

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

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

For the quarter ended: **March 31, 2019**

OR

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

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-55976

**OZOP SURGICAL CORP.**

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of  
incorporation or organization)

35-2540672

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

**319 Clematis Street, Suite 714, West Palm Beach FL 33401**

(Address of principal executive offices) (zip code)

**(760) 466-8076**

(Registrant's telephone number, including area code)

**Not applicable.**

(Former name, former address and former fiscal year, if changed since last report)

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 shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
(Do not check if a smaller reporting company)		Emerging growth company	<input checked="" type="checkbox"/>

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 Exchange Act).  Yes  No

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
None	N/A	N/A

As of May 15, 2019, there were 31,900,454 shares outstanding of the registrant's common stock, \$0.001 par value per share.

**Ozop Surgical Corp.**

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**Ozop Surgical, Corp**  
**Condensed Consolidated Balance Sheet**  
(Unaudited)

	March 31, 2019	December 31, 2018
<b>ASSETS</b>		
Current Assets		
Cash	\$ 56,023	\$ 50,903
Advance to vendor	86,149	86,149
Prepaid assets	5,846	16,457
Accounts receivable	62,256	45,818
Total Current Assets	<u>210,274</u>	<u>199,327</u>
Office equipment, net	6,400	7,199
Goodwill	239,151	239,151
License Rights	203,125	213,542
TOTAL ASSETS	<u>\$ 658,950</u>	<u>\$ 659,219</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 389,940	\$ 298,319
Accounts payable and accrued expenses, related parties	530,117	552,806
Convertible notes payable, net of discounts	733,958	514,102
Convertible note payable, related party	50,000	50,000
Notes Payable	332,838	332,838
Notes Payable, related party	60,000	60,000
Derivative liabilities	1,268,477	1,199,514
Total Current Liabilities	<u>3,365,330</u>	<u>3,007,579</u>
Stockholders' Deficit		
Preferred stock (10,000,000 shares authorized, par value \$0.001, no shares issued and outstanding)	—	—
Common stock (290,000,000 shares authorized par value \$0.001; 29,630,445 and 29,068,202 shares issued and outstanding March 31, 2019, and December 31, 2018, respectively)	29,631	29,069
Deferred stock compensation	(295,547)	(269,167)
Common stock to be issued (450,000 shares issuable March 31, 2019)	450	0
Additional paid in capital	2,531,174	1,959,857
Accumulated Deficit	(4,972,903)	(4,068,747)
Stock subscription receivable	(7,600)	(7,600)
Accumulated comprehensive gain	8,415	8,228
Total Stockholders' Deficit	<u>(2,706,380)</u>	<u>(2,348,360)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 658,950</u>	<u>\$ 659,219</u>

See notes to condensed consolidated financial statements.

**Ozop Surgical, Corp**  
**Condensed Consolidated Statement of Comprehensive Loss**  
**(Unaudited)**

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
Revenue	\$ 47,602	\$ 6,727
Operating expenses:		
General and administrative, related parties	120,000	119,953
General and administrative, other	595,365	105,932
Research and development	53,204	10,565
Total operating expenses	<u>768,569</u>	<u>236,450</u>
Operating loss	(720,967)	(229,722)
Other (income) expenses:		
Interest expense	367,474	28,225
Gain on change in fair value of derivatives	(47,610)	—
Gain on extinguishment of debt	(136,675)	—
Total Other Expenses	<u>183,189</u>	<u>28,225</u>
Loss before provision for income taxes	(904,156)	(257,947)
Income tax provision	—	—
Net loss	\$ (904,156)	\$ (257,947)
Other comprehensive loss:		
Foreign currency translation adjustment	187	312
Comprehensive loss	<u>\$ (903,969)</u>	<u>\$ (257,635)</u>
Loss per share	<u>\$ (0.03)</u>	<u>(0.01)</u>
Weighted average shares outstanding		
Basic and diluted	<u>29,213,993</u>	<u>25,000,000</u>

See notes to condensed consolidated financial statements.

