On various dates from January to December 2016 the Company issued 755,000 shares of restricted common stock to investor relations firms for services rendered with a total fair value of \$332,696.

(10) Subsequent Events

On April 3, 2017, we signed a six-month agreement with an investor relations firm. The agreement includes a cash payment of \$10,000 plus a convertible 8-month note for \$50,000 with the following significant terms: (i) convertible at \$0.40/share, (ii) bears 10% annual interest, (iii) a 20% pre-payment penalty if the Company wants to pre-pay the Note, and (iv) a default rate of 18%.

On March 21, 2017, we received an eight-month, non-convertible loan of \$170,000 from an accredited investor. The loan earns an annual interest rate of 10% and includes a 10% original issue discount. We also agreed to issue the investor 170,000 shares of restricted common stock.

On March 16, 2017, we awarded 660,000 incentive stock options to certain employees and 1,855,000 non-qualified stock options to officers, consultants and directors of the Company. We also awarded 100,000 non-qualified stock options to a consultant on March 31, 2017. Terms of the stock options include the following significant items: (i) \$0.28 exercise price, (ii) 10-year life, (iii) 36 month vesting equally per month for employees and 12 month vesting equally per month for directors, (iv) options vest immediately upon change in-control.

On March 14, 2017 we received an eight-month, non-convertible loan of \$250,000 from a privately-held investment firm. The loan earns an annual interest rate of 10% and includes a 10% original issue discount. We also agreed to issue the investor 250,000 shares of restricted common stock.

On March 2, 2017 we signed a Merchant Agreement with a lender. Under the agreement we received a loan of \$75,000. The Company paid no fees in connection with this loan.

On February 15, 2017 we received a six-month, non-convertible loan of \$110,000 from each of two accredited investors. We agreed to issue the investors 170,000 shares of restricted common stock. The loans earn no interest but carry a 10% original issue fee.

On February 6, 2017 we signed a Merchant Agreement with a lender. Under the agreement we received a loan of \$125,000. The Company paid \$1,250 in fees in connection with this loan. Under the agreement, \$16,180 was used to pay off the prior loan.

We received \$250,000 in January 2017 and \$500,000 in February 2017 pursuant to the October Revolving Note and we issued to the Investor additional warrants to purchase 1,875,000 shares of our common stock. The terms of the Warrants are identical except for the exercise date, issue date, and termination date. Interest on the principal balance of the Revolving Note shall be paid in full on the Maturity Date, unless otherwise paid prior to the Maturity Date. An advance of \$250,000 was received from the same investor on March 23, 2017.

On January 17, 2017, we signed a one-year agreement with an investor relations firm. We have the right to terminate the agreement within 10 days of the end of each three-month period. We are committed to pay the IR firm \$25,000 for each three-month term, in three equal monthly allotments, should we choose to keep them under contract. We also have awarded the IR firm warrants to purchase the Company's restricted common stock at an exercise price of \$0.40/share. The number of warrants and exercise price that we are committed to pay the IR firm for each three-month period, should we choose to keep them under contract, is as follows: Months 1-3: 100,000 warrants at \$0.40. Months 4-6: 125,000 warrants at \$0.60. Months 7-9: 125,000 warrants at \$0.80. Months 10-12: 150,000 warrants at \$1.00.

In January 2017, we executed an amendment to the July 1, 2016 convertible note that was due on January 6, 2017. We received an extension of up to three months on the note's due date. In exchange for the extension, we agreed to issue 50,000 shares of restricted common stock and pay the investor \$10,000 for each 30-day extension. We made a payment of \$34,000 in January 2017 for the first one-month extension and interest on the note from the initial close date through February 6, 2017. On February 28, 2017 the note was paid in full.

Shares of Common Stock

Warrants to Purchase

Shares of Common Stock

PROSPECTUS

Joseph Gunnar & Co.

, 2017

Through and including _____, 2017 (the 25th day after the date of this offering), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription

PART II**INFORMATION NOT REQUIRED IN PROSPECTUS****Item 13. Other Expenses of Issuance and Distribution**

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, to be paid by the Registrant in connection with the issuance and distribution of the common stock and warrants being registered. All amounts other than the SEC registration fees and FINRA fees are estimates.

SEC Registration Fee	\$2,346.98
FINRA Filing Fee	\$4,845.31
NASDAQ Filing Fee	\$*
Printing Fees and Expenses	\$*
Accounting Fees and Expenses	\$*
Legal Fees and Expenses	\$*
Transfer Agent and Registrar Fees	\$*
Miscellaneous Fees and Expenses	\$*
Total	\$*

* To be completed by amendment.

