

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

FORM 10-K

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

For the fiscal year ended December 31, 2017

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

For the transition period from _____ to _____.

Commission file number: 000-55218

TRXADE GROUP, INC.

(Exact name of registrant as specified in its charter)

<u>Delaware</u> (State or other jurisdiction of incorporation or organization)	<u>46-3673928</u> Identification Number)
<u>3840 Land O' Lakes Blvd. Land O' Lakes, Florida</u> (Address of principal executive offices)	<u>34639</u> (Zip code)

Registrant's telephone number, including area code: **(800)-261-0281**

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock	OTCBB

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to the Form 10-K.

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. **Note.**—If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided that the assumptions are set forth in this Form.

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2017 based upon the closing price reported on such date was approximately \$3,295,043. Shares of voting stock held by each officer and director and by each person who, as of June 30, 2017 may be deemed to have beneficially owned more than 10% of the outstanding voting stock have been excluded. This determination of affiliate status is not necessarily a conclusive determination of affiliate status for any other purpose. There were 31,985,827 shares of the registrant's common stock outstanding on June 30, 2017.

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

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

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980).

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PART I

Throughout this annual report on Form 10-K, the terms "we," "us," "our," and "our company" refer to Trxade Group, Inc., a Delaware corporation, and, unless the context indicates otherwise, also includes our subsidiary, Trxade, Inc., a Florida corporation.

Forward-Looking Statements

This annual report contains forward-looking statements, which reflect the views of our management with respect to future events and financial performance. These forward-looking statements are subject to a number of uncertainties and other factors that could cause actual results to differ materially from such statements. Forward-looking statements are identified by words such as "anticipates," "believes," "estimates," "expects," "plans," "projects," "targets" and similar expressions. Readers are cautioned not to place undue reliance on these forward-looking statements, which are based on the information available to management at this time and which speak only as of this date. Our actual results may differ materially from results anticipated in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. For a discussion of some of the factors that may cause actual results to differ materially from those suggested by the forward-looking statements, please read carefully the information under "Risk Factors."

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. However, your attention is directed to any further disclosures made on related subjects in our subsequent annual and periodic reports filed with the Securities and Exchange Commission on Forms 10-K, 10-Q and 8-K, Proxy Statements on Schedule 14A and Information Statements on Schedule 14C.

We obtained the market data used in this report from internal company reports and industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable, but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe market data used in this 10-K is reliable, it has not been independently verified.

Item 1. Business

The following discussion should be read in conjunction with our financial statements and the related notes and other financial information appearing elsewhere in this Annual Report.

Overview

We have designed and developed, and now own and operate a business-to-business web-based marketplace focused on the US pharmaceutical industry. Our core service is designed to bring the nation's independent pharmacies and accredited national suppliers of pharmaceuticals together to provide efficient and transparent buying and selling opportunities on a web-based platform.

CORPORATE HISTORY

Background of XCEL

Our company was incorporated in Delaware on July 15, 2005 as "Bluebird Exploration Company" ("Bluebird"). Bluebird was originally formed to engage in the exploitation of mineral properties. In December 2008, Bluebird changed its name to "Xcellink International, Inc." ("XCEL"), and subsequently announced that its business plan was being expanded to include the development and marketing of platform-independent customer-centric payment systems and methodologies. XCEL was unable to raise the funds necessary to implement its business strategy, never generated any revenue and was a reporting as a "shell" corporation. On January 9, 2014, Trxade Group, Inc., a privately held Nevada corporation merged with and into XCEL, and XCEL changed its name to "Trxade Group, Inc." XCEL's shares traded on the Over-the-Counter Bulletin Board ("OTCBB") market until early 2010.

Background of Trxade

PharmaCycle LLC, a Nevada limited liability company ("PharmaCycle"), was formed in August 2010 by Prashant Patel to serve as a web-based market platform designed to enable trading among healthcare buyers and sellers of pharmaceuticals, accessories and services. In January 2013, PharmaCycle converted into a Florida corporation and changed its name to Trxade, Inc. ("Trxade Florida"). In May 2013, Trxade Florida created a new wholly owned subsidiary, Trxade Group, Inc., a Nevada corporation ("Trxade Nevada"). Trxade Nevada acquired Trxade Florida pursuant to a reverse triangular merger, resulting in Trxade Florida becoming a wholly owned subsidiary of Trxade Nevada (the "Nevada-Florida Merger"). The sole purpose of the Nevada-Florida Merger was to provide for a holding company to own Trxade Florida, the operating company. At all times, up to the Nevada-Florida Merger, Trxade Florida was capitalized exclusively through cash capital contributions made by Messrs. Suren Ajarapu and Patel. Immediately following the Nevada-Florida Merger, Messrs. Ajarapu and Patel collectively owned 99% of Trxade Nevada. Subsequent to the Nevada-Florida Merger (but prior to the merger with XCEL), Trxade Nevada raised \$670,000 through the sale of its preferred stock in private placements made to third party investors.

Reverse Merger with Trxade

On September 26, 2008, Mark Fingarson, the former President, sole Director and controlling shareholder of XCEL, sold 80,000,000 shares of XCEL to XCEL's then attorney, Ron McIntyre. On November 22, 2013, Trxade Nevada acquired Mr. McIntyre's controlling interest of 80,000,000 shares in XCEL pursuant to a Purchase and Sale Agreement dated November 7, 2013. At the time of the sale, XCEL had 104,160,000 shares of common stock issued and outstanding, including the 80,000,000 shares of stock acquired by Trxade Nevada.

On December 16, 2013, Trxade Nevada and XCEL entered into a definitive merger agreement (the "Merger Agreement") providing for the merger (the "Merger") of Trxade Nevada with and into XCEL, with XCEL as the surviving corporation. The Merger closed on January 8, 2014. Under the terms of the Merger Agreement, we amended our articles of incorporation (filed herewith), changed our name to "Trxade Group, Inc.," and changed our trading symbol to XCEL.PK. On February 13, 2014, an additional 600,000 shares of our common stock (on a post-reverse split basis) were issued pursuant to the conversion of \$19,333 aggregate principal amount of our outstanding promissory notes. Our current officers and directors were the officers and directors of Trxade Nevada.

Recapitalization of Common Stock by a Reverse Split and Increase of Authorized Shares of Stock

Pursuant to our Amended and Restated Certification of Incorporation, we increased the authorized shares of our Common Stock from 200,000,000 shares to 500,000,000 shares, and authorized 100,000,000 shares of Preferred Stock, including 10,000,000 shares of Series "A" Preferred Stock.

We also effectuated a reverse stock split at the ratio of one thousand-for-one (1,000:1) shares effective upon the closing of the Merger (the "Reverse Split"). In connection with the split, the 104,160,000 outstanding shares of our Common Stock, including the 80,000,000 shares held by Trxade Nevada, converted into 104,160 shares of Common Stock. As a result of the Merger, Trxade Nevada Shareholders holding 28,800,000 shares of Common Stock and 670,000 shares of Series A Preferred Stock converted their shares on one-to-one basis into 28,800,000 shares of our Common Stock and 670,000 shares of our Series A Preferred Stock, for an aggregate total of 29,470,000 shares. Further, 600,000 shares of our common stock (on a post- Reverse Split basis) were issued following the merger in connection with the conversion of our promissory notes. The 80,000,000 pre-merger shares held by Trxade Nevada, which post-split amounted to 80,000 shares, reverted to treasury stock of the company.

On June 11, 2015, pursuant to our Second Amended and Restated Certification of Incorporation, we decreased the authorized shares of our Common Stock from 500,000,000 to 100,000,000 and decreased the authorized shares of our Preferred Stock from 100,000,000 to 10,000,000.

Subsidiaries

We own 100% of Trxade, Inc. This subsidiary is included in our attached consolidated financial statements and is engaged in the same line of business as Trxade. Trxade Florida is a web-based market platform that enables trade among healthcare buyers and sellers of pharmaceuticals, accessories and services.

We own 100% of Integra Pharma Solutions, LLC, (formerly Pinnacle Tek, Inc., a Florida corporation) founded by Mr. Ajarapu in 2011. ("INTEGRA"). Until the end of 2016, INTEGRA served as our technology consultant provider, but we discontinued that line of business in 2016. INTEGRA is now intended to serve as the our logistics company for pharmaceutical distribution, but has no material effect on our operations at this time.

We own 100% of Alliance Pharma Solutions, LLC, a Florida LLC, which was founded in January 2018 ("Alliance"). Alliance currently has no operations or material effect on our business at this time, but is intended to serve as our consulting firm for pharmaceutical wholesalers.

We also owned 100% of ShopRX, Ltd., our UK based subsidiary. The Company had hoped to establish a similar business to Trxade, Inc. in the United Kingdom in the future under this entity. This division was dissolved and has no material impact on the Company's operational results.

Sale of Westminster

We also owned 100% of Westminster Pharmaceutical LLC, a Delaware limited liability company ("Westminster") through December 31, 2016. Westminster was formed in January 2013 as a single member LLC wholly owned by Trxade Florida. This licensed subsidiary is included in our attached financial statements and provides state-licensed pharmacies and buying groups in the United States with pharmaceuticals approved by the United States Food and Drug Administration (the "FDA"). In late 2015 and early 2016 Westminster entered into multiple supply contracts with wholesale manufacturers of generic pharmaceuticals to begin selling Westminster private label generic pharmaceuticals to our customers.

In December 2016, based on management's strategic review of its portfolio of businesses, the Company committed to a plan to sell our private label generic pharmaceuticals. On December 31, 2016, the Company entered into and consummated the sale of 100% of its equity interests in Westminster Pharmaceuticals, LLC, and in connection with the sale, the Company exited the private label generic pharmaceuticals business line. The purchase price for Westminster was the cancellation of \$1,500,000 of indebtedness with the buyer under the senior secured note, the issuance of a warrant to purchase 1,500,000 shares of the Company's Common Stock and the assumption of various contracts and obligations of Westminster. The Warrants were issued at a strike price of \$0.01 per share, and have an expiration date of five years from date of grant under the term and conditions of a warrant agreement.

The Westminster sale is considered a discontinued operation, and as a result, all consolidated financial statements in this Annual Report on Form 10-K have been adjusted accordingly to reflect this financial statement presentation. See Note 3 of the Notes to Consolidated Financial Statements for information concerning the sale of Westminster.

BUSINESS OF TRXADE

Our Principal Products and Services and their Markets.

Trxade.com: Trxade.com is a web-based pharmaceutical marketplace engaged in promoting and enabling trade among independent pharmacies and large pharmaceutical suppliers nationally. Additional features include the ability of independent pharmacies to trade among each other in currently 18 states that follow the Model State Pharmacy Act. (The Model State Pharmacy Act and Model Rules of the National Association of Boards of Pharmacy (Model Act) provide the boards of pharmacy with model language that may be used when developing state laws or board rules.) Other value-added components include access to Trxade's proprietary pharmaceutical shortage database, data analytics regarding medication pricing, and manufacturer return policies. We generate revenue from this service by charging a transaction fee to the seller of the products for sales conducted via the Trxade platform. The buyers do not bear the cost of transaction fees for the purchases that they make nor do they pay a fee to join or register with our platform. Substantially all of our revenues during the years ended December 31, 2017, and 2016 were from platform revenue on Trxade.com.

InventoryRx.com: InventoryRx.com is a web-based pharmaceutical marketplace formed to promote and enable trade among suppliers, manufacturers and large healthcare facilities nationally. The seller of products and advertisers are charged a transaction fee or posting fee for products sold or featured on the platform. To date, we have not generated any revenue from this product.

Pharmabayonline: Pharmabayonline was created to provide access to proprietary pharmaceutical data analytics to United States-based independent pharmacies, pharmaceutical shortage databases, proposed governmental reimbursement benchmarks comparison and analysis, and a proprietary suggested national retail drug benchmark. To date no revenue has been generated from this service.

RxGuru: RxGuru is a service-based desktop software application designed to provide valid, daily drug pricing and analytics to the independent pharmacist at time of care to enable their patients to realize cost savings on their medications. This application works in conjunction with the Trxade platform but to date has not driven any revenue.

Integra Pharma Solutions, LLC: INTEGRA is intended to serve as our logistics company for pharmaceutical distribution, but has no operations or revenue at this time.

All our product offerings are focused on the US markets. Some products are restricted to certain states depending on the various state regulations and guidelines pertaining to pharmaceuticals. Our services are distributed through our online platform.

Discontinued Operations.

Westminster Pharmaceuticals: Westminster Pharmaceuticals bought US FDA approved prescription medication from licensed pharmaceutical wholesalers and manufacturers. These products were delivered and stored at a licensed logistics location in Olive Branch, MS and ready for delivery to our customer base once a product was sold. In late 2015 and early 2016 Westminster entered into multiple supply contracts with wholesale manufacturers of generic pharmaceuticals to begin selling Westminster private label generic pharmaceuticals to our customers. Revenue was generated from the sale of private label products owned by Westminster. This business line was not profitable for the Company, and Westminster was sold in December 2016 and the Company exited the private label generic pharmaceuticals business line. See Note 3 of the Notes to Consolidated Financial Statements for information concerning the sale of Westminster.

The Pharmaceutical Industry

According to the 2013-14 Economic Report on Retail, Mail, and Specialty Pharmacies by Adam J. Fein, Ph.D. the US pharmaceutical industry is a \$330 billion industry consisting of over 65,000 pharmacy facilities and over 700 DEA-registered and 1,500 State-licensed suppliers. There are very few platforms currently in place to bring these participants together to share market knowledge, product pricing transparency and product availability. According to this, the pharmaceutical market is comprised primarily of three wholesalers that control an estimated approximately 92% of the market. Our management believes that this concentration has, over the years, led to a lack of price and cost transparency, thereby resulting in severe limitations on the purchasing choices of industry participants. These market dynamics have enabled these large wholesalers (McKesson, Cardinal Health and AmerisourceBergen), known as ADR distributors, to dominate the industry with respect to both generic and brand pharmaceuticals. The increasing concentration of generic medications (ANDA or Abbreviated New Drug Application), however, with many more expected to go to market in the near future (approximately \$80 billion branded medications will lose their patent protection within the next ten years), have enabled smaller suppliers access to an increasing number of medications at highly discounted prices. In essence, the market is slowly changing towards one where medications will become a commoditized and trade influenced by price rather than the business relationships imposed by the dominant participants of the past.

To fuel this change, insurance companies (Pharmacy Benefits Management PBM and private health payers) and the federal government have recently initiated lower medication reimbursement payments to healthcare providers. We believe that pharmacies in due course will face increasing pressure to source medications as inexpensively as possible and improve operational efficiency. Trxade seeks to be in the forefront of solving these transparency and pricing concerns by providing independent, retail pharmacies with real-time, pharmacy acquisition cost "PAC" benchmarks to the NDC level. The National Drug Code (NDC) is a unique product identifier used in the United States for drugs intended for human use.

Status of any publicly announced new products or services.

Our RxGuru application was launched in the first quarter of 2014 and complements Trxade.com's efforts of delivering timely information at time of purchase. Our industry leading price prediction model "RxGuru" integrates product shortage insight into pharmacy acquisition benchmarks ("PAC") to ascertain trends and pricing variances that result in significant purchasing opportunities. "RX Guru" helps to predict prices and affords our members an opportunity to continuously benefit from real price purchasing opportunities that are often concealed from the rest of the industry.

InventoryRx, launched in the first quarter of 2014, is a web based pharmaceutical exchange platform where wholesalers can purchase and sell pharmaceuticals and other over the counter medications among each other. The site offers these trading partners greater product availability and pricing transparency and may substantially improve their buying efficiency as well as lower their cost of goods on a continuous basis.

Westminster Pharmaceuticals, LLC was our wholly-owned private label pharmaceutical distributor. In late 2015 and early 2016 Westminster entered into multiple supply agreements with wholesale manufacturers of generic pharmaceuticals to begin selling Westminster private label generic pharmaceuticals to our customers. Westminster had a licensed storage and distribution facility in Olive Branch, MS. Revenue was generated in 2015 and 2016 from the sale of private label products owned by Westminster. This business line was not profitable for the Company, and in December 2016 Westminster was sold and the Company exited the private label generic pharmaceuticals business.

Competitive business conditions, the issuer's competitive position in the industry, and methods of competition.

We expect to face competition from the three large ADR distributors (McKesson, Cardinal Health & AmerisourceBergen), other pharmaceutical distributors, buying groups, software products, and other start-up companies. Most of these operations have substantially greater financial and manufacturer backed resources, longer operating histories, greater name recognition and more established relationships in the industry.

Other Start-up Companies. We have identified a limited number of start-ups that provide pharmacy-to-pharmacy retail wholesaling for their overstock pharmaceuticals. In addition, some start-ups provide for a supplier-pharmacy trading such as PharmaBid, RxCherrypick, PharmSaver and GenericBid, and provide web-based services similar to ours, allowing pharmacies to buy from several suppliers. Trxade differentiates itself from these exchanges by providing our pharmacies with both brand and generic pharmaceutical products.

Buying Groups. Buying Groups provide discounted prices to their members by negotiating better pricing with one primary wholesaler, while charging administration fees generally ranging from 3-5%. Some Buying Groups are structured like co-operatives (IPC, API) and offer their members monthly or quarterly rebates. Although they can function well to bring pricing competition to the industry, they often offer rebates only after the purchase and we don't believe they will provide long term savings to customers with this model given the increased transparency and competition in the industry.

Pharmaceutical Software. Some pharmaceutical software companies compete with us on some levels. SureCost, for example provides inventory management software that allows pharmacies to comply with primary supplier contracts. This software is fee based, and requires training.