**OZOP SURGICAL, CORP**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT**  
**THREE MONTHS ENDED MARCH 31, 2019**  
(Unaudited)

	Common stock		Common stock to be issued		Deferred Stock	Stock	Accumulated	Additional	Retained	Total
	Shares	Amount	Shares	Amount	Compensation	Subscription Receivable	comprehensive income	Paid-in Capital	Earnings (deficit)	Stockholders' Equity (Deficit)
Balance January 1, 2019	29,068,201	\$ 29,069	—	\$ —	\$ (269,167)	\$ (7,600)	\$ 8,228	\$ 1,959,857	\$ (4,068,747)	\$ (2,348,360)
Shares issued for conversions of note and interest payable	230,844	231	—	—	—	—	—	51,519	—	51,750
Shares issued and to be issued for services	171,400	171	450,000	450	(422,100)	—	—	421,479	—	—
Amortization of deferred stock compensation	—	—	—	—	395,720	—	—	—	—	395,720
Shares issued in private placement	160,000	160	—	—	—	—	—	79,840	—	80,000
Reclassification of derivatives for payments of convertible notes	—	—	—	—	—	—	—	18,479	—	18,479
Foreign currency translation adjustment	—	—	—	—	—	—	187	—	—	187
Net loss	—	—	—	—	—	—	—	—	(904,156)	(904,156)
Balance March 31, 2019	<u>29,630,445</u>	<u>\$ 29,631</u>	<u>450,000</u>	<u>\$ 450</u>	<u>\$ (295,547)</u>	<u>\$ (7,600)</u>	<u>\$ 8,415</u>	<u>\$ 2,531,174</u>	<u>\$ (4,972,903)</u>	<u>\$ (2,706,380)</u>

**OZOP SURGICAL, CORP**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT**  
**THREE MONTHS ENDED MARCH 31, 2018**  
(Unaudited)

	Common stock		Common stock to be issued		Deferred Stock	Stock	Accumulated	Additional	Retained	Total
	Shares	Amount	Shares	Amount	Compensation	Subscription Receivable	comprehensive income	Paid-in Capital	Earnings (deficit)	Stockholders' Equity (Deficit)
Balances January 1, 2018	13,000,000	\$ 13,000	—	—	—	—	\$ 8,106	\$ 141,373	\$ (1,578,042)	\$ (1,415,563)
Issue 7,600,000 shares for subscription agreements	7,600,000	7,600	—	—	—	(7,600)	—	—	—	—
Cancel 600,000 shares of common stock	(600,000)	(600)	—	—	—	—	—	600	—	—
Issue 5,000,000 shares for Spinus acquisition	5,000,000	5,000	—	—	—	—	—	259,021	—	264,021
Unrealized gain on foreign translation	—	—	—	—	—	—	312	—	—	312
Net loss	—	—	—	—	—	—	—	—	(257,947)	(257,947)
Balance March 31, 2018	<u>25,000,000</u>	<u>\$ 25,000</u>	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (7,600)</u>	<u>\$ 8,418</u>	<u>\$ 400,994</u>	<u>\$ (1,835,989)</u>	<u>\$ (1,409,177)</u>

**OZOP SURGICAL, CORP**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Unaudited)

	For the Three Months Ended March 31,	
	2019	2018
<b>Cash flows from operating activities:</b>		
Net loss	\$ (904,156)	\$ (257,947)
Adjustments to reconcile net loss to net cash used in operations		
Non-cash interest expense	331,682	—
Amortization and depreciation	11,216	162
Gain on fair value change of derivatives	(47,610)	—
Gain on extinguishment of debt	(136,675)	—
Stock compensation expense	395,720	—
Changes in operating assets and liabilities:		
Inventory	—	(9,250)
Accounts receivable	(16,438)	(6,186)
Prepaid assets	10,610	9,242
Accounts payable and accrued expenses	91,624	60,619
Accounts payable and accrued expenses, related parties	(22,690)	53,732
<b>Net cash used in operating activities</b>	<u>(286,717)</u>	<u>(149,628)</u>
<b>Cash flows from investing activities:</b>		
Cash acquired in acquisitions	—	20,574
<b>Net cash provided by investing activities</b>	<u>—</u>	<u>20,574</u>
<b>Cash flows from financing activities:</b>		
Proceeds from sale of common stock	80,000	—
Proceeds from issuances of convertible notes payable	295,650	50,000
Payments of principal of convertible note payable and notes payable	(84,000)	—
<b>Net cash provided by financing activities</b>	<u>291,650</u>	<u>50,000</u>
<b>Effects of exchange rate on cash and cash equivalents</b>	<u>\$ 187</u>	<u>\$ 312</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	5,120	(78,742)
<b>Cash and cash equivalents, Beginning of period</b>	50,903	111,035
<b>Cash and cash equivalents, End of period</b>	<u>\$ 56,023</u>	<u>\$ 32,293</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 6,755	\$ 24,324
Cash paid for income taxes	\$ —	\$ —
<b>Schedule of non-cash Investing or Financing Activity:</b>		
Original issue discount included in notes payable	\$ 47,350	\$ —
Issuance of common stock upon convertible note and accrued interest conversion	<u>\$ 51,750</u>	<u>\$ —</u>
<b>Acquisition of Spinus, LLC</b>		
Issuance of Common stock as consideration	\$ —	\$ 250,000
Assumed liabilities	—	278,779
Accounts receivable	—	(19,054)
Other Assets	—	(250,000)
Goodwill	—	(239,151)
Cash acquired	<u>\$ —</u>	<u>\$ 20,574</u>

See notes to condensed consolidated financial statements.