Item 14. Indemnification of Directors and Officers

Section 8.51 of the Massachusetts Business Corporation Act (the "MBCA"), under which the Registrant is governed, provides that a corporation may indemnify a director who is a party to a proceeding because he is a director against liability incurred in the proceeding if he conducted himself in good faith and he reasonably believed that his conduct was in the best interests of the corporation or that his conduct was at least not opposed to the best interests of the corporation, and, in the case of any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful or he engaged in conduct for which he shall not be liable under a provision of the articles of organization. Section 8.51 also permits a corporation to indemnify a director for conduct for which such individual is or would be exculpated under the corporation's articles of organization, whether or not the director satisfied a particular standard of conduct. Section 8.52 of the MBCA requires corporations to indemnify any director who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which he was a party because he was a director of the

corporation against reasonable expenses incurred by him in connection with the proceeding.

Section 8.53 of the MBCA provides that, before the final disposition of a proceeding, a corporation may advance funds to pay for or reimburse the reasonable expenses incurred by a director who is party to such proceeding because he is a director if he delivers to the corporation (a) a written affirmation of his good faith belief that he has met the relevant standard of good faith described in Section 8.51 of the MBCA or that the proceeding involves conduct for which liability has been eliminated pursuant to Section 2.02 of the MBCA and (b) a written undertaking with an unlimited general obligation of the director to repay any funds advanced if he is not entitled to mandatory indemnification under Section 8.52 of the MBCA and it is ultimately determined, under Section 8.54 or Section 8.55 of the MBCA that he does not meet the relevant standard of conduct described in Section 8.51.

Section 8.56 of the MBCA provides that a corporation may indemnify and advance expenses to an officer of the corporation who is a party to a proceeding because he is an officer of the corporation to the same extent as a director, and, if he is an officer but not a director, to such further extent as may be provided by the articles of organization, the by-laws, a resolution of the board of directors or contract, except for liability arising out of acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law. This broader permissible indemnification for officers also is available for a director who is an officer if the individual becomes party to a proceeding on the basis of an act or omission solely as an officer. Section 8.56 of the MBCA also provides that an officer of the corporation who is not a director is entitled to mandatory indemnification under Section 8.52 of the MBCA, and that the officer may apply to a court for indemnification or an advance for expenses, in each case to the same extent to which a director may be entitled to indemnification or advance under those provisions.

Section 2.02 of the MBCA provides that the articles of organization of a corporation may contain a provision eliminating or limiting the personal liability of a director to the corporation for monetary damages for breach of a fiduciary duty as a director notwithstanding any provision of law imposing such liability; provided, however, that such provision shall not eliminate or limit the liability of a director (1) for any breach of the director's duty of loyalty to the corporation or its shareholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) for improper distributions under Sections 6.40 of the MBCA or (4) for any transaction from which the director derived an improper personal benefit.

Our Restated Articles of Organization, as amended, state as follows:

“Article 6G. Indemnification. The corporation may provide, either in the corporation's By-laws or by contract, for the indemnification of directors, officers, employees and agents, by whomever elected or appointed, to the full extent presently permitted by law; provided, however, that if applicable law is hereafter modified to permit indemnification in situations where it was not theretofor permitted, then such indemnification may be permitted to the full extent permitted by such law as amended.”

Our By-laws, as amended, include provisions to permit the indemnification of officers and directors of the Company for damages arising out of the performance of their duties unless such damages arise out of the officer's or director's failure to exercise his duties and to discharge the duties of his office in good faith and in the reasonable belief that his action was in, or not opposed to, the best interest of the Company, and with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful.

We have been advised that, in the opinion of the SEC, any indemnification for liabilities arising under the Securities Act is against public policy, as expressed in the Securities Act, and is, therefore, unenforceable.

The Registrant has a directors and officers liability policy that insures the Registrant's directors and officers against certain liabilities which they may incur as directors or officers of the Registrant.

Item 15. Recent Sales of Unregistered Securities

The following sets forth information regarding all unregistered securities sold by us in transactions that were exempt from the requirements of the Securities Act in the last three years. Except where noted, all of the securities discussed in this Item 15 were all issued in reliance on the exemption under Section 4(a)(2) of the Securities Act.