Moving forward. Some pharmacies may be reluctant to adapt to this format of buying due to the historical negativity associated with purchasing pharmaceuticals on the internet and the uncertainty with respect to the origin and purity of pharmaceuticals so purchased. Trxade management believes that as we continue to develop our brand, our customer base, and our vast product offerings, we will gain the trust of the market and overcome the negativity associated with purchasing via a pharmaceutical marketplace.

One advantage that we believe we have over our competition is our ability to be flexible and fast moving in adjusting our business model to address the needs of our customer base. Trxade started by offering pharmacies a reverse auction model to enhance savings on the purchase of their pharmaceuticals. Customer feedback suggested that pharmacies prefer a more buy now format, which we implemented and then supplemented with a pharmacy-to-pharmacy trading capability for all overstock pharmaceuticals which was discontinued. This resulted in a "one stop-one-search" platform to buy quality pharmaceuticals for less and a data-rich platform to help pharmacies overcome the complexities related to supply chain purchasing.

Sources and availability of raw materials and the names of principal suppliers.

Trxade is a web-based technology platform. Because we are not a manufacturing company, we don't need any raw materials. Our module on the platform is supplier-to-pharmacy trade. We bring buyers and sellers together on this platform. Our suppliers include National Apothecary Solutions, River City Pharmacy and South Pointe Wholesale, Inc.

Dependence on one or a few major customers.

As of the date of this Form 10-K, we have over 8,500 pharmacies and over 25 pharmaceutical suppliers as customers, with a market potential of approximately 24,000 independent pharmacies and 1,500 regional and local suppliers. We have a working relationship with over 25 wholesalers and the nation's largest buying group. Although we feel those entities are satisfied with their business relationship with Trxade, if our buying group and two or three of the wholesalers decided no longer to do business with Trxade, the resulting supplier void would materially and adversely affect our competitiveness in the marketplace.

Intellectual Property

Although we believe that our name and brand are protected by common law trademark principals, other than Trxade and pending trademarks on RxGuru and our pharmaceutical pricing benchmarks PAC, we do not currently have any other registered trademarks, patents, concessions, licenses, royalty agreements, or franchises. Our business operates under a proprietary software system which includes trade secrets within our database, business practices and pricing model.

Need for government approval of principle products and services.

We are required to hold business licenses and to follow applicable state and federal government regulations detailed herein. Our wholesale division, which warehouses pharmaceutical products, requires requisite FDA and state approval, which we have obtained. The wholesale division was discontinued in December 2016.

Effect of existing or probable government regulations on the business.

Federal Drug Administration Guidelines

On April 12, 1988, President Ronald Reagan signed into law the Prescription Drug Marketing Act of 1987 (PDMA), setting the baseline for wholesale distribution regulations. The final regulations were published in 1999, establishing the minimum wholesale distribution requirements for state licensure. With the intent to prevent the introduction and retail sale of substandard, ineffective, or counterfeit drugs into the distribution system, state licensing systems moved to update their standards to match those provided federally as guided under FDA's Guidelines for State Licensing of Wholesale Prescription Drug Distributors (21 CFR 205). PDMA established minimum federal pedigree requirements to trace the ownership of prescription drugs through the supply chain. The principal goal of the PDMA was to further secure the nation's drug supply from counterfeit and substandard prescription drugs. The law establishes two types of distributors: "Authorized distributor[s] of record" or ADRs; and "Unauthorized distributor[s]," such as wholesalers. The pedigree requirement was to require each person engaged in the wholesale distribution of a prescription drug in interstate commerce, who is not the manufacturer or an authorized distributor of record for that drug, to provide a pedigree to the recipient. After meeting resistance from various stakeholders, the FDA delayed the effective date of the regulations several times, until final implementation in December 2006.

At the federal level the implementation of the track and trace legislation by 2017 will require the use of pharmaceutical pedigree to track the movement of pharmaceuticals along the supply chain. The costs of complying with this new legislation may be too burdensome for many of the smaller suppliers. Further, some state laws utilizing the Federal Model Pharmacy Act may change or add rules that restrict pharmacy to pharmacy trading in the future. Current model act laws allow for a pharmacy being able to trade 5% of their annual inventory with other pharmacies while most state laws allow for retail pharmacies to be able to trade a product in national shortage status.

State Drug Administration Guidelines

There are a number of national and state wide regulations that have an effect on our business. All drug wholesalers must be licensed under state licensing systems, which must in turn meet the FDA guidelines under State Licensing of Wholesale Prescription Drug Distributors (21 CFR Part 205). The regulations set forth minimum requirements for prescription drug storage and security as well as for the treatment of returned, damaged, and outdated prescription drugs. Further, wholesale drug distributors must establish and maintain inventories and records of all transactions regarding the receipt and distribution of prescription drugs and make these available for inspection and copying by authorized federal, state, or local law enforcement officials. In most states, wholesale distributor licenses are issued by the State Boards of Pharmacy and require periodic renewal. Approximately 40 states also require out-of-state wholesalers that distribute drugs within their borders to be licensed as well.

States have statutes pertaining to the need to possess a wholesaler license for pharmacies to exchange pharmaceuticals with other pharmacies. There are a number of states that allow pharmacies to exchange pharmaceuticals with other pharmacies if the amount of the exchange does not exceed 5% of either pharmacy's annual revenue generated from prescription pharmaceuticals, without the need to acquire a wholesaler license. Some state pharmacy boards limit that exchange to only emergency exchanges and many of those states define emergency exchanges to mean exchanges to address temporary shortages. It is important to know the opinion taken by the board of pharmacy for each state because these boards are initially responsible for interpreting the statute, and not their respective state attorney general. Approximately 30 states currently have opined that pharmacy to pharmacy exchange does not require a pharmacy to possess a wholesaler's license. The interpretation of state statutes have changed, although the statutes have remained unchanged.

California, Florida, Nevada, New Mexico and Indiana define the normal distribution channel to not include the lateral sales of pharmaceuticals between wholesalers. The new Supply Chain Act, part of the Quality Drug Act, which was signed into federal law in December 2013, precludes all states from restricting, investigating or inspecting the distribution channel and transactional history. Until the federal government provides guidelines for the new federal law, no state regulation or guideline exists.

The warehousing of pharmaceuticals is also restricted and requires additional state licenses. Some licenses require bonds and written exams and may take some time to approve. Currently, Westminster Pharmaceuticals, our wholesale distributor, asks for formal pedigrees from the ADR wholesalers and provides pedigrees to those entities they sell to in the marketplace. This requirement limits liability and provides assurance if a recall is warranted that Trade and its participants will receive value for the commodity.

Other Regulations:

Changes in state and federal regulations related to pharmacy-to-pharmacy trading may negatively impact that aspect of our business. Individual state regulation changes can be expected from time to time regarding wholesaler distribution activities and have the potential of increasing the cost of doing business in those states by influencing licensing requirements, fees and thus elevating our administrative costs.

Research and Development.

During the last two fiscal years, Trxade.com, InventoryRx.com, Pharmabayonline and RxGuru have been developed as proprietary software. For the years ended December 31, 2017 and 2016, \$375,172 and \$286,757, respectively, was spent by the company in development activities. None of these expenses were borne directly by customers.

Cost of compliance with environmental laws.

We are not aware of any costs or effects of our compliance with environmental laws.

Employees

Currently, we have 23 employees. We also utilize numerous outside consultants.

Seasonality

Our business is not directly affected by seasonal fluctuations, but is affected indirectly by the fall and winter flu season, to the extent it leads to increased demand for certain generic pharmaceuticals.

Available Information

Our website is located at www.trxade.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and our Proxy Statements are available through free of charge, after we file them with the SEC, on the SEC's website at www.sec.gov. You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You may also request this information directly from the Company. You can get information on the operation of the SEC Public Reference Room by calling the SEC at 1-800-SEC-0330.

The content of our website is not incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC.

Item 1A. Risk Factors

Risks Related to Our Business

Our business, financial condition and results of operations are subject to various risks and uncertainties, including those described below and elsewhere in this Report. This section discusses factors that, individually or in the aggregate, we think could cause our actual results to differ materially from expected and historical results. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. It is not possible to predict or identify all such factors. Consequently, the following are not to be a complete discussion of all potential risks or uncertainties applicable to our business.

We may continue to incur losses for an indeterminate period of times

In 2017 we were profitable for the first time; previous years were unprofitable. Our current business model has been in development since 2010. Revenues generated from the Company's business consolidated operations for the years ended December 31, 2017 and 2016 were \$2,931,280 and \$2,481,866, respectively. We incurred net income from continuing operations for the year ended December 31, 2017 of \$288,983 and loss from continuing operations for the year ended December 31, 2016 of (\$1,173,108). We may incur losses in the foreseeable future due to the significant costs associated with our business development, including costs associated with maintaining compliance under SEC reporting standards. We cannot assure you that our operations will annually generate sufficient revenues to fund our continuing operations or to fully implement our business plan, and thereafter sustain profitability in any future period.

The likelihood of our success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the start and growth of a business, the implementation of the Company's business plan, and the regulatory environment affecting the distribution of pharmaceuticals in which the Company operates.

If we do not obtain additional financing, our business, prospects, financial condition and results of operations will be adversely affected.

The Company anticipates that it will require additional working capital for the Company to pursue continued development of products and service and marketing operations. The timing and amount of such capital requirements cannot be accurately predicted. Additional financing may not be available to the Company when needed or, if available, it may not be obtained on commercially reasonable terms. If the Company is not able to obtain the necessary additional financing on a timely basis, the Company will be forced to delay or scale down some or all of its development activities or perhaps even cease the operation of its business.

The Company has no commitments for any additional financing, and there can be no assurance that any such commitments can be obtained on favorable terms, if at all. Any additional equity financing will be dilutive to the Company's stockholders, and debt financing, if available, may involve restrictive covenants with respect to dividends, raising future capital and other financial and operational matters. If the Company is unable to obtain additional financing as needed, the Company may be required to reduce the scope of its operations or its anticipated expansion, which could have a material adverse effect on the Company.

Many of our competitors are better established and have resources significantly greater than we have, which may make it difficult to fend off competition.

The Company expects to compete with the three large ADR distributors (McKesson, Cardinal Health & AmerisourceBergen), other pharmaceutical distributors, buying groups, software products, and other start-up companies. Many of these operations have substantially greater financial and manufacturer-backed resources, longer operating histories, greater name recognition and more established relationships in the industry than our company. In addition, a number of these competitors may combine or form strategic partnerships. As a result, our competitors may be able to control a more favorable basis in regard to pricing or other factors. Our failure to compete successfully with any of these companies would have a material adverse effect on our business and the trading price of our common stock.

The three distributors listed above have a strong control over the industry, as they have contracts with the 24,000 independent, retail pharmacies that limit the participants' ability to purchase pharmaceuticals outside of those primary distributors. Additional restrictive elements exist within the pharmaceutical channel of distribution. For example, a number of the inventory management systems, either developed by the distributors or third party vendors, have been developed to require compliance to these restrictive purchasing agreements.

Moreover, we expect that other existing and prospective competitors will adopt technologies or business plans similar to ours, or seek other means to develop operations competitive with ours, particularly if our development of large-scale production progresses as scheduled.

We will need to expand our member base and/or our profit margins to attain profitability

Currently, we are paid an administrative fee of up to 6% of the buying price on the generic pharmaceuticals sold to pharmacies and up to 1% on brand pharmaceuticals that pass through our pharmaceutical exchanges.

Our management is aware that the competitiveness of the group of suppliers that participate in our system and price products on our exchange is a key factor in determining how many purchasing pharmacies and wholesalers will purchase products through our platforms. However, price is not the only factor that influences where retail pharmacies will obtain their product. Quality fulfillment services is also important, and retail pharmacies have historically received quality fulfillment services from the three major ADR distributors. In order to be more competitive, we must improve our customer service and wholesaler fulfillment efforts, because the independent, retail pharmacy has for years considered this element of the fulfillment process as important as price. Other factors influencing the pharmacies purchasing behavior in the future will be changes brought upon by The Affordable Care Act, which regulates some aspects of pharmaceutical spending and pricing. In this regard we should benefit substantially from our pricing and product shortage knowledge that is offered by our platform.

Profitability may be further increased as a result of lower cost of goods should the Company build stronger relationships with manufacturers and other larger buying groups that serve wholesalers/ distributors. On a larger scale those margins will drop depending upon the breadth of products provided in the market and the sale turn rates required. We are currently undertaking a significant effort to increase our membership base through attendance at annual conferences and other strategies. Trxade has an expanded e-mail marketing strategy based on our competitive price advantages and product shortage and price trend analysis tools.

There are inherent risks associated with our operations within the Pharmaceutical Distribution Markets

There are inherent risks involved with doing business within the pharmaceutical distribution channel, including:

- Product Use Liability: Improperly manufactured products may prove dangerous to the end consumer.
- Distribution Product Liability: Products may become adulterated by improper warehousing methods or modes of shipment.
- Counterfeit Products or products with fake pedigree papers.
- Unlicensed or unlawful participants in the distribution channel.
- Risk with default and the assumption of credit loss.
- Risk related to the loss of supply, or the loss of a number of suppliers.

Although all of our end-user agreements require our customers to indemnify us and for any and all liabilities resulting from our participation in the pharmaceutical distribution industry, we cannot assure you that the parties required to provide such indemnification will have the financial resources to do so. Additionally, although we have evaluated appropriate state statutes and federal laws pertaining to pharmaceutical distribution in an effort to diminish our risks, the Board of Pharmacy for each state is responsible for interpreting their state laws, and their interpretations may not comport with our analysis. It is also possible that any third party logistics arrangements may disrupt service, create a loss of income, or other unforeseen disruptions should the service provider experience any legal, financial or other difficulties of their own.

Regulatory changes that affect our distribution channel could harm our business

Certain states (CA, FL, NV, NM & IN) have enacted laws that prohibit lateral movement of pharmaceuticals within the distribution channel. These laws prohibit wholesalers from selling pharmaceuticals directly from or to other wholesalers where they maintain inventory. Other states may in the future enact similar laws that place restrictions in pharmaceutical trading within the Trxade platforms. At the federal level, the implementation of the track and trace legislation by 2017 requiring the use of pharmaceutical pedigree may restrict and disrupt the movement of pharmaceuticals along the supply chain should the cost of complying with this new legislation be too burdensome for smaller suppliers. In addition, some state laws utilizing the Federal Model Pharmacy Act may change or add rules that restrict pharmacy to pharmacy trading in the future. Current model act laws permit pharmacies to trade 5% of their annual inventory with other pharmacies while most state laws allow for retail pharmacies to be able to trade a product in national shortage status.

We may apply working capital and future funding to uses that ultimately do not improve our operating results or increase the value of your investment.

In general, the Company has complete discretion over the use of its working capital and any new investment capital it may in the future obtain. Because of the number and variety of factors that could determine the Company's use of funds, there can be no assurances that such uses will not vary substantially from the Company's current operating plan.

We intend to use existing working capital and future funding to support the development of our products and services, product purchases in our wholesale distribution division, the expansion of our marketing and/or the support of operations to educate our customers. We will also use capital for market and network expansion, acquisitions and general working capital purposes. However, we do not have more specific plans for our capital and our management will have broad discretion in how we use available capital reserves. Our capital could be applied in ways that do not improve our operating results or otherwise increase the value of a shareholder's investment.

We do not have a traditional credit facility with a financial institution, which may adversely impact our operations.

We do not have a traditional credit facility with a financial institution, such as a working line of credit. The absence of such a facility could adversely impact our operations, as it may constrain our ability to have available the working capital for equipment purchases or other operational requirements. If adequate funds are not otherwise available, we may be required to delay, scale back or eliminate portions of our business development efforts. Without credit facilities, the Company could be forced to cease operations and investors in our securities could lose their entire investment.

We are dependent upon our current management, who may have conflicts of interest.

The Company is dependent upon the efforts of its current management. All of our officers and directors have duties and affiliations with other companies. Even though these companies are not competitors or involved in pharmaceutical distribution, involvement of our officers and directors may still present a conflict of interest regarding decisions they make for Trxade or with respect to the amount of time available for Trxade. The loss of any officer or director of the Company and in particular, Mr. Patel or Mr. Ajjarapu, could have a material adverse effect upon our business and future prospects.

The Company does not presently have key-man life insurance upon the life of any of its officers or directors. While our management team has considerable information technology and entrepreneurial experience, none of our management was been involved in pharmaceutical distribution prior to joining the Company and, as such, did not have any technical experience in pharmaceutical distribution prior to joining the Company. Upon adequate funding, management intends to hire qualified and experienced personnel, including additional officers and directors, and specialists, professionals and consulting firms to advise management as needed; however, there can be no assurance that management will be successful in raising the necessary funds in respect of recruiting, hiring and retaining such qualified individuals and firms.

We plan to implement an aggressive growth strategy, which could increase the risk of failure.

For the foreseeable future, the Company intends to pursue an aggressive growth strategy for the expansion of its operations through increased product development and marketing. The Company's ability to rapidly expand its operations will depend upon many factors, including the Company's ability to work in a regulated environment, market value added products effectively to independent pharmacies, establish and maintain strategic relationships with suppliers, and obtain adequate capital resources on acceptable terms. Any restrictions on the Company's ability to expand may have a material adverse effect on the Company's business, results of operations, and financial condition. Accordingly, there are no assurances that the Company will be able to achieve its targets for sales growth, or that the Company's operations will be successful or achieve anticipated operating results.

We rely on third-party contracts.

We depend on others to provide products and services to the Company. We do not manufacture pharmaceuticals and we do not sell pharmaceuticals to the end consumer. We do not control these wholesalers, suppliers and purchasers and although our arrangements with them will be terminable or of limited length, a change may be difficult to implement. At this time, we have a working relationship with over twenty-five wholesalers and the nation's largest buying group. Although we feel those entities are satisfied with their business relationship with Trxade, if our buying group and two or three of the wholesalers decided no longer to do business with us, that supplier void would materially and adversely affect our competitiveness in the marketplace.