**OZOP SURGICAL, CORP**  
**Notes to Condensed Consolidated Financial Statements**  
**March 31, 2019**  
**(Unaudited)**

**NOTE 1 - ORGANIZATION**

***Business***

Ozop Surgical Corp. (the "Company," "we," "us" or "our") was originally incorporated as Newmarket Corp. on July 17, 2015, under the laws of the State of Nevada, for the purpose of the renting different kind of Segways and bicycles, dual wheels self-balancing electric scooters and related safety equipment. Following the acquisition of OZOP Surgical, Inc. as discussed below, we have been engaged in the business of inventing, designing, developing, manufacturing and distributing innovative endoscopic instruments, surgical implants, instrumentation, devices and related technologies, focused on spine, neurological and pain management procedures and specialties.

**Reverse Merger**

On April 13, 2018, we entered into and completed a share exchange agreement (the "Share Exchange Agreement") with OZOP Surgical, Inc. ("OZOP"), the shareholders of OZOP (the "OZOP Shareholders") and Denis Razvodovskij, the then holder of 2,000,000 shares of our common stock. Pursuant to the terms of the Share Exchange Agreement, the OZOP Shareholders transferred and exchanged 100% of the capital stock of OZOP in exchange for an aggregate of 25,000,000 newly issued shares of our common stock (the "Share Exchange"). After giving effect to the redemption of 2,000,000 shares of our common stock pursuant to the Redemption Agreement discussed below and the issuance of 25,000,000 shares of our common stock pursuant to the Share Exchange Agreement, we had 25,797,500 shares of common stock issued and outstanding, with the OZOP Shareholders, as a group, owning 96.9% of such shares. Currently, our executive officers and directors, as a group, own 6,374,223 of our shares representing 21.81 % of our issued and outstanding shares of common stock. The merger was accounted for as a reverse merger, whereby OZOP was considered the accounting acquirer and became a wholly-owned subsidiary of the Company. In accordance with the accounting treatment for a "reverse merger" or a "reverse acquisition," the Company's historical financial statements prior to the reverse merger were and will be replaced with the historical financial statements of OZOP prior to the reverse merger, in all future filings with the U.S. Securities and Exchange Commission (the "SEC").

In connection with the acquisition of OZOP, we purchased and redeemed 2,000,000 shares of our common stock from Mr. Razvodovskij for a total purchase price of \$350,000 pursuant to a Share Redemption Agreement (the "Redemption Agreement"). Pursuant to the terms of the Share Exchange Agreement, effective April 13, 2018, Mr. Razvodovskij resigned as the Company's Chief Executive Officer, Chief Financial Officer, Secretary, and sole director, and Michael Chermak, Salman J. Chaudhry (who resigned March 4, 2019) and Eric Siu (who resigned March 5, 2019) were named as directors of the Company.

**Corporate Matters**

On March 28, 2019, the Company filed a Certificate of Designation with the Secretary of State of Nevada to designate 1,000,000 shares as Series B Preferred Stock. The Series B Preferred Stock is not convertible into common stock, nor does the Series B Preferred Stock have any right to dividends and any liquidation preference. The Series B Preferred Stock entitles its holder to a number of votes per share equal to 50 votes.

**OZOP**

OZOP was originally incorporated in Switzerland on November 28, 1998 under the name Perma Consultants Holding AG ("Perma"). On July 19, 2016, Mr. Eric Siu ("Siu"), one of our directors purchased 100% of the outstanding capital stock of Perma and changed the name from Perma to Ozop Surgical AG ("Ozop AG"). On February 1, 2018, Ozop AG was re-domiciled as a Delaware corporation and changed its name to Ozop Surgical, Inc. On July 28, 2016, Ozop formed as the sole member, Ozop Surgical, LLC ("Ozop LLC"), a Wyoming limited liability company. On October 28, 2016, Ozop acquired 100% of Ozop Surgical Limited ("Ozop HK"), from Siu, the sole shareholder of Ozop HK. Ozop HK, is a private limited company incorporated in Hong Kong.