2014

On February 10, 2014 a lender, with the prior approval of the Company, chose to convert \$37,500 of their outstanding note balance into 150,000 shares of the Company's common stock.

On June 23, 2014 a lender, with the prior approval of the Company, chose to convert \$50,000 of their outstanding note balance into 200,000 shares of the Company's common stock.

In March and April 2014, a Series D warrant holder exercised warrants to purchase 596,658 shares of common stock resulting in net proceeds to the Company of \$149,164.

In April 2014 we issued 733,169 shares of common stock to holders of Series G Convertible Preferred Stock for the conversion of 58,750 shares of preferred and \$58,267 of accrued and unpaid dividends on the Series G Convertible Preferred Stock. We also issued 92,500 shares of common stock to holders of Series J Convertible Preferred Stock for the conversion of 92.5 shares of Series J Convertible Preferred Stock.

In July 2014 we issued 1,517,466 shares of common stock to holders of Series J Convertible Preferred Stock for the conversion of 1,449 shares of preferred and \$24,648 of accrued and unpaid dividends on the Series J Convertible Preferred Stock. On August 13, 2014 we issued 200,000 shares of common stock to an investor relations firm for services. The Company recorded \$52,000 as expense related to these services. On September 9, 2014 we issued 75,000 shares of common stock to a lender as a fee for a \$175,000 loan. On September 18, 2014 we issued 75,000 shares of common stock to an investor relations firm as payment for services provided to the Company in 2014. The Company recorded \$44,250 in expense related to this transaction.

On September 22, 2014 the Company issued 64,000 shares of common stock for the conversion of 64 shares of Series K Preferred Convertible Stock. On December 22, 2014 the Company issued 1,035,000 shares of common stock for the conversion of 1,035 shares of Series K Preferred Convertible Stock.

In December we issued a total of 160,000 shares of common stock to a lender in exchange for \$49,000 of outstanding loans and fees. We also issued a total of 238,830 shares of common stock to four investor relations firms for services provided.

On December 23, 2014 we issued 3,612,000 shares of common stock for the exercise of warrants in a warrant reset agreement. 2,100,000 of these common stock shares were converted to Series H2 Convertible Preferred Stock.

Warrant Reset Agreement

On December 23, 2014, The Company closed a series of Warrant Reset Agreements (“*Warrant Reset Agreements*”) with 30 warrant holders (the “*Warrant Holders*”) in order to re-price their Common Stock Purchase Warrants (the “*Warrants*”). In consideration for the Warrant Holder exercising their outstanding Warrants by or before December 23, 2014, the Company agreed to reduce the exercise price to \$0.25 per warrant share. In addition, for each warrant exercised (the “*Exercised Warrant*”), the Warrant Holder received a New Warrant (the “*New Warrant*”) to purchase that same number of Warrant Shares as exercised, at an exercise price of \$0.40 per share. If the Exercised Warrant terminated on or before December 31, 2015, the date of termination of the New Warrant was December 31, 2015. If the date of termination of the Exercised Warrant was after December 31, 2015, the date of termination of the New Warrant was the same as that of the Exercised Warrant.

As a result of the Warrant Reset Agreements, the Company received \$903,000 from the exercise of warrants and incurred \$40,481 in fees. The Company has issued New Warrants for 3,612,000 warrant shares, and has requested its transfer agent to issue 3,612,000 shares of restricted Common Stock (the “*Exercised Warrant Shares*”) to the investors. Neither the Exercised Warrant Shares nor the shares underlying the New Warrants will be registered for sale pursuant to a registration statement.

2015

With respect to the convertible debenture for \$223,000 signed by the Company on December 4, 2013, a lender, with the prior approval of the Company, chose to convert a portion of the outstanding note balance into shares of the Company's common stock, and to extend the note for approximately 45 days after each conversion, as follows:

On January 14, 2015 \$25,000 was converted into 100,000 shares of the Company's common stock.

On February 25, 2015 \$38,000 was converted into 140,741 shares of the Company's common stock.

On April 10, 2015 \$35,000 was converted into 140,000 shares of the Company's common stock.

On May 29, 2015 \$35,000 was converted into 140,000 shares of the Company's common stock.

On July 21, 2015 \$20,000 was converted into 80,000 shares of the Company's common stock.

On August 13, 2015 \$40,000 was converted into 160,000 shares of the Company's common stock.

On September 25, 2015 \$30,000 was converted into 120,000 shares of the Company's common stock.