It may be difficult and costly for us to comply with the extensive government regulations to which our business may be subject.

Our operations are subject to extensive regulation by the U.S. federal and state government. In addition as the company expands operations it may also become subject to the regulations of foreign jurisdictions. We may also become subject to additional regulations relating to environmental matters, transportation of pharmaceutical products, shipping restrictions, and import and export restrictions.

Further, the enactment of new rules and regulations could adversely affect our business. For example, The Affordable Care Act has a primary goal of reducing the cost of healthcare and providing medical coverage to some of the nation's 25 million uninsured. Depending on its future enforcement or additional rules and regulations created around it, pharmaceutical pricing control could be established resulting in substantially reduced margins and reimbursement for pharmacies and all other healthcare provider bases. In turn this may adversely affect our cash flow, profitability, and growth.

We will continue to incur increased costs as a result of being a reporting company, and given our limited capital resources, such additional costs may have an adverse impact on our profitability.

We are an SEC reporting company. The rules and regulations under the Exchange Act require reporting companies to provide periodic reports with interactive data files, which require that we engage legal, accounting and auditing professionals, and XBRL and EDGAR service providers. The engagement of such services can be costly and the Company may continue to incur additional losses, which may adversely affect the Company's ability to continue as a going concern. In addition, the Sarbanes-Oxley Act of 2002, as well as a variety of related rules implemented by the SEC, have required changes in corporate governance practices and generally increased the disclosure requirements of public companies. For example, as a result of being a reporting company, we are required to file periodic and current reports and other information with the SEC and we have adopted policies regarding disclosure controls and procedures and regularly evaluate those controls and procedures.

The additional costs we continue to incur in connection with becoming a reporting company (expected to be several hundred thousand dollars per year) will continue to further stretch our limited capital resources. Due to our limited resources, we have to allocate resources away from other productive uses in order to continue to comply with our obligations as an SEC reporting company. Further, there is no guarantee that we will have sufficient resources to continue to meet our reporting and filing obligations with the SEC as they come due.

RISKS RELATED TO THE OWNERSHIP OF OUR COMMON STOCK

We are subject to the "penny stock" rules which will adversely affect the liquidity of our common stock.

The Company's stock is defined as a "penny stock" under Rule 3a51-1 of the Exchange Act. In general, a "penny stock" includes securities of companies which are not listed on the principal stock exchanges or NASDAQ and have a bid price in the market of less than \$5.00; and companies with net tangible assets of less than \$2,000,000 (\$5,000,000 if the issuer has been in continuous operation for less than three years), or which has recorded revenues of less than \$6,000,000 in the last three years. "Penny stocks" are subject to rule 15c-2, which imposes additional sales practice requirements on broker-dealers that sell such securities to persons other than established customers and "accredited investors" (generally, individuals with net worth in excess of \$1,000,000 or annual incomes exceeding \$200,000, or \$300,000 together with their spouses, or individuals who are officers or directors of the issuer of the securities). For transactions covered by Rule 15c-2, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to sale. Consequently, this rule may adversely affect the ability of broker-dealers to sell the Company's stock, and therefore, may adversely affect the ability of the Company's stockholders to sell stock in the public market.

The sale of shares by our directors and officers may adversely affect the market price for our shares.

Sales of significant amounts of shares held by our officers and directors, or the prospect of these sales, could adversely affect the market price of our common stock. Management's stock ownership may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which in turn could reduce our stock price or prevent our stockholders from realizing a premium over our stock price.

A significant number of our shares are eligible for sale and their sale or potential sale may depress the market price of our common stock.

Sales of a significant number of shares of our common stock in the public market could harm the market price of our common stock. Most of our common stock is available for resale in the public market, and if sold would increase the supply of our common stock, thereby causing a decrease its price. Some or all of our shares of common stock may be offered from time to time in the open market pursuant to compliance with Rule 144, which sales could have a depressive effect on the market for our shares of common stock. Subject to certain restrictions, a person who has held restricted shares for a period of six months may sell common stock into the market.

The limitation of monetary liability against the Company's directors, officers and employees under Delaware law and the existence of indemnification rights to the Company's directors, officers and employees may result in substantial expenditures by the Company and may discourage lawsuits against the Company's directors, officers and employees.

The Company's articles of incorporation contain a specific provision that limits the liability of directors for monetary damages to the Company and the Company's stockholders. We also have contractual indemnification obligations under our employment and engagement agreements with our executive officers and directors. The foregoing indemnification obligations could result in the Company incurring substantial expenditures to cover the cost of settlement or damage awards against directors and officers, which the Company may be unable to recoup. These provisions and resultant costs may also discourage the Company from bringing a lawsuit against directors and officers for breaches of their fiduciary duties and may similarly discourage the filing of derivative litigation by the Company's stockholders against the Company's directors and officers even though such actions, if successful, might otherwise benefit the Company and its stockholders.

There is a limited market for our shares; our common stock is thinly quoted, so you may be unable to sell at or near bid prices or at all if you need to sell your shares to raise money or otherwise desire to liquidate your shares.

Our Common Stock is traded on OTCBB under the symbol TRXD. The OTCBB is a quotation service for the Financial Industry Regulatory Authority ("FINRA") market makers, and not an issuer listing service or securities market. There is no minimum bid price requirement. OTCBB companies are not considered to be "listed." There are, however, certain requirements an issuer must meet in order for its securities to be eligible for a market maker to enter a quotation on the OTCBB, including that the security be registered with the SEC and the issuer be current in its required filings. Our Common Stock is very thinly traded, and a robust and active trading market may never develop. Our common stock will likely continue to be sporadically or "thinly-quoted," meaning that the number of persons interested in purchasing our common stock at or near ask prices at any given time may be relatively small or nonexistent. This situation is attributable to a number of factors, including the fact that we are a small company which is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and would be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we became more seasoned and viable.

As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a mature issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. It is possible that a broader or more active public trading market for our common stock will not develop or be sustained, or that trading levels will not continue.

Our stock may be traded on the OTCQB. The OTCQB is an electronic quotation system operated by OTC Markets Group that displays quotes from broker-dealers for many over-the-counter securities. These securities tend to be inactively quoted stocks, including penny stocks and those with a narrow geographic interest. Market makers and other brokers can use OTC Markets to publish their bid and ask quotation prices. The OTC Markets is not a stock exchange. To be quoted in the OTC Markets, companies do not need to fulfill any financial requirements. The companies quoted in the OTC Markets tend to be closely held, extremely small, and thinly quoted. Most do not meet the minimum U.S. listing requirements for trading on a stock exchange such as the New York Stock Exchange.

We have never paid or declared any dividends on our common stock.

We have never paid or declared any dividends on our common stock or preferred stock. Likewise, we do not anticipate paying, in the near future, dividends or distributions on our common stock. Any future dividends on common stock will be declared at the discretion of our board of directors and will depend, among other things, on our earnings, our financial requirements for future operations and growth, and other facts as we may then deem appropriate.

Our directors have the right to authorize the issuance of shares of preferred stock and additional shares of our common stock.

Our directors, within the limitations and restrictions contained in our articles of incorporation and without further action by our stockholders, have the authority to issue shares of preferred stock from time to time in one or more series and to fix the number of shares and the relative rights, conversion rights, voting rights, and terms of redemption, liquidation preferences and any other preferences, special rights and qualifications of any such series. Any issuance of shares of preferred stock could adversely affect the rights of holders of our common stock. Should we issue additional shares of our common stock at a later time, each investor's ownership interest in our stock would be proportionally reduced.

If we fail to remain current in our reporting requirements on the OTCBB, where we are publicly quoted, we could be removed from the OTCBB, which would limit the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

Companies whose shares are quoted for sale on the OTCBB and the OTCQB must be reporting issuers under Section 12 of the Exchange Act, and must be current in their reports under Section 13 of the Exchange Act, in order to maintain price quotation privileges on the OTCQB and OTCBB. If we fail to remain current in our reporting requirements, we could be removed from the OTCBB or OTCQB. As a result, the market liquidity for our securities could be adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

The market price for our common stock is particularly volatile, given our status as a relatively unknown company with a small and thinly quoted public float, and lack of profitability, which could lead to wide fluctuations in our share price.

The market for our common stock on the OTCBB will most likely continue to be characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will be more volatile than a seasoned issuer for the indefinite future. The volatility in our share price would be attributable to a number of factors. First, as noted above, the shares of our common stock will likely be sporadically and/or thinly quoted. As a consequence of this lack of liquidity, the trading of relatively small quantities of shares by our stockholders may disproportionately influence the price of those shares in either direction. The price for our shares could, for example, decline precipitously in the event that a large number of shares of our common stock are sold on the market without commensurate demand, as compared to a seasoned issuer which could better absorb those sales without adverse impact on its share price.

Anti-takeover provisions may impede the acquisition of Trxade.

Certain provisions of the Delaware General Corporation Law (DGCL) have anti-takeover effects and may inhibit a non-negotiated merger or other business combination. These provisions are intended to encourage any person interested in acquiring Trxade to negotiate with, and to obtain the approval of, our directors, in connection with such a transaction. As a result, certain of these provisions may discourage a future acquisition of Trxade, including an acquisition in which the stockholders might otherwise receive a premium for their shares.

If we fail to establish and maintain an effective system of internal control, we may not be able to report our financial results accurately or to prevent fraud. Any inability to report and file our financial results accurately and timely could harm our business and adversely impact the trading price of our common stock.

Effective internal control is necessary for us to provide reliable financial reports and prevent fraud. If we cannot provide reliable financial reports or prevent fraud, we may not be able to manage our business as effectively as we would if an effective control environment existed, and our business, brand and reputation with investors may be harmed.

In addition, reporting a material weakness may negatively impact investors' perception of us. We have allocated, and will continue to allocate, significant additional resources to remedy any deficiencies in our internal control. There can be no assurances that our remedial measures will be successful in curing the any material weakness or that other significant deficiencies or material weaknesses will not arise in the future.

Our Chief Executive Officer and President are also our two largest stockholders, and as a result they can exert control over us and have actual or potential interests that may diverge from yours.

Suren Ajjarapu, our CEO, and Prashant Patel, our President, beneficially own, in the aggregate, over 80% of our Common Stock. As a result, these stockholders, acting together, will be able to influence many matters requiring stockholder approval, including the election of directors and approval of mergers and other significant corporate transactions. This concentration of ownership may have the effect of delaying, preventing or deterring a change in control, and could deprive our stockholders of an opportunity to receive a premium for their shares of common stock as part of a sale of our company and may affect the market price of our stock.

Further, Mr. Ajjarapu and Mr. Patel may have interests that diverge from those of other holders of our common stock. As a result, Mr. Ajjarapu and Mr. Patel may vote the shares they own or control or otherwise cause us to take actions that may conflict with your best interests as a stockholder, which could adversely affect our results of operations and the trading price of our common stock.

Through this control, Mr. Ajjarapu and Mr. Patel can control our management, affairs and all matters requiring stockholder approval, including the approval of significant corporate transactions, a sale of our company, decisions about our capital structure and the composition of our Board of Directors.

Our stock price might be volatile.

The price of our stock may be highly volatile and could be subject to fluctuations in price in response to various factors, some of which are beyond our control. These factors include:

- quarterly variations in our results of operations or those of our competitors;
- announcements by us or our competitors of acquisitions, new products, significant contracts, commercial relationships or capital commitments;
- disruption to our operations or those of other sources critical to our operations;
- the emergence of new competitors;
- our ability to develop and market new and enhanced products on a timely basis;
- seasonal or other variations;
- commencement of, or our involvement in, litigation;
- dilutive issuances of our stock or the stock of our subsidiaries, or the incurrence of additional debt;
- changes in our board or management;
- adoption of new or different accounting standards;
- changes in governmental regulations or in the status of our regulatory approvals;
- changes in earnings estimates or recommendations by securities analysts;
- general economic conditions and slow or negative growth of related markets.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Description of Property

We do not own any real property. We lease office space at: 3840 Land O' Lakes Blvd, Land O'Lakes, Florida 34639 from January 1, 2018 for approximately \$100,000 per year under a 3-year lease agreement, occupying approximately 6300 square feet. We believe our current and future facilities are adequate for our current and near-term needs. Additional space may be required as we expand our activities. We do not currently foresee any significant difficulties in obtaining any required additional facilities.

Item 3. Legal Proceedings

In the ordinary course of business, we may become a party to lawsuits involving various matters. The impact and outcome of litigation, if any, is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We believe the ultimate resolution of any such current proceeding will not have a material adverse effect on our continued financial position, results of operations or cash flows

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Holder

According to the records of our transfer agent, as of December 31, 2017, there were approximately 67 holders of record of our common stock, not including any persons who hold their stock in "street name."

Market Information

Our common stock has been quoted on the OTCBB tier of the marketplace maintained by OTC Markets Group, Inc. under the symbol "TRXD" after filing a Form 10 Registration Statement, since June 2014. Prior to June 2014, our stock has traded on pink sheets and on the Over-the-Counter Bulletin Board after filing a Form SB-2 Registration Statement in 2007. Our common stock trades on a limited and sporadic basis and should not be deemed to constitute an established public trading market. There is no assurance that there will be liquidity in the common stock.

The following table sets forth the high and low bid price for each quarter within the fiscal years ended December 31, 2017 and 2016, as provided by OTC Markets Group, Inc. The information reflects prices between dealers, and does not include retail markup, markdown, or commission, and may not represent actual transactions.

Fiscal Year	Period	Bid Prices	
		High	Low
2016	First Quarter	\$ 1.25	\$.75
	Second Quarter	\$ 1.02	\$.74
	Third Quarter	\$ 1.00	\$.56
	Fourth Quarter	\$.70	\$.46
2017	First Quarter	\$.45	\$.25
	Second Quarter	\$.45	\$.25
	Third Quarter	\$.45	\$.40
	Fourth Quarter	\$.72	\$.22

The Securities Enforcement and Penny Stock Reform Act of 1990 requires additional disclosure relating to the market for penny stocks in connection with trades in any stock defined as a penny stock. The Commission has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than \$5.00 per share, subject to a few exceptions which we do not meet. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated therewith.

Dividends

The Company has never paid any cash dividends on its common stock. The Company currently anticipates that it will retain all future earnings for use in its business. Consequently, it does not anticipate paying any cash dividends in the foreseeable future. The payment of dividends in the future will depend upon our results of operations, as well as our short-term and long-term cash availability, working capital, working capital needs and other factors, as determined by our Board of Directors. Currently, except as may be provided by applicable laws, there are no contractual or other restrictions on our ability to pay dividends if we were to decide to declare and pay them.

Common Stock

The Company is authorized to issue 100,000,000 shares of common stock with \$0.00001 par value per share. Holders of shares of common stock are entitled to one vote per share on each matter submitted to a vote of shareholders. In the event of liquidation, holders of common stock are entitled to share pro rata in the distribution of assets remaining after payment of liabilities, if any. Holders of common stock have no cumulative voting rights, and, accordingly, the holders of a majority of the outstanding shares have the ability to elect all of the directors of the Company. Holders of common stock have no preemptive or other rights to subscribe for shares. Holders of common stock are entitled to such dividends as may be declared by the Board out of funds legally available therefore. The outstanding shares of common stock are validly issued, fully paid and non-assessable.

Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock, \$0.00001 par value per share, all of which 10,000,000 undesignated. The Company had no preferred shares outstanding at December 31, 2017 or as of the date of this filing.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information, as of December 31, 2017, with respect to our compensation plans under which common stock is authorized for issuance.

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (A)	Weighted-average exercise price of outstanding options, warrants and rights (B)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column A) (C)
Equity compensation plans approved by stockholders ⁽¹⁾	1,157,405	0.97	842,595 ⁽²⁾
Equity compensation plans not approved by stockholders ⁽³⁾	435,000	1.00	
Total	1,592,405	0.97	842,595

⁽¹⁾Consists of (i) options to purchase 782,405 shares of common stock issued and outstanding under the Trxade Group, Inc. 2014 Equity Incentive Plan, (ii) options to purchase 375,000 shares of common stock issued and outstanding under the Trxade Group, Inc. 2013 Equity Incentive Plan.

⁽²⁾Consists of 2,000,000 shares of common stock reserved and available for issuance under the Trxade Group, Inc. 2014 Equity Incentive Plan. 1,157,405 options have been issued and 842,595 shares are available for issuance at December 31, 2017

⁽³⁾Consists of (i) warrants to purchase 435,000 shares of common stock granted by Trxade Group, Inc., and our predecessor in interest to consultants in October 2013.

Stock Transfer Agent

Our Stock Transfer Agent is Action Stock Transfer, 2469 E. Fort Union Blvd, Suite 214, Salt Lake City, UT 84121.

Recent Sales of Unregistered Securities

During the past year, other than those securities previously reported on Form 10-Q or on a Current Report on Form 8-K, we issued and sold the following securities without registration under the Securities Act of 1933, as amended (the "Securities Act"):

In February 2017, 25,000 shares of Common Stock were issued when warrants were exercised at \$0.01 with strike price for \$250.00. In March 2017, 50,000 shares of Common Stock were issued for services performed for the Company and valued at fair value of \$12,500.

The use of proceeds associated with the above listed sales of unregistered securities was for general working capital purposes. The issuances and grants described above were exempt from registration pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering pursuant to benefit plans and contracts relating to compensation as provided under Rule 701, or were exempt private placements under Section 4(2), Rule 506 of Regulation D and/or Regulation S of the Securities Act, since the foregoing issuances and grants did not involve a public offering, the recipients took the securities for investment and not resale, we took appropriate measures to restrict transfer, and the recipients were (a) "accredited investors"; (b) had access to similar documentation and information as would be required in a Registration Statement under the Act; (c) were non-U.S. persons; and/or (d) were officers or directors of the Company.