On February 16, 2018, OZOP acquired the 100% membership interest (the “Membership Interest”) in Spinus, LLC, a Texas limited liability company (“Spinus”), from RWO Medical Consulting LLC (“RWO”), a Texas limited liability company (the “Acquisition”). OZOP purchased the Membership Interest from RWO in exchange for; (i) 5,000,000 shares OZOP’s common stock and ii) the assumption of all liabilities of Spinus, including an obligation of \$250,000 pursuant to a license agreement by and between Spinus and a third party (the “Assumed Debt”). The Assumed Debt is secured by Spinus’s assets and is due the earlier of (i) February 16, 2019 or (ii) 15 days subsequent to the Company completing a minimum of a \$3,000,000 equity raise. OZOP acquired Spinus to gain control of a license rights agreement for exclusive rights to intellectual property related to minimally invasive spine surgery techniques. The Assumed Debt of \$250,000 was paid in November 2018.

The following table summarizes the preliminary value of the consideration issued and the preliminary purchase price allocation of the fair value of assets acquired and liabilities assumed in the acquisition:

	<b>Purchase Price Allocation</b>
Fair value of consideration issued	\$ 250,000
Liabilities assumed	532,289
Total purchase consideration	<u>\$ 782,289</u>
Assets acquired	\$ 543,138
Goodwill	239,151
	<u>\$ 782,289</u>

The total purchase price of \$782,289 has been allocated on a preliminary basis to the tangible and intangible assets acquired and liabilities assumed based on preliminary estimated fair values as of the completion of the Acquisition. These allocations reflect various preliminary estimates that are currently available and are subject to change upon the valuation being finalized within the measurement period. The final fair value of Spinus’s identifiable intangible assets will be determined primarily using the income approach which requires an estimate or forecast of all the expected future cash flows, either through the use of the relief-from-royalty method or the multi-period excess earnings method. The Company will record amortization expense assuming a straight-line basis over the expected life of the finite lived intangible assets, which approximates expected future cash flows.

Goodwill represents the amount by which the estimated consideration transferred exceeds the historical costs of the assets the Company acquired and the liabilities the Company assumed. The Company will not amortize the goodwill, but will instead test the goodwill for impairment at least annually and whenever events or circumstances have occurred that may indicate a possible impairment.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRONOUNCEMENTS

### *Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements and with the instructions to Form 10-Q and Article 8 of Regulation S-X of the SEC. Accordingly, they do not contain all information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of the Company’s management, the accompanying unaudited condensed consolidated financial statements contain all the adjustments necessary (consisting only of normal recurring accruals) to present the financial position of the Company as of March 31, 2019, and the results of operations and cash flows for the periods presented. The results of operations for the three months ended March 31, 2019, are not necessarily indicative of the operating results for the full fiscal year or any future period. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and related notes thereto included in the Company’s Current Report on Form 10-K filed on April 16, 2019.

The unaudited condensed consolidated financial statements include the accounts of the Company and Ozop and its wholly owned subsidiaries Ozop LLC, Ozop HK and Spinus. All intercompany accounts and transactions have been eliminated in consolidation.



### **Emerging Growth Companies**

The Company qualifies as an “emerging growth company” under the 2012 JOBS Act. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. As an emerging growth company, the Company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The Company has elected to take advantage of the benefits of this extended transition period.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

The Company considers all highly liquid investments with an original term of three months or less to be cash equivalents. These investments are carried at cost, which approximates fair value. Cash and cash equivalent balances may, at certain times, exceed federally insured limits

### **Sales Concentration and credit risk**

Following is a summary of customers who accounted for more than ten percent (10%) of the Company’s revenues for the three months ended March 31, 2019, and 2018, and their accounts receivable balance as of March 31, 2019:

	Sales % Three Months Ended March 31, 2019	Sales % Three Months Ended March 31, 2018	Accounts receivable balance March 31, 2019
Customer A	<u>100%</u>	<u>100%</u>	<u>\$ 62,256</u>

### **Accounts Receivable**

The Company records accounts receivable at the time products and services are delivered. An allowance for losses is established through a provision for losses charged to expenses. Receivables are charged against the allowance for losses when management believes collectability is unlikely. The allowance (if any) is an amount that management believes will be adequate to absorb estimated losses on existing receivables, based on evaluation of the collectability of the accounts and prior loss experience.