For each extension, the Company paid a fee of \$13,000, \$13,000, \$10,000, and \$8,000, respectively. This note was paid off in its entirety on November 5, 2015.

During the year ended December 31, 2015, the Company issued 1,755,091 shares with a fair value of \$457,030 for consulting and investor relation services.

On August 14, 2015, the Company closed a Securities Exchange Agreement with Everest Investments Holdings of Warsaw, Poland under which Everest purchased 1,000,000 shares of the Company's restricted Common Stock at a purchase price of \$0.50/share. In exchange, the Company received 601,500 shares of Everest Investments ("Everest"), a publicly-traded company on the Main Market of the Warsaw Stock Exchange. The shares of Everest were valued at approximately \$400,000 as of the closing date.

With respect to the convertible debenture for \$150,000 signed by the Company on June 4, 2014, a lender, with prior approval of the Company, chose to convert a portion of the outstanding note balance into shares of the Company's common stock, and to extend the note for approximately 30 days after each conversion, as follows:

On February 18, 2015 \$25,000 was converted into 100,000 shares of the Company's common stock.

On March 18, 2015 \$22,500 was converted into 90,000 shares of the Company's common stock.

On March 31, 2015 \$27,500 was converted into 110,000 shares of the Company's common stock.

On April 17, 2015 \$30,000 was converted into 120,000 shares of the Company's common stock.

With respect to the convertible debenture for \$75,000 signed by the Company on November 10, 2014, a lender, upon the request of the Company, on June 8, 2015 agreed to extend the conversion date of the note until July 20, 2015. The lender received 40,000 shares of the Company's common stock in exchange for the extension. The Company recorded \$10,000 to interest expense for this transaction. This note was paid off in its entirety on July 24, 2015.

On various dates in December 2015, \$58,919 of existing convertible debt and interest was converted into 235,676 shares of the Company's common stock.

2016

Senior Secured Convertible Debentures and Warrants

We entered into Subscription Agreements (the "Subscription Agreement") with various individuals (each, a "Purchaser") between July 23, 2015 and March 31, 2016, pursuant to which the Company sold Senior Secured Convertible Debentures (the "Debentures") and warrants to purchase shares of common stock equal to 50% of the number of shares issuable pursuant to the subscription amount (the "Warrants") for an aggregate purchase price of \$6,329,549 (the "Purchase Price").

The Company issued a principal aggregate amount of \$6,962,504 in Debentures which includes a 10% original issue discount on the Purchase Price. The Debenture does not accrue any additional interest during the first year it is outstanding but accrues interest at a rate equal to 10% per annum for the second year it is outstanding. The Debenture has a maturity date of two years from issuance. The Debenture is convertible any time after its issuance date. The Purchaser has the right to convert the Debenture into shares of the Company's common stock at a fixed conversion price equal to \$0.28 per share, subject to applicable adjustments. In the second year that the Debenture is outstanding, any interest accrued shall be payable quarterly in either cash or common stock, at the Company's discretion.

At any time after the Issuance Date, the Company has the option, subject to certain conditions, to redeem some or all of the then outstanding principal amount of the Debenture for cash in an amount equal to the sum of (i) 120% of the then outstanding principal amount of the Debenture, (ii) accrued but unpaid interest and (iii) any liquidated damages and other amounts due in respect of the Debenture.

The Company issued warrants exercisable into a total of 11,302,766 shares of our common stock. The Warrants issued in this transaction are immediately exercisable at an exercise price of \$0.40 per share, subject to applicable adjustments including full ratchet anti-dilution in the event that we issue any securities at a price lower than the exercise price then in effect. The Warrants have an expiration period of five years from the original issue date. The Warrants are subject to adjustment for stock splits, stock dividends or recapitalizations and also include anti-dilution price protection for subsequent equity sales below the exercise price.

Subject to the terms and conditions of the Warrants, at any time commencing six months from the Final Closing, the Company has the right to call the Warrants for cancellation if the volume weighted average price of its Common Stock on the OTCQB (or other primary trading market or exchange on which the Common Stock is then traded) equals or exceeds three times the per share exercise price of the Warrants for 15 out of 20 consecutive trading days.

Other convertible notes

On May 13, 2016, one lender converted an outstanding note issued on April 28, 2015 and the related accrued interest totaling \$117,837 to 420,849 common shares. As of September 30, 2016, the outstanding balance on the note was zero.