Repurchase of Securities

The Company did not purchase any shares of its common stock during the year ended December 31, 2017.

Item 6. Selected Financial Data

Not applicable to a "smaller reporting company" as defined in Item 10(f)(1) of SEC Regulation S-K.

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

Forward-Looking Statements

Our Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is provided in addition to the accompanying consolidated financial statements and notes to assist readers in understanding our results of operations, financial condition, and cash flows. MD&A is organized as follows:

Overview. Discussion of our business and overall analysis of financial and other highlights affecting us, to provide context for the remainder of MD&A.

Liquidity and Capital Resources. An analysis of changes in our balance sheets and cash flows and discussion of our financial condition.

Results of Operations. An analysis of our financial results comparing the twelve months ended December 31, 2017 and 2016.

Critical Accounting Policies. Accounting estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results and forecasts.

The following discussion should be read in conjunction with our consolidated financial statements and accompanying notes included elsewhere in this report. The following discussion contains forward-looking statements regarding future events and the future results of the Company that are based on current expectations, estimates, forecasts, and projections about the industry in which the Company operates and the beliefs and assumptions of the management of the Company. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," variations of such words, and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed elsewhere in this Report, particularly under "Part I, Item 1A. Risk Factors," and in other reports we file with the SEC. All references to years relate to the calendar year ended December 31 of the particular year. The Company undertakes no obligation to revise or update publicly any forward-looking statements for any reason. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Report.

The following discussion is based upon our Consolidated Financial Statements included elsewhere in this report, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingencies. In the course of operating our business, we routinely make decisions as to the timing of the payment of invoices, the collection of receivables, the shipment of products, the fulfillment of orders, the purchase of supplies, and the building of inventory, among other matters. Each of these decisions has some impact on the financial results for any given period. In making these decisions, we consider various factors including contractual obligations, customer satisfaction, competition, internal and external financial targets and expectations, and financial planning objectives. On an on-going basis, we evaluate our estimates, including those related to sales returns, pricing credits, warranty costs, allowance for doubtful accounts, impairment of long-term assets, especially goodwill and intangible assets, contract manufacturer exposures for carrying and obsolete material charges, assumptions used in the valuation of stock-based compensation, and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Company Overview

We have designed and developed, and now own and operate business-to-business web based marketplace focused on the US pharmaceutical industry. Our core service brings the nation's independent pharmacies and accredited national suppliers of pharmaceuticals together to provide efficient and transparent buying and selling opportunities.

We began operations under Trxade Nevada in August of 2010 and spent over two years creating and enhancing our web-based services. Our services provide enhanced pricing transparency, purchasing capabilities and other value added services on a single platform to focus on serving the nation's approximately 24,000 independent pharmacies with an annual purchasing power of \$96 billion. Our national supplier partners are able to fulfill orders on our platform immediately and provide the pharmacy with cost saving payment terms and next day delivery capabilities in unrestrictive states under the Model State Pharmacy Act and Model Rules of the National Association of Boards of Pharmacy (Model Act). Important additions to this platform further include the generation of pharmacy to pharmacy trading capabilities to help independents with their overstocked inventories in a more organized manner. We expanded rapidly since 2015 and now have over 8,500 registered pharmacy members purchasing on our platform.

In December 2013 we launched a second service to help pharmaceutical distributors better source their pharmaceutical needs within a highly structured single platform. This solution is designed to help purchasers overcome pharmaceutical supply issues related to drug shortages, as a means to control costs on drugs with volatile pricing and to help buyers make better purchasing choices based on their needs.

Additionally, we built and, in February 2014, launched, a new desktop application, named RxGuru, to bring product information on a just in time basis to our member base. Our pharmacy members should benefit from this application by gaining advanced data analytics at point of purchase and patient care. RxGuru has been upgraded to continue the benefit to the pharmacies.

In 2015 and 2016, the Company, through Westminster Pharmaceuticals, LLC, our wholly-owned subsidiary and distribution division, launched a private label pharmaceutical product program, and entered into various supply contracts with pharmaceutical manufactures to supply Westminster with generic pharmaceutical products on a private label basis to sell to our customers. In connection with this expansion, Westminster received significant funding in late 2015 and early 2016. Westminster was not profitable and in December 2016 the Company sold this division and exited the private label distribution business.

Company Organization

Trxade Group, Inc. ("Company") owns 100% of Trxade, Inc., and Integra Pharma Solutions, LLC (formerly Pinnacle Tek, Inc.), and Alliance Pharma Solutions, LLC. The reverse subsidiary merger of Trxade, Inc. and Trxade Group, Inc. occurred in July 2013. INTEGRA was merged through a subsidiary with Trxade Group, Inc. in July 2013. Alliance Pharma Solutions, LLC was formed in January 2018. The Company also owned 100% of Westminster Pharmaceutical LLC, which was formed in January 2013, until this division was sold in December 2016. Trxade, Inc. is a web based market platform that enables trade among healthcare buyers and sellers of pharmaceuticals, accessories and services.

Inactive or discontinued segments:

Westminster Pharmaceutical LLC, provided US state licensed pharmacies and other buying groups with FDA approved pharmaceuticals under a private label program. This division was sold in December 2016.

In 2016 the Company formed ShopRX, Ltd. the Company's UK based subsidiary. The Company had hoped to establish a similar business to Trxade, Inc. in the United Kingdom in the future under this entity. This division was shut down in December 2016 and later dissolved and has no material impact on the Company's operation results.

Integra Pharma Solutions, LLC, (formerly Pinnacle Tek, Inc.) was the Company's wholly-owned technology consulting division. This division has not been active and has no material impact on the Company's operation results. INTEGRA is now intended to serve as the Company's logistics company for pharmaceutical manufacturers.

Liquidity and Capital Resources

Cash and Cash Equivalents

Cash and cash equivalents were \$183,914 at December 31, 2017. We expect that our future available capital resources will consist primarily of cash generated from operations, remaining cash balances, borrowings, and any additional funds raised through sales of debt and/or equity.

Liquidity

Cash and cash equivalents, current assets, current liabilities, short term debt and working capital at the end of each period were as follows:

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Cash and cash equivalents	\$ 183,914	\$ 14,679
Current assets (excluding cash and cash equivalents)	423,562	322,445
Current liabilities (excluding short term debt)	263,045	703,831
Short term debt	262,312	770,763
Working Capital	82,119	(1,137,470)

Our principal sources of liquidity have been cash provided by operations, equity capital and borrowings under various debt arrangements. Our principal uses of cash have been for operating expenses. We anticipate these uses will continue to be our principal uses of cash in the future.

The increase in cash and cash equivalents was primarily due to equity capital and operating income. The increase in our current assets was primarily due to higher cash and prepaid assets. Cash and prepaid assets increased by \$169,235 and \$79,657, respectively.

Current liabilities decrease is primarily due to the extension and payment of short term debt.

Liquidity Outlook cash explanation.

Cash Requirements

Our primary objectives for 2018 are to continue the development of the Trxade Platform and increase our client base and operational revenue. Additional funds will be needed to continue to expand our platform and customer base, and cover general and administrative expense. We expect to pursue raising capital to fund our operations and provide personnel to expand operations and required working capital. Through these efforts, management believe the Company will be able to obtain the liquidity necessary to fund company operations for the foreseeable future, however there is no assurance that our operations will generate significant positive cash flow, or that additional funds will be available to us, through borrowings or otherwise, on favorable terms when required, or at all.

We estimate our operating expenses and working capital requirements for the next 12 months to be approximately as follows:

<u>Expense</u>	<u>Amount</u>
General and administrative ⁽¹⁾	\$ 2,975,000
Total	\$ 2,975,000

(1) Includes wages and payroll, legal and accounting, marketing, rent and web development.

Since inception, we have funded our operations primarily through debt and equity capital raises and operational revenue. In 2017, common Stock was issued for \$250,000 and new unsecured related party long term debt of approximately \$200,000.

We expect to continue to seek additional outside funding in the future although no assurance can be given that we will be able to obtain financing on reasonable terms or revenues will continue. If we obtain additional financing by issuing equity securities, our existing stockholders' ownership will be diluted. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments. We may be unable to maintain operations at a level sufficient for investors to obtain a return on their investments in our common stock.

We will need significantly more cash to implement our plan to operate a business-to-business web based marketplace focused on the US pharmaceutical industry. Our core service is designed to bring the nation's independent pharmacies and accredited national suppliers of pharmaceuticals together to provide efficient and transparent buying and selling opportunities.

Cash Flows

The following table summarizes our Consolidated Statements of Cash Flows for the fiscal years ended December 31, 2017 and 2016:

	Fiscal Year Ended	
	December 31, 2017	December 31, 2016
Loss from discontinued operations	\$ -	\$ (1,587,017)
Net Income (Loss) from continuing operations	288,983	(1,173,108)
Net cash provided by (used in) continuing operations:		
Operating activities	171,670	(503,529)
Financing activities	(2,435)	621,389
Net cash provided by (used in) discontinued operations:		
Operating activities	-	(809,889)
Investing activities	-	78,000
Financing activities	-	550,000
Net increase (decrease) in cash and cash equivalents	169,235	(64,029)

Cash provided by operations for the fiscal year ended December 31, 2017 was \$171,670. This compared to \$503,529 net cash used in operating activities for the fiscal year 2016.

There were no investing activities in continuing operations.

Financing activities in 2017 included \$180,000 proceeds from long term debt and \$250,000 in common stock issuance.

Results of Operations

The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and the notes to these statements included in Item 8 of this report. For all years presented, the consolidated statements of income and consolidated balance sheet data set forth in this Form 10-K have been adjusted for the reclassification of discontinued operations information, unless otherwise noted. See Note 3 to the consolidated financial statements in Item 8 for additional information on discontinued operations.

Fiscal Year Ended December 31, 2017 Compared to Fiscal Year Ended December 31, 2016

Continuing Operations

	Fiscal Year Ended	
	December 31, 2017	December 31, 2016
Revenues	\$ 2,931,280	\$ 2,481,866
Operating Expenses:		
General and Administrative	2,268,350	3,341,515
Warrants and Options Expense	267,835	147,630
Total Operating Expense	2,536,185	3,489,145
Other Income	67,500	23,250
Loss on extinguishment of debt	16,556	37,579
Interest Expense	157,056	151,500
Income (Loss) from Continuing Operations	288,983	(1,173,108)
Loss from Discontinued Operations	-	(1,784,625)
Gain from sale of Discontinued Operations	-	197,608

Substantially all of our revenues during the years ended December 31, 2017, and 2016 were from platform revenue. Revenues increased for the Fiscal Year ended December 31, 2017 to \$2,931,280 compared to \$2,481,866 for the comparable period in 2016. This increase was attributable to the mix of pharmaceuticals sold on the platform, brands vs. generics, the fee for generics are higher than brands. Our sales department has continued to add customers in 2017 through direct marketing and customer training.

General and administrative expenses decreased for the fiscal year ended December 31, 2017 to \$2,268,350 compared to \$3,341,515 for the comparable period in 2016. There was a decrease in employee cash compensation expense in the 2017 period due to decreased staffing of our pharmaceutical platform as it reached its operational phase.

Warrant and options expense in the 2017 and 2016 period represents compensation cost related to the issuance of employee stock options.

Interest expense in 2017 was as a result of approximately \$700,000 in debt borrowings. Interest expense in 2016 was as a result of approximately \$2,000,000 in debt borrowings.

Discontinued Operations

Westminster Pharmaceuticals, LLC was sold in December 2016 as a discontinued operation. For further discussion of the discontinued operations, see Note 3 of the consolidated financial statements contained under Item 8 of Part II of the Form 10-K.

Contractual Obligations and Commitments

In addition to our long-term debt obligations to our various lenders, we have certain other contractual working capital obligations, including contractual purchase obligations related to various supply contracts.

The following table summarizes our contractual obligations as of December 31, 2017:

Contractual Obligations	Total	Payments due by Period			
		Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Short and Long-term debt obligations	\$ 666,516	262,464	404,052	-	-
Operating lease obligations	312,342	92,400	219,942	-	-
Total Contractual obligations	\$ 978,858	354,864	623,994	-	-

Off-Balance Sheet Arrangements

We had no outstanding off-balance sheet arrangements as of December 31, 2017.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of net sales and expenses for each period. The following represents a summary of our critical accounting policies, defined as those policies that we believe are the most important to the portrayal of our financial condition and results of operations and that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain.

Revenue Recognition

In general, the Company accounts for revenue recognition in accordance with ASC 605, "Revenue Recognition".

Trxade, Inc. generates net fee income as a percentage of the total transactions between the buyer (independent pharmacies) and the seller (wholesaler) of pharmaceutical drugs on the Trxade web-based platform. Revenue is recognized when (1) the price is fixed and determined as the buyer orders the drugs from the wholesaler. (2) The wholesaler has signed a contract with Trxade, Inc. which recognizes that an arrangement exists. (3) The wholesaler ships the drugs purchased to the buyer, revenue is recognized. (4) The collectability is reasonably assured by the wholesaler through prior credit checks and payment experience.

Westminster Pharmaceutical LLC generated gross revenues from the sale of pharmaceutical drugs to independent pharmacies or wholesalers. The revenue recognized when (1) the price is fixed and determinable at the time of the transaction with an invoice. (2) The invoice is also persuasive evidence that an arrangement exists. (3) The products are delivered to the buyer. (4) The collectability of the resulting receivable is reasonably assured by credit check prior to the transaction and experience with the customer.

In future reporting periods, the Company will account for revenue recognition in accordance with ASC 606, "Revenue from Contracts with Customers".

Stock-Based Compensation

The Company accounts for stock-based compensation to non-employees in accordance with the provision of ASC 505, "Equity Based Payments to Non-Employees" ("ASC 505"), Share Based Payments to Non-Employees, and ASC 505 which requires that such equity instruments are recorded at their fair value on the measurement date. The measurement of stock-based compensation is subject to periodic adjustment as the underlying instruments vest.

The Company accounts for stock-based compensation to employees in accordance with ASC 718, "Compensation-Stock Compensation". ASC 718 requires companies to measure the cost of employee services received in exchange for an award of equity instruments, including stock options, based on the grant date fair value of the award and to recognize it as compensation expense over the period the employee is required to provide service in exchange for the award, usually the vesting period. Stock option forfeitures are recognized at the date of employee termination.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to a "smaller reporting company" as defined in Item 10(f)(1) of SEC Regulation S-K

Item 8. Financial Statements and Supplementary Data

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TRXADE GROUP, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of directors of
Trxade Group, Inc.
Land O'Lakes, Florida

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Trxade Group, Inc., and its subsidiaries (collectively, the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations, changes in shareholders' deficit, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ MaloneBailey, LLP
MaloneBailey, LLP

www.malonebailey.com

We have served as the Company's auditor since 2013.
Houston, Texas
March 1, 2018

Trxade Group, Inc.
Consolidated Balance Sheets
December 31, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash	\$ 183,914	\$ 14,679
Accounts Receivable, net	319,467	299,113
Prepaid Assets	102,095	22,438
Other Current Assets	2,000	894
Total Current Assets	607,476	337,124
Other Assets		
Deposit	10,000	-
Total Assets	\$ 617,476	\$ 337,124
Liabilities and Shareholders' Deficit		
Current Liabilities		
Accounts Payable	\$ 106,084	\$ 236,849
Accrued Liabilities	156,961	466,982
Short Term Notes Payable, net of \$152 and \$40,306 discount	10,587	392,379
Short Term Convertible Notes Payable, net of \$0 and \$0 discount	-	165,000
Short Term Notes Payable – Related Party	-	10,000
Short Term Convertible Notes Payable – Related Parties, net of \$0 and \$48,341 discount	251,725	203,384
Total Current Liabilities	525,357	1,474,594
Long Term Liabilities		
Convertible Note Payable	181,500	-
Notes Payable, net of \$0 and \$152 discount	-	10,587
Notes Payable – Related Parties	222,552	-
Total Liabilities	929,409	1,485,181
Shareholders' Deficit		
Series A Preferred Stock, \$.00001 par value, 10,000,000 authorized; 0 and 0 issued and outstanding, as of December 31, 2017 and 2016, respectively	-	-
Common Stock, \$.00001 par value, 100,000,000 authorized; 31,985,827 and 31,660,827 issued and outstanding as of December 31, 2017 and 2016 respectively	320	316
Additional Paid-in Capital	7,807,860	7,260,723
Accumulated Deficit	(8,120,113)	(8,409,096)
Total Shareholder's Deficit	(311,933)	(1,148,057)
Total Liabilities and Shareholders' Deficit	\$ 617,476	\$ 337,124

The accompanying notes are an integral part of the consolidated financial statements.

Trxade Group, Inc.
Consolidated Statements of Operations
Years Ended December 31, 2017 and 2016

	Years Ended	
	2017	2016
Revenues	\$ 2,931,280	\$ 2,481,866
Operating Expenses		
General and Administrative	<u>2,536,185</u>	<u>3,489,145</u>
Operating Income (Loss)	395,095	(1,007,279)
Other Income	67,500	23,250
Loss on Extinguishment of Debt	(16,556)	(37,579)
Interest Expense	<u>(157,056)</u>	<u>(151,500)</u>
Income (Loss) from Continuing Operations	288,983	(1,173,108)
Loss from Discontinued Operations	-	(1,784,625)
Gain from sale of Discontinued Operations	<u>-</u>	<u>197,608</u>
Net Income (Loss)	<u>\$ 288,983</u>	<u>\$ (2,760,125)</u>
Net Income (Loss) per Common Share – Basic:		
Continuing operations	<u>\$ 0.01</u>	<u>\$ (0.04)</u>
Discontinued operations	<u>\$ -</u>	<u>\$ (0.05)</u>
Total	<u>\$ 0.01</u>	<u>\$ (0.09)</u>
Net Income (Loss) per Common Share – Diluted:		
Continuing operations	<u>\$ 0.01</u>	<u>\$ (0.04)</u>
Discontinued operations	<u>\$ -</u>	<u>\$ (0.05)</u>
Total	<u>\$ 0.01</u>	<u>\$ (0.09)</u>
Weighted Average Common Shares outstanding Basic:	31,955,416	31,544,868
Weighted Average Common Shares outstanding Diluted:	34,086,251	31,544,868

The accompanying notes are an integral part of the consolidated financial statements.