### **Inventory**

Inventory, which will consist of finished goods, is valued at the lower of cost or net realizable value. Cost is determined using the first in first out (FIFO) method. Provision for potentially obsolete or slow-moving inventory is made based on management analysis or inventory levels and future sales forecasts. The Company has not recorded any loss during the periods presented.

### **Purchase concentration**

The principal purchases by the Company is comprised of finished goods that the Company sells to its customers. Following is a summary of suppliers who accounted for more than ten percent (10%) of the Company’s purchases for the three months ended March 31, 2019, and 2018:

	Purchase % Three Months Ended March 31, 2019	Purchase % Three Months Ended March 31, 2018
Supplier A	<u>100%</u>	<u>100%</u>

Management believes that other suppliers could provide similar raw materials on comparable terms. A change in suppliers, however, could cause a delay and a possible loss of sales, which would adversely affect the Company's business, financial position and results of operations.

**Property, plant and equipment**

Property and equipment are stated at cost, and depreciation is provided by use of a straight-line method over the estimated useful lives of the assets.

**Office equipment**

The Company reviews property and equipment for potential impairment whenever events or changes in circumstances indicate that the carrying amounts of assets may not be recoverable. The estimated useful lives of property and equipment is as follows:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Office equipment	\$ 9,590	\$ 9,590
Less: Accumulated Depreciation	(3,190)	(2,391)
Property and Equipment, Net	<u>\$ 6,400</u>	<u>\$ 7,199</u>

Depreciation expense was \$799 and \$162 for the three months ended March 31, 2019, and 2018, respectively.

**Intangible Assets**

Intangible assets primarily represent purchased license rights. The Company amortizes these costs over the shorter of the legal life of the patent or its estimated economic life using the straight-line method. The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to future undiscounted cash flows to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Company has not recognized impairment losses for any long-lived assets. For the three months ended March 31, 2019, the Company recorded amortization expense of \$10,417. There was no amortization expense for the three months ended March 31, 2018. Goodwill is measured as the excess of consideration transferred and the net of the acquisition date fair value of assets acquired, and liabilities assumed in a business acquisition. In accordance with ASC 350, "Intangibles—Goodwill and Other," goodwill and other intangible assets with indefinite lives are no longer subject to amortization but are tested for impairment annually or whenever events or changes in circumstances indicate that the asset might be impaired.

**Goodwill**

The Company reviews the goodwill allocated to each of our reporting units for possible impairment annually and whenever events or changes in circumstances indicate carrying amount may not be recoverable. When assessing goodwill for impairment, the Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its' carrying amount. If, after assessing the totality of events or circumstances, the Company determines it is more likely than not that the fair value of a reporting unit is less than its' carrying amount, then the Company performs a two-step impairment test. If the Company concludes otherwise, then no further action is taken. The Company also has the option to bypass the qualitative assessment and only perform a quantitative assessment, which is the first step of the two-step impairment test. In the two-step impairment test, the Company measures the recoverability of goodwill by comparing a reporting unit's carrying amount, including goodwill, to the estimated fair value of the reporting unit. There were no events or changes in circumstances that indicated potential impairment of intangible assets during the three months ended March 31, 2019.

In assessing the qualitative factors, the Company assesses relevant events and circumstances that may impact the fair value and the carrying amount of the reporting unit. The identification of relevant events and circumstances, and how these may impact a reporting unit's fair value or carrying amount involve significant judgments and assumptions. The judgment and assumptions include the identification of macroeconomic conditions, industry, and market considerations, cost factors, overall financial performance and share price trends, and making the assessment as to whether each relevant factor will impact the impairment test positively or negatively and the magnitude of any such impact.

The carrying amount of each reporting unit is determined based upon the assignment of our assets and liabilities, including existing goodwill and other intangible assets, to the identified reporting units. Where an acquisition benefits only one reporting unit, the Company allocates, as of the acquisition date, all goodwill for that acquisition to the reporting unit that will benefit. Where the Company has had an acquisition that benefited more than one reporting unit, The Company has assigned the goodwill to our reporting units as of the acquisition date such that the goodwill assigned to a reporting unit is the excess of the fair value of the acquired business, or portion thereof, to be included in that reporting unit over the fair value of the individual assets acquired and liabilities assumed that are assigned to the reporting unit.

If the carrying amount of a reporting unit is in excess of its fair value, an impairment may exist, and the Company must perform the second step of the impairment analysis to measure the amount of the impairment loss, by allocating the reporting unit's fair value to its assets and liabilities other than goodwill, comparing the carrying amount of the goodwill to the resulting implied fair value of the goodwill, and recording an impairment charge for any excess.