On May 24, we sold an additional convertible note for \$107,000 with warrants to purchase 50,000 shares of common stock at an exercise price of \$0.55 per share. The purchaser has the right to convert the notes into shares of the Company's common stock at a fixed conversion price equal to \$0.45 per share, subject to applicable adjustments. The estimated fair value of the warrants was determined using the binomial model, resulting in an allocation of \$12,406 to the total warrants and the recognition of a beneficial conversion feature of \$7,962, both of which were recorded as a discount to the note. We evaluated the convertible note and warrants for derivative liability treatment and determined that these instruments do not include certain rights such as price protection like our previous debt financings. Accordingly, we concluded that this financing arrangement did not qualify for derivative accounting treatment.

On June 14, 2016, we sold an additional convertible note for \$115,000 and issued 30,667 common shares to compensate the lender. On July 1, 2016, the note was modified to increase the principal amount to \$200,000 and we received the remaining proceeds of \$85,000 on the same date and issued 34,333 common shares as compensation to the lender. The lender has the right to convert the note into shares of the Company's common stock at fixed conversion price equal to \$0.45 per share, subject to applicable adjustments. We valued the total 65,000 common shares using the stock prices at the respective dates the note proceeds were received and recorded the relative fair value of the shares amounting to \$26,000 as a debt discount to be amortized over the term of the loan. We then computed the effective conversion price of the note, noting that no beneficial conversion feature exists. We also evaluated the convertible note for derivative liability treatment and determined that the instrument does not include certain rights such as price protection like our previous debt financing. Accordingly, we concluded that this financing arrangement did not qualify for derivative accounting treatment.

On July 29, 2016, we sold an additional convertible note for \$100,000 and issued 32,500 common shares to compensate the lender. The lender has the right to convert the notes into shares of the Company's common stock at a fixed conversion price equal to \$0.45 per share, subject to applicable adjustments. The proceeds were allocated between the convertible note and shares of common stock based on their relative fair values. The relative fair values of the convertible note and the common shares was \$87,241 and \$12,759, respectively. We then computed the effective conversion price of the note, noting that the convertible debt gave rise to a beneficial conversion feature (BCF) of \$12,759. The sum of the relative fair value of the common shares and the BCF of \$25,518 was recorded as a debt discount to be amortized over the term of the loan. We also evaluated the convertible note for derivative liability treatment and determined that the instruments does not include certain rights such as price protection like our previous debt financings. Accordingly, we concluded that this financing arrangements did not qualify for derivative accounting treatment.

On September 15, 2016, we sold an additional convertible note for \$500,000 and issued 200,000 common shares to compensate the lender. The lender has the right to convert the notes into shares of the Company's common stock at a fixed conversion price equal to \$0.45 per share, subject to applicable adjustments. The convertible note includes an original issue discount of \$40,541 and is subject to annual interest of 9%. The proceeds were allocated between the convertible note and shares of common stock based on their relative fair values. The relative fair value of the convertible note was \$434,028. The allocation of the gross proceeds to the shares of common stock was \$65,972 and recorded as a debt discount to be amortized over the term of the loan. We then computed the effective conversion price of the note, noting that no beneficial conversion feature exists. We also evaluated the convertible note for derivative liability treatment and determined that the instrument does not include certain rights such as price protection like our previous debt financings. Accordingly, we concluded that this financing arrangement did not qualify for derivative accounting treatment.

Other Issuances

On August 29, September 9 and September 14, 2016, we completed three tranches of a private placement (the “Fall 2016 Private Placement”), pursuant to which we sold an aggregate of 1,125,000 shares of common stock, \$0.01 par value (the “Shares”), for a purchase price of \$0.40 per share, resulting in gross proceeds to us of approximately \$450,000. The Shares were issued and sold to a total of 2 accredited investors pursuant to a Securities Purchase Agreement entered into as of the date of their investments. The investors received warrants to purchase a total of 1,125,000 shares of the Company’s common stock at an exercise price of \$0.50. The warrants expire 5 years after issuance.

On October 11 and November 10, 2016, we completed two additional tranches of the Fall 2016 Private Placement, pursuant to which we sold an aggregate of 400,000 shares of common stock, \$0.01 par value (the “Shares”), for a purchase price of \$0.40 per share, resulting in gross proceeds to us of approximately \$160,000. The Shares were issued and sold to a total of 2 accredited investors pursuant to a Securities Purchase Agreement entered into as of the date of their investments. The investors received warrants to purchase a total of 400,000 shares of the Company’s common stock at an exercise price of \$0.50. The warrants expire 5 years after issuance.