Trxade Group, Inc.
Consolidated Statements of Changes in Shareholders' Deficit
Years Ended December 31, 2017 and 2016

Balance at	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity (Deficit)
	Shares	Amount	Shares	Amount			
December 31, 2015	-	\$ -	31,435,827	\$ 314	\$ 5,915,674	\$ (5,648,971)	\$ 267,017
Common Stock Issued for Cash	-	-	225,000	2	300,238	-	300,240
Warrants Issued for debt Amendment	-	-	-	-	37,579	-	37,579
Warrants Issued for sale of Westminster	-	-	-	-	688,143	-	688,143
Options Expense	-	-	-	-	147,630	-	147,630
Beneficial Conversion features and Relative fair value of warrants	-	-	-	-	171,459	-	171,459
Net Loss	-	-	-	-	-	(2,760,125)	(2,760,125)
December 31, 2016	-	\$ -	31,660,827	\$ 316	\$ 7,260,723	\$ (8,409,096)	\$ (1,148,057)
Common Stock Issued for Cash	-	-	250,000	3	249,997	-	250,000
Common Stock Issued for Services	-	-	50,000	1	12,499	-	12,500
Warrants Issued for debt Amendment	-	-	-	-	16,556	-	16,556
Warrants Exercised	-	-	25,000	-	250	-	250
Options Expense	-	-	-	-	267,835	-	267,835
Net Income	-	-	-	-	-	288,983	288,983
December 31, 2017	-	\$ -	31,985,827	\$ 320	\$ 7,807,860	\$ (8,120,113)	\$ (311,933)

The accompanying notes are an integral part of the consolidated financial statements.

Trxade Group, Inc.
Consolidated Statements of Cash Flows
Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Activities:		
Net Income/(Loss)	\$ 288,983	\$ (2,760,125)
Loss From discontinued operations	-	(1,587,017)
Net Income/(Loss) from continuing operations	<u>288,983</u>	<u>(1,173,108)</u>
Adjustments to reconcile net income (loss) to net cash provided by (used in) Operating activities:		
Recovery of Bad Debt	-	(150)
Options expense	267,835	147,630
Loss on Debt Extinguishment	16,556	37,579
Amortization of Debt Discount	88,647	111,288
Stock Issued for Services	12,500	-
Changes in operating assets and liabilities:		
Accounts Receivable	(20,354)	55,779
Prepaid Assets and Other Assets	(90,763)	67,366
Accounts Payable	(98,213)	16,498
Accrued Liabilities and Other Liabilities	(293,521)	233,589
Net Cash provided by (used in) operating activities	<u>171,670</u>	<u>(503,529)</u>
Financing Activities:		
Cash paid as Original Issue Discount	-	(45,000)
Proceeds from Debt – Related Parties	-	10,000
Repayments of Debt Note Payable	(432,685)	(54,735)
Proceeds from Debt Note Payable	-	209,159
Repayments of Convertible Note	-	(50,000)
Proceeds from Convertible Note – Related Parties	180,000	251,725
Proceeds from Issuance of Common Stock	250,000	300,000
Proceeds from Warrants exercise	250	240
Net Cash (used in)/provided by financing activities	<u>(2,435)</u>	<u>621,389</u>
Discontinued Operations:		
Net cash used in operating activities	-	(809,889)
Net cash used in investing activities	-	(78,000)
Net cash used in financing activities	-	550,000
Net cash used in discontinued operations	<u>-</u>	<u>(181,889)</u>
Net increase or (Decrease) in Cash	169,235	(64,029)
Cash at Beginning of the Year	14,679	78,708
Cash at End of the Year	<u>\$ 183,914</u>	<u>\$ 14,679</u>
Supplemental Cash Flow Information		
Cash Paid for Interest	\$ 71,210	\$ 23,556
Cash Paid for Income Taxes	\$ -	\$ -
Non-Cash Transactions		
Reclass from accrued interest to short term convertible notes	\$ 16,500	\$ 15,000
Arrangement to move related party accounts payable to notes payable	\$ 32,552	\$ -
Beneficial conversion features and relative fair value of warrants	\$ -	\$ 171,459

The accompanying notes are an integral part of the consolidated financial statements.

Trxade Group, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016

NOTE 1 – ORGANIZATION

Trxade Group, Inc. ("we", "our", "Trxade", the "Company") owns 100% of Trxade, Inc., Integra Pharma Solutions, LLC and ShopRX, Ltd. The merger of Trxade, Inc. and Trxade Group, Inc. occurred in May 2013. ShopRX, Ltd. was formed in 2016.

Trxade, Inc. operates a web based market platform that enables trade among healthcare buyers and sellers of pharmaceuticals, accessories and services.

In December 2016 the Company sold Westminster Pharmaceutical LLC. Westminster provided US state licensed pharmacies and other buying groups with FDA approved pharmaceuticals. The Westminster Pharmaceuticals LLC division, which was sold in December 2016, is included in the consolidated financial statements and is presented as discontinued operations as more fully described in Note 3 - DISCONTINUED OPERATIONS.

In December 2016 the Company ceased operation of ShopRX, Ltd. the Company's UK based subsidiary. The Company had hoped to establish a similar business to Trxade, Inc. in the United Kingdom in the future under this entity. The startup costs were expensed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and include all the notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for fair presentation of the financial statements have been included.

The summary of significant accounting policies presented below is designed to assist in understanding the Company's financial statements. Such financial statements and accompanying notes are the representations of the Company's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America ("GAAP") in all material respects, and have been consistently applied in preparing the accompanying financial statements.

Basis of Presentation – The Company has incurred losses for the past several years while pursuing the development of private label pharmaceutical products through Westminster Pharmaceuticals, LLC. The net losses incurred were \$2.7 million in 2016. Westminster Pharmaceuticals, LLC was sold in December 2016. See NOTE 3 – Discontinued operations.

Historically, operations have been funded primarily through the sale of equity or debt securities and operating activities. In 2017, the Company restructured outstanding debt from short term to long term (See Note 5), raised capital (See Note 6) and had positive operating cash flow from operations. The Company has the ability to maintain the current level of spending or reduce expenditures to maintain operations if funding is not available.

The Company's financial statements for the prior year December 31, 2016 disclosed substantial doubt about the company's ability to continue as a going concern. Based on management's plans, capital raised, restructure of debt obligations and operating results during the subsequent year ended December 31, 2017, that substantial doubt has been resolved.

Use of Estimates – In preparing these financial statements, management is required to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Reclassification – Certain prior year amounts have been reclassified to conform to the current year presentation.

Principle of Consolidation – The Company's consolidated financial statements include the accounts of Trxade Group, Inc., Trxade, Inc., and Integra Pharma Solutions, Inc. (Pinnacle Tek, Inc). All significant intercompany accounts and transactions have been eliminated. The Westminster Pharmaceuticals LLC division, which was sold in December 2016, is included in the consolidated financial statements and is presented as discontinued operations as more fully described in Note 3 - DISCONTINUED OPERATIONS.

Cash and Cash Equivalents – Cash in bank accounts are at risk to the extent that they exceed U.S. Federal Deposit Insurance Corporation insured amounts. All investments purchased with a maturity of three months or less are cash equivalents. Cash and cash equivalents are available on demand and are generally within of FDIC insurance limits for 2017.

Trxade Group, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable – The Company’s receivables are from customers and are collected within 90 days. The Company determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. During the year ended December 31, 2017 and 2016, \$0 of bad debt expense and \$150 of recovery of bad debt was recognized, respectively.

Beneficial Conversion Features – The intrinsic value of a beneficial conversion feature inherent to a convertible note payable, which is not bifurcated and accounted for separately from the convertible note payable and may not be settled in cash upon conversion, is treated as a discount to the convertible note payable. This discount is amortized over the period from the date of issuance to the date the note is due using the effective interest method. If the note payable is retired prior to the end of its contractual term, the unamortized discount is expensed in the period of retirement to interest expense. In general, the beneficial conversion feature is measured by comparing the effective conversion price, after considering the relative value of detachable instruments included in the financing transaction, if any, to the fair value of the common shares at the commitment date to be received upon conversion.

Derivative financial instruments – The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. For stock-based derivative financial instruments, the Company uses a Black-Scholes option pricing model, assuming maximum value, in accordance with ASC 815-15 "Derivative and Hedging" to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

Fair Value of Financial Instruments – The Company measures its financial assets and liabilities in accordance with the requirements of FASB ASC 820, "Fair Value Measurements and Disclosures". ASC 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, marketable securities and listed equities.

Level 2 – Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reported date and includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category generally include non-exchange-traded derivatives such as commodity swaps, interest rate swaps, options and collars.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value.

The Company does not have any assets or liabilities that are required to be measured and recorded at fair value on a recurring basis.

The carrying amounts of cash, accounts receivable, accounts payable, accrued liabilities and short-term debt approximate fair value because of the short-term nature of these instruments. The carrying amount of long-term debt approximates fair value because the debt is based on current rates at which the Company could borrow funds with similar maturities.

Revenue Recognition – In general the Company accounts for revenue recognition in accordance with ASC 605, "Revenue Recognition".

Trxade Group, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trxade, Inc. generates net fee income as a percentage of the total transactions between the buyer (independent pharmacies) and the seller (wholesaler) of pharmaceutical drugs on the Trxade web-based platform. Revenue is recognized when (1) the price is fixed and determined as the buyer orders the drugs from the wholesaler. (2) The wholesaler has signed a contract with Trxade, Inc. which recognizes that an arrangement exists. (3) The wholesaler ships the drugs purchased to the buyer. (4) The collectability is reasonably assured by the wholesaler through prior credit checks and payment experience.

Westminster Pharmaceutical LLC generated gross revenues from the sale of pharmaceutical drugs to independent pharmacies or wholesalers. The revenue is recognized when (1) the price is fixed and determinable at the time of the transaction with an invoice. (2) The invoice is also persuasive evidence that an arrangement exists. (3) The products are delivered to the buyer. (4) The collectability of the resulting receivable is reasonably assured by credit check prior to the transaction and experience with the customer. The Westminster revenue is presented as discontinued operations and is fully described in Note 3 - DISCONTINUED OPERATIONS.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (Topic 606) "Revenue from Contracts with Customers." Topic 606 supersedes the revenue recognition requirements in Accounting Standards Codification Topic 605, "Revenue Recognition", and requires entities to recognize revenue when they transfer control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Company will adopt ASU 2014-09 using the modified retrospective approach effective January 1, 2018, under which prior periods will not be retrospectively adjusted. We expect the adoption of Topic 606 will not have a material impact to our consolidated financial statements, including the presentation of revenues in our Consolidated Statements of Operations.

Stock-Based Compensation – The Company accounts for stock-based compensation to non-employees in accordance with the provision of ASC 505, "Equity Based Payments to Non-Employees" ("ASC 505"), which requires that such equity instruments are recorded at their fair value on the measurement date. The measurement of stock-based compensation is subject to periodic adjustment as the underlying instruments vest.

The Company accounts for stock-based compensation to employees in accordance with ASC 718, "Compensation-Stock Compensation". ASC 718 requires companies to measure the cost of employee services received in exchange for an award of equity instruments, including stock options, based on the grant date fair value of the award and to recognize it as compensation expense over the period the employee is required to provide service in exchange for the award, usually the vesting period. Stock option forfeitures are recognized at the date of employee termination.

Income Taxes – The Company accounts for income taxes utilizing ASC 740, "Income Taxes" (SFAS No. 109). ASC 740 requires the measurement of deferred tax assets for deductible temporary differences and operating loss carry forwards, and of deferred tax liabilities for taxable temporary differences. Measurement of current and deferred tax liabilities and assets is based on provisions of enacted tax law. The effects of future changes in tax rates are not included in the measurement. The Company recognizes the amount of taxes payable or refundable for the current year and recognizes deferred tax liabilities and assets for the expected future tax consequences of events and transactions that have been recognized in the Company's financial statements or tax returns. The Company currently has substantial net operating loss carry forwards. The Company has recorded a 100% valuation allowance against net deferred tax assets due to uncertainty of their ultimate realization. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Tax years from 2014 forward are open to examination by the Internal Revenue Service.

Trxade Group, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income (loss) Per Share – Basic net income (loss) per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding. Diluted net loss per common share is computed similar to basic net loss per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. The dilutive effect of the Company's options and warrants is computed using the treasury stock method while the dilutive effect of our convertible notes is computed using the if-converted method.

The following table sets forth the computation of basic and diluted Loss per Share:

	December 31, 2017	December 31, 2016
Numerator:		
Net Income (Loss)	\$ 288,983	\$ (2,760,125)
Net Loss from discontinued operations	-	(1,587,017)
Net Income (Loss) from continuing operations	288,983	(1,173,108)
Numerator for basic and diluted EPS – income (loss)		
Available to common shareholders	288,983	(2,760,125)
Numerator for basic and diluted EPS – income (loss)		
From discontinued operations	-	(1,587,017)
Denominator:		
Denominator for basic EPS – Weighted average shares	31,955,416	31,544,868
Dilutive Effect of Warrants	2,130,835	-
Denominator for diluted EPS – adjusted weighted-average shares and assumed conversions	34,086,251	31,544,868
Basic and Diluted income (loss) per common share	\$ 0.01	\$ (0.09)
Basic and Diluted income (loss) per common share from discontinued Operations	\$ -	\$ (0.05)
Basic and Diluted income (loss) per common share from continuing Operations	\$ 0.01	\$ (0.04)

Concentration Of Credit Risks And Major Customers - Financial instruments that potentially subject the company to credit risk consist principally of cash and cash equivalents and receivables. The Company places its cash and cash equivalents with financial institutions. Deposits are insured to Federal Deposit Insurance Corp limits. At December 31, 2017 and 2016, there were no uninsured cash or cash equivalents. During the years ended December 31, 2017 and 2016, sales to two customers represent individually greater than 10% of revenue.

Recent Accounting Pronouncements – The Company has implemented all new relevant accounting pronouncements that are in effect through the date of these financial statements. The pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its consolidated financial position or results of operations.

NOTE 3 – DISCONTINUED OPERATIONS

On December 31, 2016, the Company entered into and consummated the sale of 100% of its equity interests in its wholly-owned subsidiary, Westminster Pharmaceuticals, LLC, a Delaware limited liability company ("Westminster"). The purchase price was the transfer of \$1,197,354 assets, the transfer of \$(3,908,296) of liabilities, 1,500,000 warrants issued with a fair market value of \$688,143 which was calculated based on the Black-Scholes model, cancellation of \$1,557,810 intercompany balance due to Trxade Group, Inc. and remaining debt discount of \$267,381 being written off. The transaction resulted in a gain of \$197,608. The schedule below summarizes the sale arrangement:

Assumed Assets	\$ 1,197,354
Assumed Liabilities	\$ (3,908,296)
Cancellation of intercompany payables	\$ 1,557,810
Write-off unamortized debt discount	\$ 267,381
Issuance of 1,500,000 warrants	\$ 688,143
Gain on sale of Westminster	\$ (197,608)

Trxade Group, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016

NOTE 3 – DISCONTINUED OPERATIONS (continued)

Results of Discontinued Operations for the:

	Year Ended December 31, 2016
Revenue	\$ 2,966,411
Cost of Goods Sold	\$ 2,673,338
Operating Expenses	\$ 2,077,698
Loss from discontinued operations	\$ (1,784,625)

Assets and Liabilities of Discontinued Operations as of

	December 31, 2016
Cash	\$ 65,386
Accounts Receivable	30,499
Inventory, net of \$30,413 obsolescence reserve	641,525
Prepaid Assets and other advances	75,221
Fixed Assets, net of accumulated amortization	65,000
Other Assets	319,723
Total Assets	<u>\$ 1,197,354</u>
Intercompany payable	\$ 1,557,810
Accounts payable	620,881
Accrued Liabilities	229,605
Convertible Note	1,500,000
Total Liabilities	<u>\$ 3,908,296</u>

In July 2016, the purchase of ERP software was completed. The cost of the acquisition was \$78,000 and the total balance was outstanding at December 31, 2016. The depreciation for the current year is \$13,000.

Convertible Promissory Note Assumed

The convertible promissory notes assumed were originally issued to the buyer of Westminster Pharmaceuticals, LLC.

Secured convertible promissory notes were issued in the aggregate amount of \$950,000 in November and December 2015. The original term of the notes was three years. In June 2016, the note was extended to a four-year maturity for consideration of a senior secured position on the assets of the Company. Interest rate is a "Royalty Payment" which consists of a percentage of net Profit of certain transactions, payable within 45 days of the end of each quarter. Prior to maturity the notes may be converted for common stock at a conversion price of \$2.50. The holders of the notes were granted a warrant to purchase 316,667 shares of common stock at a strike price of \$0.01 and an expiration date of five years from date of issuance.

In June, October and December 2016, an additional \$250,000, \$200,000 and \$100,000, respectively, was issued under the secured convertible promissory notes. The holders of the notes were granted additional warrants (under the same terms above) to purchase 83,334, 66,667 and 33,334, respectively, shares of common stock at a strike price of \$0.01.