#### **Revenue Recognition**

Effective January 1, 2018, the Company adopted ASC 606 — Revenue from Contracts with Customers. Under ASC 606, the Company recognizes revenue from the commercial sales of products by: (1) identify the contract (if any) with a customer; (2) identify the performance obligations in the contract (if any); (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract (if any); and (5) recognize revenue when each performance obligation is satisfied. For the comparative periods, revenue has not been adjusted and continues to be reported under ASC 605 — Revenue Recognition. Under ASC 605, revenue is recognized when the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) the performance of service has been rendered to a customer or delivery has occurred; (3) the amount of fee to be paid by a customer is fixed and determinable; and (4) the collectability of the fee is reasonably assured. The Company has no outstanding contracts with any of its' customers. Revenues from Spinus of \$47,602 and \$6,727 for the three months ended March 31, 2019, and 2018 (from February 17, 2018, the date of the acquisition of Spinus), respectively, are recognized as an agent and are recorded at net. There was no impact on the Company's financial statements as a result of adopting Topic 606 for the three months ended March 31, 2019 and 2018.

#### **Advertising and Marketing Expenses**

The Company expenses advertising and marketing costs as incurred. For the three months ended March 31, 2019, and 2018, the Company recorded \$56,802 and \$38,869 of advertising and marketing (including trade shows) expenses, respectively.

#### **Research and Development**

Costs and expenses that can be clearly identified as research and development are charged to expense as incurred. For the three months ended March 31, 2019, and 2018, the Company recorded \$53,204 and \$10,565 of research and development expenses, respectively.

#### **Convertible Instruments**

The Company evaluates and accounts for conversion options embedded in convertible instruments in accordance with ASC 815, Derivatives and Hedging Activities.

Applicable GAAP requires companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under other GAAP with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

The Company accounts for convertible instruments (when it has been determined that the embedded conversion options should not be bifurcated from their host instruments) as follows: The Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption.

The Company accounts for the conversion of convertible debt when a conversion option has been bifurcated using the general extinguishment standards. The debt and equity linked derivatives are removed at their carrying amounts and the shares issued are measured at their then-current fair value, with any difference recorded as a gain or loss on extinguishment of the two separate accounting liabilities.

#### ***Fair Value of Financial Instruments***

The Company measures assets and liabilities at fair value based on an expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level.

The following are the hierarchical levels of inputs to measure fair value:

- Level 1 - Observable inputs that reflect quoted market prices in active markets for identical assets or liabilities.
- Level 2 - Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Unobservable inputs reflecting the Company's assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The carrying amounts of the Company's financial assets and liabilities, such as cash, prepaid expenses, other current assets, accounts payable and accrued expenses, certain notes payable and notes payable - related party, approximate their fair values because of the short maturity of these instruments.

The following table represents the Company's financial instruments that are measured at fair value on a recurring basis as of March 31, 2019, and December 31, 2018, for each fair value hierarchy level:

March 31, 2019	Derivative Liabilities	Total
Level I	\$ —	\$ —
Level II	\$ —	\$ —
Level III	\$ 1,268,477	\$ 1,268,477

December 31, 2018	Derivative Liabilities	Total
Level I	\$ —	\$ —
Level II	\$ —	\$ —
Level III	\$ 1,199,514	\$ 1,199,514

### ***Income Taxes***

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance on deferred tax assets is established when management considers it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Tax benefits from an uncertain tax position are only recognized if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. Interest and penalties related to unrecognized tax benefits are recorded as incurred as a component of income tax expense. The Company has not recognized any tax benefits from uncertain tax positions for any of the reporting periods presented.

### ***Foreign Currency Translation***

The accounts of the Company's Hong Kong subsidiary are maintained in Hong Kong dollars and the accounts of the U.S. companies are maintained in USD. The accounts of the Hong Kong subsidiary were translated into USD in accordance with Accounting Standards Codification ("ASC") Topic 830, Foreign Currency Matters. According to Topic 830, all assets and liabilities were translated at the exchange rate on the balance sheet date; stockholders' equity is translated at historical rates and statement of comprehensive income items are translated at the weighted average exchange rate for the period. The resulting translation adjustments are reported under other comprehensive income in accordance with ASC Topic 220, Comprehensive Income. Gains and losses resulting from the foreign currency transactions are reflected in the statements of comprehensive income.