The Fall 2016 Private Placement securities were issued without registration under the Securities Act, in reliance upon the exemption from registration set forth in Rule 506 of Regulation D (“Regulation D”) promulgated under the Securities Act. We based such reliance upon representations made by each purchaser of the securities, including, but not limited to, representations as to the purchaser’s status as an “accredited investor” (as defined in Rule 501(a) under Regulation D) and the purchaser’s investment intent. The securities were not offered or sold by any form of general solicitation or general advertising, as such terms are used in Rule 502 under Regulation D. The securities may not be offered or sold in the United States absent an effective registration statement or an exemption from the registration requirements under applicable federal and state securities laws.

On various dates from January to December 2016 the Company issued 755,000 shares of restricted common stock to investor relations firms for services rendered with a total fair value of \$332,696.

On October 28, 2016, an accredited investor (the “Investor”) purchased from us a promissory note in the aggregate principal amount of up to \$2,000,000 (the “Revolving Note”) due and payable on the earlier of October 28, 2017 (the “Maturity Date”) or on the seventh business day after the closing of a Qualified Offering (as defined in the Revolving Note). Although the Revolving Note is dated October 26, 2016, the transaction did not close until October 28, 2016, when we received its initial \$250,000 advance pursuant to the Revolving Note. As a result, on the same day and pursuant to the Revolving Note, we issued to the Investor a Common Stock Purchase Warrant to purchase 625,000 shares of our common stock at an exercise price per share equal to \$0.40 per share. The Investor is obligated to provide us with advances of \$250,000 under the Revolving Note, but the Investor shall not be required to advance more than \$250,000 in any individual fifteen (15) day period and no more than \$500,000 in the thirty (30) day period

immediately following the date of the initial advance. Notwithstanding the fifteen (15) day period limitation, on November 2, 2016, November 23, 2016, December 6, 2016 and December 16, 2016, we received \$1,000,000 pursuant to the Revolving Note and we issued to the Investor additional warrants to purchase 2,500,000 shares of our Common Stock. The terms of the Warrants are identical except for the exercise date, issue date, and termination date.

In the event that a Qualified Offering occurs on or prior to the six (6) month anniversary of October 28, 2016, within seven (7) Business Days of the closing of the Qualified Offering, the Company shall pay a cash fee equal to five percent (5%) of the total outstanding amount owed by the Company to the Holder as of the closing date of the Qualified Offering or, at the option of the Company, issue to the Holder a number of restricted shares of the Company's common stock equal to (x) five percent (5%) of the total outstanding amount owed by the Company to the Holder as of the closing date of the Qualified Offering divided by (y) the purchase price provided by the documents governing the Qualified Offering. A Qualified Offering means the completion of a public offering of the Company's securities pursuant to which the Company receives aggregate gross proceeds of at least Seven Million United States Dollars (US\$7,000,000) in consideration of the purchase of its securities and resulting in, pursuant to the effectiveness of the registration statement for such offering, the Company's common stock being traded on the NASDAQ Capital Market, NASDAQ Global Select Market or the New York Stock Exchange.

In the event that a Qualified Offering occurs following the six (6) month anniversary of October 28, 2016, but prior to the Maturity Date, within seven(7) Business Days of the closing of the Qualified Offering, the Company shall pay a cash fee equal to five percent (5%) of the total outstanding amount owed by the Company to the Holder as of the closing date of the Qualified Offering or, at the option of the Company, issue to the Holder a number of restricted shares of the Company's common stock equal to (x) five percent (5%) of the total outstanding amount owed by the Company to the Holder as of the closing date of the Qualified Offering divided by (y) the purchase price provided by the documents governing the Qualified Offering.

Interest on the principal balance of the Revolving Note shall be paid in full on the Maturity Date, unless otherwise paid prior to the Maturity Date. Interest shall be assessed as follows: (i) a one-time interest of 10% on all principal amounts advanced prior to April 28, 2017; (ii) the foregoing and 4% on any amount remaining outstanding if the principal amount is repaid between April 28, 2017 and July 28, 2017; or (iii) both of the foregoing and 4% on any amount remaining outstanding if the principal amount is repaid between July 28, 2017 and October 28, 2017.