The Company evaluated the embedded conversion feature within the above convertible notes under ASC 815-15 and ASC 815 40 and determined embedded conversion feature does not meet the definition of a liability. Then the Company evaluated the conversion feature for a beneficial conversion feature at inception. The Company accounted for the intrinsic value of a Beneficial Conversion Feature inherent to the convertible note payable and a total debt discount of \$0 was recorded. The Company also uses the Black-Scholes pricing model to estimate the fair value of the warrants issued along with convertible notes on the date of grant.

Trxade Group, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016

NOTE 3 – DISCONTINUED OPERATIONS (continued)

The Company accounted for relative fair value of the warrants issued and a total debt discount of \$251,883 was recorded in 2015. An additional discount of \$106,069 was recorded in 2016.

During 2016, a debt discount of \$80,298 was amortized. As part of the purchase and sale agreement the \$1,500,000 note was cancelled and the remaining debt discount of \$267,381 was expensed immediately at December 31, 2016.

NOTE 4 – SHORT-TERM DEBT AND RELATED PARTIES DEBT

Convertible Promissory Note

Convertible promissory notes were issued in the aggregate amount of \$200,000 in April and May 2015. The term of the notes was one year. Simple interest of 10% was payable at the maturity date of the note. Prior to maturity the notes may be converted for common stock at a conversion price of \$1.50. The holders of the notes were granted warrants at one share of common stock for every \$4.00 of the note principal amount, which totaled a warrant to purchase 50,000 shares of common stock. These warrants were issued at a strike price of \$1.50 and an expiration date of five years from date of issuance. The Company used the Black-Scholes pricing model to estimate the fair value of the warrants issued along with convertible notes on the date of grant. The Company accounted for the relative fair value of the warrants issued and a total debt discount \$53,546 was recorded.

In April and May 2016, \$50,000 of the \$200,000 in convertible promissory notes (plus \$5,000 in interest) was repaid. A one-year extension was executed on the remaining notes and the interest owed, totaling \$15,000 became part of the adjusted principal of notes and the balance of \$165,000 is due May 2017. In connection with the one-year extension of the maturity date of the outstanding notes, the holders of the notes were granted warrants at one common stock for \$4.00 of the note amount, and warrants to purchase 41,250 shares of common stock were issued at a strike price of \$1.50 and an expiration date of five years from date of issuance. The amendment of the note was considered a debt extinguishment and a loss on extinguishment of debt was booked in the amount of \$37,579.

In April 2017, \$165,000 in convertible promissory notes (plus \$5,500 in interest) was amended. A two-year extension was executed on the remaining notes and the interest owed, totaling \$16,500 became part of the adjusted principal of the notes and the balance of \$181,500 is due May 2019. The conversion price was adjusted to \$0.85 per share. In connection with the two-year extension of the maturity date of the outstanding notes, the holders of the notes were granted warrants to purchase 18,150 shares of common stock that was issued at a strike price of \$0.65 and an expiration date of five years from date of issuance. The amendment of the note was considered a debt extinguishment and a loss on extinguishment of debt was booked in the amount of \$11,512.

The Company evaluated the embedded conversion feature within the above convertible notes under ASC 815-15 and ASC 815-40 and determined that the embedded conversion feature does not meet the definition of a derivative liability. Then the Company evaluated the conversion feature for a beneficial conversion feature at inception. The Company accounted for the intrinsic value of a Beneficial Conversion Feature inherent to the convertible note payable the conversion was not beneficial and a total debt discount from the issued warrants of \$53,546 was recorded in 2015 and \$0 as of the date of the debt modification.

During 2016, a debt discount of \$35,697 was amortized. As of December 31, 2016, the short term convertible notes had a principal balance of \$165,000 with an unamortized debt discount of \$0.

During 2017, debt discount of \$0 was amortized. As of December 31, 2017, short-term convertible note has a balance of \$0, net of \$0 unamortized debt discount. See NOTE 5 – LONG TERM DEBT

Promissory Note

In May 2016, a promissory note that was issued in May 2015 was renewed in the face amount of \$250,000 and the term was extended an additional year. The note has an original issuance discount of \$45,000 and this amount was paid in cash at the renewal. During 2016, a debt discount of \$45,000 was amortized. As of December 31, 2016, the promissory note has a balance of \$250,000 with an unamortized debt discount of \$15,000.

During 2017 the debt discount of \$15,000 was fully amortized and the balance of \$250,000 was paid.

Trxade Group, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016

NOTE 4 – SHORT-TERM DEBT AND RELATED PARTIES DEBT (continued)

In October 2016, a promissory note was issued in the face amount of \$12,159. The term of the note was 30 days. It was paid in November of 2016.

In October 2016, a promissory note was issued in the face amount of \$47,000. The term of the note was one year. Payments are made daily and \$3,917 of principal was paid in 2016. At December 31, 2016 the balance was \$43,083. In 2017 \$43,083 of principal was paid and at December 31, 2017 the balance was \$0.

In September 2016, a promissory note was issued for \$189,000. The term of the note is 494 days. The debt discount was \$39,000 thus the initial net proceeds were \$150,000. At December 31, 2016, \$139,602 was classified as short term with a discount of \$25,306 and \$10,739 was classified as long term with a discount of \$152. Payments are made each weekday in the amount of \$537. In 2017, \$139,602 was paid off by cash and debt discount of \$25,306 was amortized.

As of December 31, 2017, short term promissory notes have a balance of \$10,739, net of \$152 unamortized debt discount.

Related Party Convertible Promissory Note

In August 2016, \$40,000 in promissory notes were issued to Mr. Shilpa Patel, a relative of Mr. Prashant Patel. The term of the note was one year. Simple interest of 10% is payable at the maturity date of the note. Prior to maturity the note may be converted for common stock at a conversion price of \$1.50.

In August 2017, \$40,000 in convertible promissory notes was amended. A one-year extension was executed to August 2018. In connection with the one-year extension of the maturity date of the outstanding notes, the holder of the notes was granted warrants to purchase 10,000 shares of common stock that was issued at a strike price of \$0.80 and an expiration date of five years from date of issuance. The amendment of the note was considered a debt extinguishment and a loss on extinguishment of debt was booked in the amount of \$5,044.

The Company evaluated the embedded conversion feature within the above convertible notes under ASC 815-15 and ASC 815-40 and determined that the embedded conversion feature does not meet the definition of a derivative liability. Then the Company evaluated the conversion feature for a beneficial conversion feature at inception. The Company accounted for the intrinsic value of a Beneficial Conversion Feature inherent to the convertible note payable and \$0 was recorded as of the grant date.

In September and October 2016, convertible promissory notes were issued in the aggregate amount of \$211,725 to a related party, Mr. Nitel Patel, the brother of Mr. Prashant Patel. The term of the notes was one year. Simple interest of 10% is payable at the maturity date of the notes. Prior to maturity the notes may be converted for common stock at a conversion price of \$0.62. In connection with the notes, the holders of the notes were granted warrants to purchase 52,861 shares of common stock. These warrants were issued at a strike price of \$0.62 and an expiration date of five years from date of issuance.

In April 2017, a \$61,725 related party note was renewed for a one-year extension at the same interest rate of 10%, due April 2018.

In September 2017, a \$150,000 related party note was renewed for a six-month extension at the same interest rate of 10%, due in February 2018.

The Company evaluated the embedded conversion feature within the above convertible notes under ASC 815-15 and ASC 815-40 and determined that the embedded conversion feature does not meet the definition of a derivative liability. Then the Company evaluated the conversion feature for a beneficial conversion feature at inception. The Company accounted for the intrinsic value of a Beneficial Conversion Feature inherent to the convertible note payable and the beneficial feature was not beneficial and a total debt discount of \$65,390 due to the warrants was recorded as of the grant date.

During 2016, a debt discount of \$17,049 was amortized. As of December 31, 2016, the short term related party convertible notes had a principal balance of \$251,725 with an unamortized debt discount of \$48,341.

During 2017, the remaining debt discount of \$48,341 was fully amortized. As of December 31, 2017, the short term related party convertible notes had a principal balance of \$251,725, net of an unamortized debt discount of \$0.

Trxade Group, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016

NOTE 4 – SHORT-TERM DEBT AND RELATED PARTIES DEBT (continued)

Related Party Promissory Note

In November 2016, Mr. Prashant Patel loaned the Company \$10,000. The term of the loan is 90 days and is at zero percent interest. The balance at December 31, 2016 was \$10,000.

In February 2017, \$7,280 of accounts payable to Mr. Patel was added to the loan. The term of the loan was extended for 90 days and is at zero interest rate. An additional \$25,272 of accounts payable was added to the loan in the second quarter and the balance of \$42,552 was converted to long-term debt in July 2017 and will mature in July 2020. See NOTE 5 – LONG TERM DEBT.

NOTE 5 – LONG TERM DEBT

There are \$181,500 in convertible promissory notes due in May 2019 as described in NOTE 4 – SHORT TERM DEBT.

Related Party Promissory Notes

In June 2017, the Company satisfied an outstanding promissory note, dated May 8, 2016, as amended, in the principal amount of \$250,000 (the "NPR Note"), made by between the Company and NPR INVESTMENT GROUP, LLC (the "Lender"). The NPR Note included a personal guarantee from Suren Ajjarapu and Prashant Patel, who both serve on the Board of Directors of the Company and are controlling stockholders of the Company. Further, Mr. Ajjarapu is the CEO and President of the Company and Mr. Patel is Vice Chairman and Executive Director of Strategy.

In connection with the foregoing satisfaction of the NPR Note above, the Company received funds in June 2017 and entered into a promissory note agreement on July 1, 2017, whereby the Company borrowed \$100,000 and \$80,000 from Sansur Associates, LLC, a limited liability company controlled by Mr. Ajjarapu, and Mr. Patel, respectively (the "Promissory Notes"). The term of each of these Notes is three years and they each bear interest at 6%, which is payable annually.

The note due to Mr. Patel is \$122,552. It comprises \$80,000 for the NPR note, \$17,280 for existing promissory note and \$25,272 assumption of credit card obligation related to business expenses of the Company.

At December 31, 2017, total related party long term debt was \$222,552.

Future maturities of both short-term and long-term debt in the next five years are as follows:

Due in 2018	\$	262,464
Due in 2019	\$	181,500
Due in 2020	\$	222,552
Due in 2021	\$	-
Due in 2022	\$	-
Total Debt	\$	<u>666,516</u>

NOTE 6 – SHAREHOLDERS' EQUITY

2016

Under a Private Offer Memorandum, 200,000 shares of common stock were issued for \$300,000 cash, which included 100,000 shares in June 2016 and 100,000 shares in August. The common stock was sold at \$1.50 per share. In connection with this common stock offering warrants to purchase 50,000 shares of common stock were issued at a strike price of \$0.01 and an expiration date of five years. Warrants were exercised for 25,000 shares of common stock at \$.01 for \$240.

2017

In January 2017, under a Private Offer Memorandum, 250,000 shares of common stock were issued for \$250,000 cash. The common stock was sold at \$1.00 per share. In connection with this common stock offering warrants to purchase 87,500 shares of common stock were issued with a strike price of \$0.01 and an expiration date of five years.

Trxade Group, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016

NOTE 6 – SHAREHOLDERS’ EQUITY (continued)

In February 2017, 25,000 shares were issued when warrants were exercised at \$.01 grant price for \$250.

In March 2017, 50,000 shares were issued for services performed for the Company and valued at fair value of \$12,500.

NOTE 7 - WARRANTS

In 2016, 41,250 warrants were issued as consideration of the debt amendment. See Note 4.

In 2016, 236,196 warrants were issued along with convertible debt. See Notes 4 and 5.

In 2016, 25,000 warrants were exercised at the price of \$240 and 50,000 warrants were issued along with stock subscription. See Note 6.

In December 2016, 1,500,000 warrants were issued in connection with the sale of Westminster. The fair value of the warrants were calculated based on the Black-Scholes model. See Note 3.

In 2017, 87,500 warrants were issued related to common shares sold for cash. See Note 6. Likewise, 28,150 were issued for renewal of convertible debt (see Note 4) and 25,000 warrants were exercised. No warrants were forfeited in 2017 and 2016.

The following table summarizes the assumptions used to estimate the fair value of warrants granted during the years ended December 31, 2017 and 2016:

	2017	2016
Expected dividend yield	0%	0%
Weighted-average expected volatility	200%	200%
Weighted-average risk-free interest rate	1.81% - 1.84%	1.35% - 1.36%
Expected life of warrants	5 years	5 years

The Company’s outstanding and exercisable warrants as of December 31, 2017 and 2016 are presented below:

	Number Outstanding		Weighted Average Exercise Price	Contractual Life in Years	Intrinsic Value
Warrants Outstanding as of December 31, 2015	845,000	\$	0.61	3.77	\$ 435,900
Warrants granted	1,827,446	\$	0.06	5.00	\$ -
Warrants Forfeited	-	\$	-	-	\$ -
Warrants Exercised	(25,000)	\$	0.01	-	\$ -
Warrants Outstanding and Exercisable as of December 31, 2016	2,647,446	\$	0.24	4.24	\$ 930,751
Warrants granted	115,650	\$	0.18	5.00	\$ -
Warrants Forfeited	-	\$	-	-	\$ -
Warrants Exercised	(25,000)	\$	0.01	-	\$ -
Warrants Outstanding and Exercisable as of December 31, 2017	2,738,096	\$	0.24	3.28	\$ 937,567

Trxade Group, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016

NOTE 8 - OPTIONS

The Company maintains a stock option plan under which certain employees and management are awarded option grants based on a combination of performance and tenure. All options may be exercised for a period up to four ½ years following the grant date, after which they expire. Options are vested up to 5 years from the grant date. The Board has authorized the use of 2,000,000 shares for option grants.

Stock options were granted during 2017 and 2016 to employees totaling, 263,846 and 189,000 respectively. These options vest over a period of 5 years, are granted with an exercise price of between \$0.41 - \$1.02 per share and have a term of 10 years. The last options expire October 2027.

Under the Black-Scholes option price model, fair value of the option granted in 2017 and 2016 were \$169,100 and \$184,697, respectively.

During the year ended December 31, 2016, 300,750 options were forfeited due to employee resignation. The options were not vested and the option expense reversed was \$139,954. During the year ended December 31, 2016, another 43,750 options expired.

In April 2017, 253,846 options were granted with an exercise price of \$0.65 and a term of 10 years from the grant date. The options vest over a period of one and four years. During the year ended December 31, 2017, 35,000 were forfeited and 75,500 expired.

In April 2017, four option grants, totaling 650,000 options, were amended to extend the exercise term to 10 years from the date of grant. Incremental option expense recognized as a result of the amendment amounted to \$69,611.

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock-based awards on the date of grant. The following table summarizes the assumptions used to estimate the fair value of stock options granted during the years ended December 31, 2017 and 2016:

	2017	2016
Expected dividend yield	0%	0%
Weighted-average expected volatility	200%	200%
Weighted-average risk-free interest rate	1.92%	1.24% - 1.56%
Expected life of options	4.74 – 7.50 years	5 years

Total compensation cost related to stock options was \$267,835 and \$147,630 for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017, there was \$95,181 of unrecognized compensation costs related to stock options, which is expected to be recognized over a weighted average period of 6.78 years. The following table represents stock option activity for the two years ended December 31, 2017:

	Number of Options	Weighted Average Exercise Price	Contractual Life in Years	Intrinsic Value
Outstanding at December 31, 2015	1,200,000	1.07	5.19	
Exercisable at December 31, 2015	332,000	1.04	3.34	28,000
Forfeited	(300,750)	1.03	7.87	-
Granted	189,000	-	-	-
Expired	(43,750)	1.16	8.08	-
Outstanding at December 31, 2016	1,044,500	0.92	3.38	-
Exercisable at December 31, 2016	584,000	1.05	3.02	-
Forfeited	(35,000)	1.02	8.25	-
Granted	263,846	0.64	9.05	-
Expired	(75,500)	1.13	4.54	-
Outstanding at December 31, 2017	1,197,846	0.97	6.96	-
Exercisable at December 31, 2017	781,300	1.02	6.30	-

Trxade Group, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 – INCOME TAXES

On December 22, 2017 H.R. 1, originally known as the Tax Cuts and Jobs Act, (the "Tax Act") was enacted. Among the significant changes to the U.S. Internal Revenue Code, the Tax Act lowers the U.S. federal corporate income tax rate ("Federal Tax Rate") from 35% to 21% effective January 1, 2018.

The statutory tax rate is the percentage imposed by law; the effective tax rate is the percentage of income actually paid by a company after taking into account tax deductions, exemptions, credits and operating loss carry forwards.

At December 31, 2017 and 2016 deferred tax assets consist of the following:

	December 31, 2017	December 31, 2016
Federal loss carry forwards	\$ 963,833	\$ 1,840,249
Less: valuation allowance	(963,833)	(1,840,249)
	\$ -	\$ -

The Company has established a valuation allowance equal to the full amount of the deferred tax asset primarily due to uncertainty in the utilization of the net operating loss carry forwards.

The estimated net operating loss carry forwards of approximately \$4,589,682 will be available based on the new carryover rules in section 172(a) passed with the Tax Cuts and Jobs Acts.

NOTE 10 – RELATED PARTIES

In January 2017 Mr. Ajarapu and Mr. Patel suspended their executive salaries of \$165,000 and \$125,000, respectively, for a period of five and six months. All of our executives are at-will employees or consultants. Each of Messrs. Ajarapu and Patel are parties to an at-will executive employment agreement.

The Company owed management wages to Mr. Prashant Patel and Mr. Suren Ajarapu at December 31, 2017 of \$62,500 and \$0, respectively and at December 31, 2016 of \$132,012 and \$76,971, respectively.

See related party debt activities in Notes 4 and 5.