Relevant exchange rates used in the preparation of the consolidated financial statements are as follows for the periods ended March 31, 2019, and December 31, 2018 (Hong Kong dollar per one U.S. dollar):

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Balance sheet date	0.1274	0.1277
Average rate for statements of operations and comprehensive loss	0.1274	0.1276

### ***Earnings (Loss) Per Share***

The Company computes net loss per share in accordance with FASB ASC 260, "Earnings per Share." ASC 260 requires presentation of both basic and diluted earnings per share (EPS) on the face of the statement of operations. Basic EPS is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period including stock options, using the treasury stock method, and convertible notes and stock warrants, using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options, warrants and conversion of convertible notes. Diluted EPS excludes all dilutive potential common shares if their effect is anti-dilutive.

### Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, “Leases (Topic 842).” Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. This guidance offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. This guidance is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and requires a modified retrospective adoption, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard will have on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, “Business Combinations (Topic 805) Clarifying the Definition of a Business” (“ASU 2017-01”). The Amendments in this Update clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting, including acquisitions, disposals, goodwill, and consolidation. The guidance is effective for annual periods beginning after December 15, 2018, including interim periods within those periods. Early adoption of this standard is permitted. The Company adopted ASU 2017-01 on January 1, 2018, with no significant impact on the consolidated financial statements.

With the exception of the new standard discussed above, there have been no other recent accounting pronouncements or changes in accounting pronouncements during the three months ended March 31, 2019, that are of significance or potential significance to the Company.

### NOTE 3 – INTANGIBLE ASSETS

Patents as of March 31, 2019, and December 31, 2018, consist of the following:

	March 31, 2019	December 31, 2018
Patents and license rights	\$ 250,000	\$ 250,000
Accumulated amortization	(46,875)	(36,458)
Net carrying amount	<u>\$ 203,125</u>	<u>\$ 213,542</u>

Amortization expense for the three months ended March 31, 2019, was \$10,417. There was no amortization expense for the three months ended March 31, 2018.

### NOTE 4 - CONVERTIBLE NOTES PAYABLE

During the year ended December 31, 2017, OZOP issued 19 convertible promissory notes (the “2017 Notes”), in amounts of \$10,000 to \$50,000. OZOP received proceeds of \$710,000 in the aggregate. Of the 2017 Notes, \$50,000 was from the wife of one of our Directors at the time (see Note 7). The 2017 Notes mature(d) on their one-year anniversary and bear interest at ten percent (10%). The initial conversion feature allowed the holders to convert the note and any unpaid interest due, into shares of the Company’s common stock on the 15<sup>th</sup> business day that the Company becomes listed, at conversion prices equal to discounts of 35%-50% of the average of the three lowest closing prices of the common stock. In August 2018, the Company offered any noteholder to convert their principal and interest into shares of common stock at \$0.50 per share. OZOP also issued \$25,500 of convertible notes for consulting fees. During the year ended December 31, 2018, the Company issued a \$50,000 convertible promissory note (the “March 2018 Note”) and received proceeds of \$50,000. The Company determined that the conversion feature of the 2017 Notes and the March 2018 Note (together, the “Notes”) did not meet the criteria of an embedded derivative and therefore the conversion feature was not bi-furcated and accounted for as a derivative because the Company was a private company, there was no quoted price and no active market for the Company’s common stock.

On April 13, 2018, the Company determined the conversion feature of the Notes represented an embedded derivative since the Notes were convertible into a variable number of shares upon conversion. Accordingly, on April 13, 2018, the Notes were not considered to be conventional debt under ASC 815 and the embedded conversion feature was bifurcated from the debt host and accounted for as a derivative liability. Accordingly, the fair value of the derivative instruments of the Notes that occurred prior to April 13, 2018, were recorded as a liability on April 13, 2018, with the corresponding amount recorded as a discount to the Note. Such discount is being amortized from the date of issuance to the maturity dates of the Notes. The change in the fair value of the liability for derivative contracts are recorded in other income or expenses in the reporting period, with the offset to the derivative liability on the balance sheet. The embedded feature included in the Notes resulted in an initial debt discount of \$620,075, interest expense of \$14,000 and initial derivative liability of \$634,075. As of March 31, 2019, and December 31, 2018, the outstanding principal balance of the 2017 Notes was \$165,000.