Broker fees amounting to \$116,500, the one-time interest of \$125,000 and the fair value of the 3,125,000 warrants issued to the Investor amounting to \$479,730 were recorded as debt discounts and amortized over the term of the revolving note. For the year ended December 31, 2016, the Company recognized amortization expense related to the debt discounts indicated above of \$84,200. The unamortized debt discounts as of December 31, 2016 related to the convertible debentures amounted to \$637,030.

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In January 2017, we executed an amendment to the July 1, 2016 convertible note that was due on January 6, 2017. We received an extension of up to three months on the note's due date. In exchange for the extension, we agreed to issue 50,000 shares of restricted common stock and pay the investor \$10,000 for each 30-day extension. We made a payment of \$34,000 in January 2017 for the first one-month extension and interest on the note from the initial close date through February 6, 2017. On February 28, 2017, the note was paid in full.

On January 17, 2017, we signed a one-year agreement with an investor relations firm. We have the right to terminate the agreement within 10 days of the end of each three-month period. We are committed to pay the IR firm \$25,000 for each three-month term, in three equal monthly allotments, should we choose to keep them under contract. We also have awarded the IR firm warrants to purchase the Company's restricted common stock at an exercise price of \$0.40/share. The number of warrants and exercise price that we are committed to pay the IR firm for each three-month period, should we choose to keep them under contract, is as follows: Months 1-3: 100,000 warrants at \$0.40. Months 4-6: 125,000 warrants at \$0.60. Months 7-9: 125,000 warrants at \$0.80. Months 10-12: 150,000 warrants at \$1.00.

We received \$250,000 in January 2017 and \$500,000 in February 2017 pursuant to the October Revolving Note and we issued to the Investor additional warrants to purchase 1,875,000 shares of our common stock. The terms of the Warrants are identical except for the exercise date, issue date, and termination date. Interest on the principal balance of the Revolving Note shall be paid in full on the Maturity Date, unless otherwise paid prior to the Maturity Date.

On February 6, 2017, we signed a Merchant Agreement with a lender. Under the agreement we received a loan of \$125,000. The Company paid \$1,250 in fees in connection with this loan. Under the agreement, \$16,180 was used to pay off the prior loan.

On February 15, 2017, we received a six-month, non-convertible loan of \$110,000 from each of two accredited investors. We agreed to issue the investors 170,000 shares of restricted common stock. The loans earn no interest but carry a 10% original issue fee.

On March 2, 2017, we signed a Merchant Agreement with a lender. Under the agreement we received a loan of \$75,000. The Company paid no fees in connection with this loan.

On March 14, 2017, we received an eight-month, non-convertible loan of \$250,000 from a privately-held investment firm. The loan earns an annual interest rate of 10% and includes a 10% original issue discount. We also agreed to issue the investor 250,000 shares of restricted common stock.

On March 16, 2017, we awarded 660,000 incentive stock options to certain employees and 1,855,000 non-qualified stock options to officers, consultants and directors of the Company. Terms of the stock options include the following significant items: (i) \$0.28 exercise price, (ii) 10-year life, (iii) 36 month vesting equally per month for employees and

12 month vesting equally per month for directors, (iv) options vest immediately upon change in-control.

On March 21, 2017, we received an eight-month, non-convertible loan of \$170,000 from an accredited investor. The loan earns an annual interest rate of 10% and includes a 10% original issue discount. We also agreed to issue the investor 170,000 shares of restricted common stock.

Item 16. Exhibits and Financial Statement Schedules**(a) EXHIBITS**

We have filed the exhibits listed on the accompanying Exhibit Index of this registration statement and below in this Item 16:

Exhibit		Incorporated by Reference			Filed or Furnished Herewith
Number	Exhibit Description	Form	Exhibit	Filing Date	
1.1†	Form of Underwriting Agreement				
3.1	Restated Articles of Organization of the Company.	S-1	3.1	10/8/1996	
3.2	Articles of Amendment to Restated Articles of the Organization of the Company	10-Q	3.1	11/23/2004	
3.3	Articles of Amendment to Restated Articles of the Organization of the Company	8-K	3.1	2/18/2009	
3.4	Articles of Amendment to Restated Articles of the Organization of the Company	8-K	3.1	4/12/2011	
3.5	Articles of Amendment to Restated Articles of the Organization of the Company	8-K	3.1	11/10/2011	
3.6	Articles of Amendment to Restated Articles of the Organization of the Company	8-K	3.1	1/4/2013	
3.7	Articles of Amendment to Restated Articles of the Organization of the Company	8-K	3.1	2/13/2013	
3.8	Articles of Amendment to Restated Articles of the Organization of the Company	8-K	3.1	12/12/2013	
3.9	Articles of Amendment to Restated Articles of the Organization of the Company	8-K	3.1	2/5/2014	
3.10	Articles of Amendment to Restated Articles of the Organization of the Company	8-K	3.1	12/31/2014	
3.11	Articles of Amendment to Restated Articles of the Organization of the Company	8-K	3.1	7/28/2015	
3.12	Amended and Restated By-Laws of the Company	S-1	3.2	10/8/1996	
3.13	Amendment to Amended and Restated By-Laws of the Company	10-K	3.3	3/31/2013	
4.1	Specimen Certificate for Shares of the Company's common stock	10-KSB	4.1	4/22/2005	
4.2	Form of Debenture	8-K	4.1	7/28/2015	
4.3	Form of Warrant	8-K	4.2	7/28/2015	
5.1†	Opinion of Lucosky Brookman, LLP.				
10.1		10-K	10.11	3/27/2008	

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	Technology Transfer and Patent Assignment Agreement dated October 7, 1996, between Bioseq, Inc. and BioMolecular Assays, Inc.				
10.2	Amendment to Technology Transfer and Patent Assignment Agreement dated October 8, 1998 between Bioseq, Inc. and BioMolecular Assays, Inc.	10-K	10.12	3/27/2008	
10.3	Nonexclusive License Agreement dated September 30, 1998 between Bioseq, Inc. and BioMolecular Assays, Inc.	10-K	10.13	3/27/2008	
10.4	Subscription Agreement	8-K	10.1	7/28/2015	
10.5	Security Agreement	8-K	10.2	7/28/2015	
10.6	Promissory Note, dated October 26, 2016	8-K	10.1	11/03/2016	
10.7	2005 Equity Incentive Plan.*	S-8	99.1	09/26/2005	
10.8	Amendment No. 1 to 2005 Equity Incentive Plan*	8-K	10.1	09/29/2008	
10.9	Description of Compensation for Certain Directors*	10-K	10.5	03/27/2008	
10.10	Severance Agreement between the registrant and Richard T. Schumacher*	10-K	10.6	03/27/2008	
10.11	Form of Severance Agreement including list of officers to whom provided*	10-K	10.7	03/27/2008	
10.12	2015 Nonqualified Stock Option Plan.*	S-8	4.1	04/24/2015	
10.13	Securities Purchase Agreement	10-Q	10.1	11/14/2016	
21.1	List of subsidiaries				X
23.1	Consent of Independent Registered Public Accounting Firm (Malone Bailey LLP)				X
23.2†	Consent of Lucosky Brookman LLP (reference is made to Exhibit 5.1)				

† To be filed by amendment.

*Management contract or compensatory plan or arrangement.

Item 17. Undertakings

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(ii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

That for the purpose of determining any liability under the Securities Act of 1933 each such post-effective (2) amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

- That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided,
- (4) however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.
- (5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities:

The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

- (i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
- (ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
- (iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
- (iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

- The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the
- (6) underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

- Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 14 above, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.
- (7)

(8) The undersigned Registrant hereby undertakes:

(1) That for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4), or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) That for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and this offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of South Easton, Massachusetts, on April 11, 2017 .

Pressure BioSciences, Inc.

By: */s/ Richard T. Schumacher*

Name: Richard T. Schumacher

Title: President and Chief Executive Officer (Principal Executive Officer and Principal Accounting and Financial Officer)

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
<i>/s/ Richard T. Schumacher</i> Richard T. Schumacher	President, Chief Executive Officer, Treasurer, Clerk and Director (Principal Executive Officer and Principal Accounting and Financial Officer),	April 11, 2017
<i>/s/ Joseph L. Damasio Jr.</i> Joseph L. Damasio Jr.	Vice President and Chief Financial Officer (Principal Accounting and Financial Officer),	April 11, 2017
<i>/s/ Jeffrey N. Peterson</i> Jeffrey N. Peterson	Chairman of the Board of Directors	April 11, 2017
<i>/s/ Mickey Urdea</i> Mickey Urdea, Ph.D.	Director	April 11, 2017
<i>/s/ Vito Mangiardi</i> Vito Mangiardi	Director	April 11, 2017
<i>/s/ Kevin A. Pollack</i> Kevin A. Pollack	Director	April 11, 2017