NOTE 11 – Commitments and Contingencies

The Company leases its premises in Land O' Lakes, Florida under an operating lease that expires in 2021. Future minimum rental payments under these non-cancelable operating leases as of December 31, 2017 are:

2018	\$	92,400
2019	\$	103,824
2020	\$	106,939
2021	\$	9,179
Total	\$	312,342

On November 19, 2015, Family Medicine Pharmacy, LLC filed a class-action claim against Trxade Group, Inc. and its wholly owned subsidiary Westminster Pharmaceutical, LLC, Inc. (Family Medicine Pharmacy, LLC v. Trxade Group, Inc. and Westminster, Inc., Case No.: 1:15-CV-00590-KD-B, United States District Court, Southern District of Alabama, Mobile Division). Family Medicine has served Trxade for allegedly utilizing a "junk fax" advertising program. On June 6, 2016, we entered into a binding memorandum of understanding with the plaintiff related to this litigation to resolve all claims in exchange for Trxade funding a settlement fund in the amount of \$200,000. An accrual of \$200,000 is recorded on book as of December 31, 2016. The final judgment, approval and payment was entered into on March 17, 2017 for \$200,000.

Trxade Group, Inc.
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NOTE 12 - SUBSEQUENT EVENTS

In January 2018 Mr. Ajjarapu and Mr. Patel executive salaries were amended from \$165,000 and \$125,000, to \$200,000 and \$150,000 respectively. All of our executives are at-will employees or consultants. Each of Messrs. Ajjarapu and Patel are parties to an at-will executive employment agreement.

In February 2018, \$100,000 of the \$150,000 related party note was extended to July 2018 at the same interest rate of 10% and \$50,000 of note principal and interest were paid.

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

Not applicable

Item 9A. Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms and is accumulated and communicated to the Company's management, as appropriate, in order to allow timely decisions in connection with required disclosure.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this Annual Report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2017, our disclosure controls and procedures were not effective.

As a result of the formative stage of our development, the Company has not fully implemented the necessary internal controls. The matters involving internal controls and procedures that the Company's management considered to be material weaknesses under the standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) were as disclosed below.

Management believes that the material weaknesses set forth above did not have an effect on the Company's financial results reported herein. We are committed to improving our financial organization. As part of this commitment, we have recently increased our personnel resources and technical accounting expertise as we develop the internal and financial resources of the Company. In addition, the Company will prepare and implement sufficient written policies and checklists which will set forth procedures for accounting and financial reporting with respect to the requirements and application of GAAP and SEC disclosure requirements.

Management believes that preparing and implementing sufficient written policies and checklists will remedy the following material weaknesses (i) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of GAAP and SEC disclosure requirements; and (ii) ineffective controls over period end financial close and reporting processes.

We have improved our financial organization as we have increased our personnel resources and technical accounting expertise. We will continue to monitor and evaluate the effectiveness of our internal controls and procedures and our internal controls over financial reporting on an ongoing basis.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, but because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. The Company's internal control over financial reporting includes those policies and procedures that are designed to:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control — Integrated Framework. Based on our assessment, management believes that the Company's internal controls over financial reporting were not effective as of December 31, 2017. Specifically, management's evaluation was based on the following material weaknesses which existed of December 31, 2017:

Financial Reporting Systems: The Company did not maintain a fully integrated financial consolidation and reporting system throughout the period and as a result, extensive manual analysis, reconciliation and adjustments were required in order to produce financial statements for external reporting purposes.

Segregation of Duties: The Company does not currently have a sufficient complement of technical accounting and external reporting personnel commensurate to support standalone external financial reporting under public company or SEC requirements. Specifically, the Company did not effectively segregate certain accounting duties due to the small size of its accounting staff, and maintain a sufficient number of adequately trained personnel necessary to anticipate and identify risks critical to financial reporting and the closing process. In addition, there were inadequate reviews and approvals by the Company's personnel of certain reconciliations and other processes in day-to-day operations due to the lack of a full complement of accounting staff.

Insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of accounting principles generally accepted in the United States of America ("GAAP") and SEC disclosure requirements.

Ineffective controls over period end financial disclosure and reporting processes.

During the year December 31, 2017, we reevaluated our most recent assessment of internal controls and concluded that that our internal controls were still not effective. The Company has recently engaged additional accounting support to provide more resources and expand the technical accounting knowledge.

Changes in Internal Control Over Financial Reporting

As an early stage company, we continue to develop our internal control systems. We continue to seek additional financial reporting and accounting experience and expertise. Except as otherwise discussed above, there were no changes in our internal controls over financial reporting during the year ended December 31, 2017 that have materially affected or are reasonably likely to materially affect, our internal controls over financial reporting, including any corrective actions with regard to significant deficiencies and material weaknesses.

Attestation Report of the Registered Public Accounting Firm

This report does not include an attestation report of our registered public accounting firm regarding our internal controls over financial reporting. Under SEC rules, such attestation is not required for smaller reporting companies such as ourselves.

Inherent Limitations on the Effectiveness of Controls

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

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Set forth below is certain information regarding our directors and executive officers as of March 2, 2018:

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Director/Officer Since</u>
Suren Ajarapu	Chairman, Chief Executive Officer and Secretary	46	January 2014
Prashant Patel	Director, President and Chief Operating Officer	43	January 2014
Donald G. Fell	Director	69	January 2014
Howard A. Doss	Chief Financial Officer	64	January 2014
Michael L. Peterson	Director	63	August 2016

Business Experience

The following is a brief description of the education and business experience of our current directors and executive officers.

Suren Ajarapu, Chairman of the Board, Chief Executive Officer and Secretary.

Mr Ajarapu has served as our Chairman of the Board, Chief Executive Officer and Secretary since our acquisition of Trxade Nevada on January 8, 2014, and as the Chairman of the Board, Chief Executive Officer and Secretary of Trxade Nevada since its inception. Mr. Ajarapu was a Founder, CEO and Chairman of Sansur Renewable Energy, Inc., a company involved in developing wind power sites in the Midwest, United States, from 2009 to 2012. Mr. Ajarapu was a Founder, President and Director of Aemetis, Inc., a biofuels company (AMTX.OB) and a Founder, Chairman and Chief Executive Officer of International Biofuels, a subsidiary of Aemetis, Inc., from 2006 to 2009. Mr. Ajarapu was Co-Founder, COO, and Director Global Information Technology, Inc., an IT outsourcing and systems design company, headquartered in Tampa, Florida with major operations in India from 1995 to 2006. Mr. Ajarapu acts as a non-Executive Director for AIM-listed company Nandan Clean Tec Plc. (Ticker: NAND), a backward integrated Biofuels company. Mr. Ajarapu holds an MS in Environmental engineering from South Dakota State University, Brookings, South Dakota, and an MBA from the University of South Florida, specializing in International Finance and Management. Mr. Ajarapu is also a graduate of the Venture Capital and Private Equity program at Harvard University. Our Board of Directors believes that Mr. Ajarapu's history with our company, from both an operational standpoint and that of a member of management, are vital to the Board's collective knowledge of our day-to-day operations.

Prashant Patel, Director, President and Chief Operating Officer

Mr. Patel has served as our full-time President and COO, and as a director since our acquisition of Trxade Nevada on January 8, 2014, and as the COO and President and as a director of Trxade Nevada since its inception. Mr. Patel is a registered pharmacist and pharmaceutical consultant with over ten years of experience in retail pharmacy and pharmaceutical logistics and the founder of several pharmacies in the Tampa Bay area, in Florida. Mr. Patel has been a President and Member of the Board of Trxade since August 2010. Since October 2008, Mr. Patel has been Managing Member of the APAA LLC, a pharmacy. Since April 2007, Mr. Patel has been a Vice President of Holiday Pharmacy, Inc., a pharmacy. Mr. Patel graduated from Nottingham University School of Pharmacy and practiced in the UK before obtaining his masters in Transport, Trade and Finance from Cass Business School, City University, UK. Our Board of Directors believes that Mr. Patel's history with our company, from both an operational standpoint and that of a member of management, are vital to the Board's collective knowledge of our day-to-day operations.

Howard A. Doss, Chief Financial Officer

Mr. Doss has served as our CFO since January 2014. Mr. Doss has served in a variety of capacities with accounting and investment firms. He joined the staff of Seidman & Seidman (BDO Seidman, Dallas) in 1977, and in 1980 he joined the investment firm Van Kampen Investments, opening the firm's southeast office in Tampa in 1982. He remained with the firm until 1996 when he joined Franklin Templeton to develop corporate retirement plan distribution. After working for the Principal Financial Group office in Tampa, Mr. Doss was City Executive for U.S. Trust in Sarasota, responsible for high net worth individuals. He retired from that position in 2009. He served as CFO and Director for Sansur Renewable Energy an alternative energy development company, from 2010 to 2012. Mr. Doss has also served as President of STARadio Corp. since 2005. Mr. Doss is a member of the America Institute of CPA's. He is a graduate of Illinois Wesleyan University. Our Board of Director's believes that Mr. Doss' experience is significant to the Board's understanding today's complex and ever changing accounting rules and regulations.

Donald G. Fell, Director

Mr. Fell has served as a Director of our company since January 2014, as well as a director of Trxade Nevada since December 2013. Since 1992, Mr. Fell has been a Director/Professor Foundation for Teaching Economics. From 1995 to 2012, Mr. Fell was Senior Fellow/Professor at the Executive MBA faculty at the University of South Florida. He was also a Visiting Professor at the University of Rochelle, FR in 2010. Mr. Fell holds degrees in Economics from Indiana State University, with additional graduate work in Economics at Northern Illinois University and Illinois State University. Mr. Fell since 2012 has been employed as Institute Director and Professor for the Davis, CA based Foundation for Teaching Economics, conducting Institutes related to 1) economic policy; and 2) environmental economics. Institute audiences consist of university/college professors, high school teachers and government leaders. These Institutes have been held throughout the U.S. Our Board of Director's believes that Mr. Fell's extensive experience in the field of economics and business will provide us with valuable insight as we seek to execute our business strategy.

Michael L. Peterson, Director

Mr. Michael L. Peterson is President & Chief Executive Officer at PEDEVCO Corp. He is on the Board of Directors at Trxade Group, Inc. Mr. Peterson was previously employed as Chairman, President & Chief Executive Officer by Nevo Energy, Inc., Chairman, President & Chief Executive Officer by Solargen Energy, Inc., Chief Financial Officer, Director & Executive VP by Blast Energy Services, Inc., Managing Partner by Pascal Management LLC, Managing Partner by American Institutional Partners LLC, and Vice President by Goldman Sachs & Co. He also served on the board at AE Biofuels, Inc., American Ethanol, Inc., Aemetis, Inc., and Navitas Corp. Our Board of Director's believes that Mr. Peterson's extensive experience in finance and business will provide us with valuable insight as we seek to execute our business strategy. He received his undergraduate degree from Brigham Young University and an MBA from BYU Marriott School.

Family Relationships

There are no family relationships among any of our executive officers or directors.

Committees of the Board of Directors

Our board of directors has the authority to appoint committees to perform certain management and administration functions. Our board of directors has two committees: the audit committee and the compensation committee.

Audit Committee

The primary purpose of the audit committee will be to assist the board of directors' oversight of:

- the integrity of our financial statements; our systems of control over financial reporting and disclosure controls and procedures;
- our compliance with legal and regulatory requirements;
- our independent auditors' qualifications and independence;
- the performance of our independent auditors and our internal audit function; and
- all related-person transactions for potential conflict of interest situations on an ongoing basis; and
- the preparation of the report required to be prepared by the committee pursuant to SEC rules.

Mr. Fell and Mr. Peterson serve on the audit committee, where Mr. Peterson acted as chairman of the audit committee. Mr. Fell and Mr. Peterson each qualify as an "audit committee financial expert" as such term has been defined by the SEC in Item 407(d)(5) of Regulation S-K. Our board of directors has affirmatively determined that Mr. Fell and Mr. Peterson meet the definition of "independent directors" for the purposes of serving on the audit committee under applicable SEC rules, and we intend to comply with these independence requirements within the time periods specified.

Compensation Committee

The primary purpose of our compensation committee is to: recommend to our board of directors for consideration, the compensation and benefits of our executive officers and key employees; monitor and review our compensation and benefit plans; administer our stock and other incentive compensation plans and programs and prepare recommendations and periodic reports to the board of directors concerning such matters; prepare the compensation committee report required by SEC rules to be included in our annual report; prepare recommendations and periodic reports to the board of directors as appropriate; and handle such other matters that are specifically delegated to the compensation committee by our board of directors from time to time.

Mr. Fell and Mr. Peterson serve on the compensation committee, and Mr. Fell serves as the chairman.

Compensation Committee Interlocks and Insider Participation

None of our executive officers serve on the compensation committee or board of directors of any other company of which any of the members of our compensation committee or any of our directors is an executive officer.

Code of Business Conduct and Ethics

Our Board of Directors had adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees. The Code of Business Conduct and Ethics will be available for review in print, without charge, to any stockholder who requests a copy by writing to us at Trxade Group, Inc., 3840 Land O' Lakes Blvd, Land O' Lakes, Florida, 34639, Attention: Investor Relations. Each of our directors, employees and officers are required to comply with the Code of Business Conduct and Ethics

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers, directors and persons who own more than 10% of the Company's common stock to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"). The Company recently undertook a review of the Section 16(a) reports filed on behalf of each individual who served as a director or executive officer of the Company during the fiscal year ended December 31, 2017 to determine whether all of their reportable transactions in the Company's common stock were timely reported and to ensure reporting of all of their beneficial holdings. The review revealed that while all of the required transactions had been reported in the Company's Form 10-K and Form 10-Qs, the reports listed below were not timely filed. In all cases, the transactions were non-market transactions such as option grants by the Company, or in one case, a private sale.

The following reports were filed under Section 16(a) since the beginning of the fiscal year ended December 31, 2017:

Suren Ajarapu, CEO, filed one Form 4 reporting the sale of stock.

Michael Peterson, Director, filed a Form 5 reporting a prior award of stock options.

Donald Fell, Director, filed a Form 5 reporting a prior award of stock options.

Howard Doss, CFO, filed a Form 5 reporting a prior award of stock options.

Item 11. Executive Compensation

The following table sets forth the compensation for the fiscal years ended December 31, 2017 and 2016 for services rendered to us (including our subsidiary, Trxade, Inc.) by our Chief Executive Officer and our two most highly compensated executive officers other than our Chief Executive Officer:

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Suren Ajarapu									
Chairman of the Board,	2016	\$148,750 ⁽¹⁾	\$50,000	-	-	-	-	-	\$198,750
Chief Executive Officer, and Director	2017	\$96,250 ⁽¹⁾	-	-	-	-	-	-	\$96,250
Prashant Patel									
Chief Operating Officer,	2016	\$125,000 ⁽²⁾	\$50,000	-	-	-	-	-	\$175,000
President and Director	2017	\$62,500 ⁽²⁾	-	-	-	-	-	-	\$62,500
Howard A. Doss									
Chief Financial Officer	2016	\$60,000 ⁽³⁾	-	-	\$15,000	-	-	-	\$75,000
	2017	\$60,000 ⁽³⁾	-	-	-	-	-	-	\$60,000

(1) The amount shown reflects compensation under an at will employment agreement with the Company.

(2) The amount shown reflects compensation under an at will employment agreement with the Company.

(3) The amount shown reflects compensation under a consulting agreement with the Company.

Employment and Consulting Agreements

All of our named executives are at-will employees or consultants. The Company has entered in an at-will employment agreement with Mr. Ajarapu, with annual salary of \$165,000 and a possible \$50,000 performance bonus. The Company has entered in an at-will employment agreement with Mr. Patel, with annual salary of \$125,000 and a possible \$50,000 performance bonus. In January 2017, each of Messrs. Ajarapu and Patel suspended their executive salaries through June 30, 2017, a period of six months. Mr. Ajarapu entered into an amendment in June 2017 to resume payment of the annual salary. Mr. Patel resumed July 1, 2017. In January 2018 Mr. Ajarapu and Mr. Patel salaries were amended to \$200,000 and \$150,000 respectively. The Company has an hourly rate consulting arrangement with Mr. Doss. The Company has also entered into indemnification agreements with its officers and directors. The annual bonus payable to each of Mr. Ajarapu and Mr. Patel is based upon executive's performance and the Company's attainment of objectives established by the Board of Directors or Compensation Committee of the Board. With respect to any subjective milestones, the determination of whether executive has attained the mutually agreed upon milestones for the bonus shall be reasonably determined by the Board or the Compensation Committee.

Compensation of the Board of Directors

The following table provides information regarding all compensation awarded to, earned by or paid to each person who served as a director of Trxade Group, Inc. for some portion or all of 2017 and 2016. Other than as set forth in the table and described more fully below, Trxade Group, Inc. did not pay any fees, made any equity or non-equity awards, or paid any other compensation, to its non-employee directors. All compensation paid to its employee directors is set forth in the tables summarizing executive officer compensation above.

Name	Fees Earned or paid in Cash	Stock Awards	Option Awards	All Other Compensation	Total
2016					
Donald Fell	\$ 5,000	-	\$ 25,000	-	\$ 30,000
Fernando Sanchez	\$ 5,000	-	\$ 25,000	-	\$ 30,000
Michael Peterson	\$ 1,250	-	-	-	\$ 1,250
2017					
Donald Fell	\$ 15,000	-	\$ 50,000	-	\$ 65,000
Michael Peterson	\$ 15,000	-	\$ 113,883	-	\$ 128,883

In April 2016, the Company granted Mr. Sanchez options to purchase 25,000 shares of Common Stock, vesting over four years and exercisable at \$1.02 per share. All have been forfeited.

In April 2016, the Company granted Mr. Fell options to purchase 25,000 shares of Common Stock, vesting over four years and exercisable at \$1.02 per share.

In April 2017, the Company granted Mr. Fell options to purchase 76,923 shares of Common Stock, vesting over one year and exercisable at \$.65 per share.

In April 2017, the Company granted Mr. Peterson options to purchase 76,923 shares of Common Stock, vesting over one years and exercisable at \$.65 per share.

In April 2017, the Company granted Mr. Peterson options to purchase 100,000 shares of Common Stock, vesting over four years and exercisable at \$.65 per share.

Non-employee directors are paid \$5,000 per quarter for board responsibilities. The Company has also entered into an indemnification agreement with Messrs. Fell, Sanchez and Peterson.

Outstanding Option Equity Awards at 2017 Fiscal Year End

The following table sets forth information as of December 31, 2017 concerning unexercised options, unvested stock and equity incentive plan awards for each of the executive officers named in the Summary Compensation Table.

OUTSTANDING EQUITY AWARDS AT YEAR ENDED DECEMBER 31, 2017

Name	Grant Date	Option Awards					Stock Awards			
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Howard A. Doss, Chief Financial Officer	1/20/2014	225,000	75,000 ⁽¹⁾	-	1.00	1/1/2024	-	-	-	-
	4/1/2016	4,500	10,500 ⁽²⁾	-	1.02	4/1/2026	-	-	-	-

(1) Vesting is 25% of the total number of shares on the one year anniversary of the vesting commencement date of 1/20/2014 and 25% shall vest on each one year anniversary.

(2) Vesting is 6.25% of the total number of shares each quarter of the vesting commencement date of 7/1/2016.

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

The following table sets forth certain information with respect to the beneficial ownership of our securities as of March 2, 2017 by (i) each of our named executive officers and directors; (ii) each person known to us who owns beneficially more than 5% of any class of our outstanding equity securities; and (iii) all of our executive officers and directors as a group. The number of shares and the percentage of shares beneficially owned by each such person or group, as set forth below, include shares of common stock that such person or group had the right to acquire on or within sixty days after March 18, 2016 pursuant to the exercise of vested and exercisable options or warrants. References to options or warrants in the footnotes to the table below include only options or warrants to purchase shares that were exercisable on or within sixty days after March 2, 2017.

Name and Address of Beneficial Owner ⁽¹⁾	Number of Shares Beneficially Owned ⁽²⁾	Percentage Beneficially Owned ⁽³⁾
<i>Directors and Named Executive Officers:</i>		
<i>Suren Ajarapu, Chairman, CEO (4)</i>	13,743,750	43.0%
<i>Prashant Patel, Director, COO, and President (5)</i>	12,250,000	38.3%
<i>Donald G Fell, Director (6)</i>	107,500	*
<i>Howard Doss, CFO (7)</i>	304,500	*
<i>Michael L Peterson, Director (9)</i>	37,500	*
<i>Gajan Mahendiran (8)</i>	2,843,335	8.9%
<i>All executive officers and directors as a Group (five persons)</i>	26,443,250	81.3%
<i>Greater than 5% Stockholders</i>		

* Less than one 1%

(1) Unless otherwise indicated in the footnotes to the following table, the address of each person named in the table is: c/o Trxade Group, Inc., 3840 Land O' Lakes Blvd, Land O' Lakes, Florida, 34639.

(2) Based on 31,985,827 shares of Common Stock outstanding on March 2, 2018. Does not include shares issuable upon exercise of (i) 1,157,405 stock options currently outstanding, (ii) warrants to purchase 2,738,096 shares of Common Stock, (iii) 842,595 shares which are reserved for the Company's 2014 Equity Incentive Plan, none of which shares are issuable within 60 days of the date set forth above.

(3) Except as otherwise indicated, we believe that the beneficial owner of the common stock listed above, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities.

(4) Includes (i) 7,143,750 shares owned directly by Mr. Ajarapu, (ii) 4,050,000 shares owned by Sandhya Ajarapu, Mr. Ajarapu's wife, for whom Mr. Ajarapu claims beneficial ownership, (iii) 1,275,000 shares owned by the Surendra Ajarapu Revocable Trust of 2007, for whom Mr. Ajarapu claims beneficial ownership as Trustee, and (iv) 1,275,000 shares owned by the Sandhya Ajarapu Revocable Trust of 2007, for whom Mr. Ajarapu claims beneficial ownership as Trustee.

(5) Includes (i) 7,350,000 shares owned directly by Mr. Patel, (ii) 2,500,000 shares owned by Rina Patel, Mr. Patel's wife for whom Mr. Patel claims beneficial ownership, and (iii) 2,400,000 shares owned by the Patel Trust, for whom Mr. Patel claims beneficial ownership as Trustee.

(6) Includes 107,500 shares of common stock issuable upon the exercise of stock options that are exercisable within 60 days of the applicable date above.

(7) Includes 304,500 shares of common stock issuable upon the exercise of stock options that are exercisable within 60 days of the applicable date above.

(8) Includes 833,334 shares of Common Stock of the Company and warrants to purchase 2,010,001 shares of Common Stock at an exercise price of \$0.01 per share that are exercisable within 60 days of the applicable date above, and which are held jointly with Mr. Mahendiran's wife, Amudha Mahendiran, as tenants by entirety.

(9) Includes 37,500 shares of common stock issuable upon the exercise of stock options that are exercisable within 60 days of the applicable date above.

There are no current arrangements among any of the foregoing persons which would result in a change in control.

Equity Compensation Plan Information

The following table provides information as of December 31, 2017 with respect to securities that may be issued under our equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	3,935,942	\$0.47	802,154
Equity compensation plans not approved by security holders	-	-	-
Total	3,935,942	\$1.10	802,154

The equity compensation plans approved by the Company's security holders are the 2014 Equity Incentive Plan ("2014 Stock Plan") of Trxade Group, Inc., Delaware corporation, and the 2013 Equity Incentive Plan of Trxade Group, Inc., a Nevada corporation and predecessor in interest to Trxade Group, Inc., a Delaware corporation. The above listed equity compensation plans were adopted as of December 31, 2017, with the approval of security holders.

Summary of Material Features of the 2014 Equity Incentive Plan

The following discussion summarizes the material terms of the 2014 Stock Plan. A description of the 2014 Stock Plan, which is intended merely as a summary of its principal features and is qualified in its entirety by reference to the full text of the 2014 Stock Plan, as filed and incorporated by reference to Exhibit 10.3 to the Registration Statement on Form 10 of Trxade Group, Inc., File No. 000-55218, filed on June 6, 2014, is below.

Administration. The 2014 Stock Plan is administered by the Company's Board of Directors and the Compensation Committee of the Board.

Term. The 2014 Stock Plan shall continue in effect for a period of 10 years. In general, the term of each option granted shall be no more than ten 10 years from the date of grant, though in certain instances such term may be shorter.

Eligibility. Employees and service providers of the Company and its subsidiaries and non-employee directors of the Company are eligible to receive awards under the 2014 Stock Plan. Awards under the 2014 Stock Plan may include grants of options, stock appreciation rights, restricted stock, restricted stock units, performance units and performance shares, and awards intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code. Eligibility for any particular award is determined by the Administrator (as defined in the 2014 Stock Plan) and, in the case of certain awards such as incentive stock options, eligibility for receipt of such awards may be limited by the Internal Revenue Code.

Plan Limit. The Company has reserved 2,000,000 Common Shares for issuance under the 2014 Stock Plan. The 2014 Stock Plan had 802,154 remaining shares reserved for issuance as of March 2, 2018.

The above limit is subject to adjustment for certain changes in the Company's capitalization such as stock dividends, stock splits, combinations or similar events. If an award expires, terminates, is forfeited or is settled in cash rather than in Common Shares, the Common Shares not issued under that award will again become available for grant under the 2014 Stock Plan. If Common Shares are surrendered to the Company or withheld to pay any exercise price or tax withholding requirements, only the number of Common Shares issued net of the shares withheld or surrendered will be counted against the number of Common Shares available under the 2014 Stock Plan. The exercise price for a stock option or stock appreciation right may not be less than 100% of the fair market value of the shares on the date of grant or may not be less than 110% of the fair market value of the shares on the date of grant for employees representing more than 10% of the voting power of all of the classes of stock of the Company. The Board may amend, alter, suspend or terminate the plan. The Company must obtain stockholder approval of any amendment of the 2014 Stock Plan to the extent necessary and desirable to comply with applicable law.

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

Transactions with Related Persons

All of our executives are at-will employees or consultants. Each of Messrs. Ajarapu and Patel are parties to an at-will executive employment agreement. In January 2017, each of Messrs. Ajarapu and Patel suspended their executive salaries of for a period of six months. The Company has also entered into indemnification agreements with its officers and directors. In January 2018 Mr. Ajarapu and Mr. Patel executive salaries were amended from \$165,000 and \$125,000, to \$200,000 and \$150,000 respectively.

The Company's founders Mr. Ajarapu (through Sansur Associates, a company that he controls) and Mr. Patel have periodically loaned funds on a short-term interest free basis to cover the Company's operating expenses. In November 2016, Mr. Patel loaned the Company \$10,000. In June 2017, the Company borrowed \$100,000 and \$80,000 from Sansur Associates, LLC, a limited liability company controlled by Mr. Ajarapu, and Mr. Patel, respectively. The term of each of these Notes is three years and they each bear interest at 6%, which is payable annually. The note due to Mr. Patel is \$122,552. It comprises \$80,000, \$17,280 for existing promissory note and \$25,272 assumption of credit card obligation related to business expenses of the company. As of March 2, 2018, \$222,552 was outstanding on these loans.

The Company owed \$61,725 under related party note that was renewed in April 2017 for a one-year extension at the same interest rate of 10%, due April 2018. Further, the Company owed \$150,000 under a related party note that was renewed for a six-month extension at the same interest rate of 10% in September 2017, which is now due February 2018. Both of these notes were entered with Nitel Patel, the brother of Prashant Patel, the Director and President of the Company. In February 2018, \$50,000 of the \$150,000 of principal was paid. The remaining \$100,000 was extended to July 2018 as the same interest rate of 10%.

In August 2017, \$40,000 in convertible promissory notes was amended. A one-year extension was executed to August 2018. In connection with the one-year extension of the maturity date of the outstanding notes, the holder of the notes was granted warrants to purchase 10,000 shares of common stock that was issued at a strike price of \$0.80 and an expiration date of five years from date of issuance. The amendment of the note was considered a debt extinguishment and a loss on extinguishment of debt was booked in the amount of \$5,044.

During the year ended December 31, 2017, there have been no other related party transactions, or currently proposed transactions, in which we were or are to be a participant and the amount involved exceeds the lesser of \$120,000 or one percent of the average of our total assets at year-end for the last completed fiscal years and in which any related person had or will have a direct or indirect material interest.

Director Independence

Our common stock is traded on the OTCQB under the symbol "TRXD". The OTCQB electronic trading platform does not maintain any standards regarding the "independence" of the directors on our company's Board of Directors, and we are not otherwise subject to the requirements of any national securities exchange or an inter-dealer quotation system with respect to the need to have a majority of our directors be independent.

In the absence of such requirements, we have elected to use the definition for "director independence" under the NASDAQ stock market's listing standards, which defines an "independent director" as "a person other than an officer or employee of the Company or the Company's subsidiaries or any other individual having a relationship, which in the opinion of our Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director." The definition further provides that, among others, employment of a director by us (or any parent or subsidiary of ours) at any time during the past three years is considered a bar to independence regardless of the determination of our Board of Directors. Two of our four directors, Mr. Fell and Mr. Peterson, are deemed "independent" under the NASDAQ Stock Market's listing standards.

Item 14. Principal Accountant Fees and Services

Aggregate fees billed to us by MaloneBailey, LLP with respect to our 2017 and 2016 fiscal years were as follows:

	<u>2017</u>	<u>2016</u>
Audit Fees	\$ 29,000	\$ 29,000
All Other Fees	15,000	15,000
Total	<u>\$ 44,000</u>	<u>\$ 44,000</u>

Aggregate fees billed to us by Thomas Craig & Co. with respect to our 2017 and 2016 years were as follows:

	<u>2017</u>	<u>2016</u>
Tax Fees	\$ 7,000	\$ 8,500
All Other Fees	-	-
Total	<u>\$ 7,000</u>	<u>\$ 8,500</u>

In the above table, in accordance with the SEC's definitions and rules, "audit fees" are fees that Trxade Group, Inc. paid for professional services for the audit of our consolidated financial statements included in our Form 10-K and for services that are normally provided by the registered public accounting firm in connection with statutory and regulatory filings or engagements; "audit-related fees" are fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements; and "tax fees" are fees for tax compliance, tax advice and tax planning.

All of the audit-related services and other services described in the above table were pre-approved by our Audit Committee. The Audit Committee has adopted a pre-approval policy that provides for the pre-approval of all services performed for us by MaloneBailey, LLP. The policy authorizes the Audit Committee to delegate to one or more of its members pre-approval authority with respect to permitted services. Pursuant to this policy, the Audit Committee delegated such authority to the Chairman of the Audit Committee. All pre-approval decisions must be reported to the Audit Committee at its next meeting.

PART IV

Item 15. Exhibits and Financial Statement Schedules

Exhibit Number	Description
<u>2.1</u>	Purchase and Sale Agreement (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Trxade Group, Inc., File No. 000-55218, filed on January 5, 2017).
<u>2.2</u>	Warrant Agreement (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Trxade Group, Inc., File No. 000-55218, filed on January 5, 2017).
<u>3.1</u>	Second Amended and Restated Certificate of Incorporation of Trxade Group, Inc. (incorporated by reference as Appendix A to the Schedule 14C Information Statement of Trxade Group, Inc., File No. 000-55218, filed on May 18, 2015).
<u>3.2</u>	Amended and Restated Bylaws of Trxade Group, Inc., (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form 10 of Trxade Group, Inc., File No. 000-55218, filed on July 23, 2014).
<u>10.1</u>	2014 Equity Incentive Plan of Trxade Group, Inc. (incorporated by reference to Exhibit 10.3 to the Registration Statement on Form 10 of Trxade Group, Inc., File No. 000-55218, filed on June 6, 2014).*
<u>10.2</u>	Promissory Note with Sansur Associates, LLC (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Trxade Group, Inc., File No. 000-55218, filed on July 5, 2017).
<u>10.3</u>	Promissory Note with Prashant Patel (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Trxade Group, Inc., File No. 000-55218, filed on July 5, 2017).
<u>10.4</u>	Form of Note with Westminster Pharmaceuticals, LLC (wholly-owned subsidiary of Trxade Group, Inc.) (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Trxade Group, Inc., File No. 000-55218, filed on October 27, 2015).
<u>10.5</u>	Form of Indemnification Agreement entered into between Trxade Group, Inc. and its directors and certain officers (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Trxade Group, Inc., File No. 000-55218, filed on August 25, 2016).*
<u>14.1</u>	Code of Ethics of Trxade Group, Inc. (incorporated by reference as Exhibit 14.1 to the Annual Report on Form 10-K of Trxade Group, Inc., File No. 000-55218, filed on March 23, 2015).
<u>21.1</u>	List of subsidiaries of Trxade Group, Inc.
<u>31.1</u>	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
<u>31.2</u>	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
<u>32.1</u>	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
<u>32.2</u>	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from the Annual Report on Form 10-K of Trxade Group, Inc. for the year ended December 31, 2017, formatted in XBRL (eXtensible Business Reporting Language): (1) Consolidated Balance Sheets as of December 31, 2017, and 2016; (2) Consolidated Statements of Operations for the years ended December 31, 2017 and 2016; (3) Consolidated Statements of Shareholders' Equity for the years ended December 31, 2017 and 2016; (4) Consolidated Statements of Cash Flows for years ended December 31, 2017 and 2016; and (5) Notes to Condensed Financial Statements.**

Denotes a management contract or compensatory plan or arrangement in which one or more directors or executive officers participate.

** Pursuant to Rule 406T of Regulation S-T, the information in Exhibit 101 (a) is "furnished" and is not deemed to be "filed" or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, (b) is deemed not to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and (c) is not otherwise subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Trxade Group, Inc.

By: /s/ Suren Ajjarapu
Suren Ajjarapu,
Chief Executive Officer

Date: March 2, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Suren Ajjarapu</u> Suren Ajjarapu	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 2, 2018
<u>/s/ Prashant Patel</u> Prashant Patel	Chief Operating Officer, President and Director	March 2, 2018
<u>/s/ Howard A. Doss</u> Howard Doss	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 2, 2018
<u>/s/ Michael L. Peterson</u> Michael L. Peterson	Director	March 2, 2018
<u>/s/ Donald G Fell</u> Donald G Fell	Director	March 2, 2018

EXHIBIT 21.1

LIST OF SUBSIDIARIES

Trade, Inc., a Florida corporation.

Integra Pharma Solutions, LLC (formerly Pinnacle Tek, Inc., a Florida corporation)

ShopRX, Ltd. A UK corporation. – DISSOLVED

Alliance Pharma Solutions, LLC, a Florida Corporation

EXHIBIT 31.1

Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.

I, Suren Ajjarapu, certify that:

I have reviewed this report on Form 10-K of Trade Group, Inc.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2018

/s/ Suren Ajjarapu
Name: Suren Ajjarapu
Title: Chief Executive Officer

EXHIBIT 31.2

Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.

I, Howard A. Doss, certify that:

I have reviewed this report on Form 10-K of Trxade Group, Inc.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2018

/s/ Howard A. Doss

Name: Howard A. Doss

Title: Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Trxade Group, Inc. (the "Company") hereby certifies that, to the best of his knowledge:

(i) the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2017 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: March 2, 2018

/s/ Suren Ajjarapu
Suren Ajjarapu
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Trxade Group, Inc. (the "Company") hereby certifies that, to the best of his knowledge:

(i) the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2017 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: March 2, 2018

/s/ Howard A. Doss
Howard A. Doss
Chief Financial Officer