On April 13, 2018, we issued a convertible promissory note in the principal amount of \$442,175 (the "Note"), pursuant to a Securities Purchase Agreement we entered into with an investor dated April 1, 2018. The Note bears interest at the rate of 12% per annum and is due and payable on April 13, 2019. The note is convertible at any time following the funding of the note into a variable number of the Company's common stock, based on a conversion ratio of 55% of the average of the lowest trading price for the 25 days prior to conversion. The note was funded on April 13, 2018, when the Company received proceeds of \$350,000, after OID of \$57,675, and disbursements for the lender's transaction costs, fees and expenses of \$34,500, of which \$25,000 were recorded as discounts against the debt to be amortized into interest expense through maturity. Periodic payments are due by us on the Note at the rate of \$850 per day (the "Repayment Amount") via direct withdrawal from our bank account, beginning on April 27, 2018 and to last for a 30-day period. Following this period, the Repayment Amount increased to \$1,100 per day until the Note is satisfied in full. On June 28, 2018, the Note was amended to increase the Repayment Amount to \$1,750 per day. On August 29, 2018, the parties agreed to stop the Repayment Amount, and on November 20, 2018, the parties agreed to restart the Repayment Amount at \$1,000 per day. From time to time the investor waives any Repayment Amount for a period of time as agreed upon. During the three months ended March 31, 2019, principal payments of \$42,000 were made. The embedded conversion feature included in the note resulted in an initial debt discount of \$359,500 interest expense of \$150,730 and an initial derivative liability of \$510,230. For the three months ended March 31, 2019, amortization of the debt discounts of \$48,906 was charged to interest expense. During the three months ended March 31, 2019, the investor sold \$30,000 of the note to another investor (see below). As of March 31, 2019, and December 31, 2018, the outstanding principal balance of the note was \$60,375 and \$132,375, respectively, with a carrying value as of March 31, 2019, and December 31, 2018, of \$55,385 and \$78,479, net of unamortized discounts of \$4,990 and \$53,896, respectively.

In connection with our obligations under the Note, our executive officers at the time, and the Company entered into a Pledge Agreement (the "Pledge Agreement") whereby they pledged as collateral for the Note an aggregate of 19,900,000 shares of our common stock and we pledged the shares of our subsidiary OZOP Surgical, Inc. (collectively, the "Collateral"). Upon a default under the terms of the Note, Carebourn may, among other things, collect or take possession of the Collateral, proceed with the foreclosure of the security interest in the Collateral or sell, lease or dispose of the Collateral.

On August 29, 2018, we issued a convertible promissory note in the principal amount of \$339,250 (the "Note"), pursuant to a Securities Purchase Agreement we entered into with the investor. The Note bears interest at the rate of 12% per annum and is due and payable on August 29, 2019. The note is convertible at any time following the funding of the note into a variable number of the Company's common stock, based on a conversion ratio of 55% of the average of the lowest trading price for the 25 days prior to conversion. The note was funded on August 29, 2018, when the Company received proceeds of \$280,000, after OID of \$44,250, and disbursements for the lender's transaction costs, fees and expenses of \$15,000, which were recorded as discounts against the debt to be amortized into interest expense through maturity. Periodic payments are due by us on the Note at the rate of \$1,000 per day (the "Repayment Amount") via direct withdrawal from our bank account, beginning on August 30, 2018, until the Note is satisfied in full. From time to time the investor waives any Repayment Amount for a period of time as agreed upon. During the three months ended March 31, 2019, principal payments of \$42,000 were made. The embedded conversion feature included in the note resulted in an initial debt discount of \$280,000 interest expense of \$112,403 and an initial derivative liability of \$392,403. For the three months March 31, 2019, amortization of the debt discounts of \$77,071 was charged to interest expense. As of March 31, 2019, and December 31, 2018, the outstanding principal balance of the note was \$219,250 and \$261,250, respectively, with a carrying value as of March 31, 2019, and December 31, 2018, of \$73,924 and \$38,853, net of unamortized discounts of \$145,326 and \$222,397, respectively.

On August 29, 2018, we issued a convertible promissory note in the principal amount of \$55,000 (the "Note"), pursuant to a Securities Purchase Agreement we entered into with the investor. The Note bears interest at the rate of 12% per annum and is due and payable on March 1, 2019. The note is convertible at any time following the funding of the note into a variable number of the Company's common stock, based on a conversion ratio of 58% of the average of the lowest trading price for the 20 days prior to conversion. The note was funded on August 29, 2018, when the Company received proceeds of \$50,000, after disbursements for the lender's transaction costs, fees and expenses of \$5,000, which were recorded as discounts against the debt to be amortized into interest expense through maturity. The embedded conversion feature included in the note resulted in an initial debt discount of \$50,000 interest expense of \$5,272 and an initial derivative liability of \$55,272. For the three months ended March 31, 2019, amortization of the debt discounts of \$16,806 was charged to interest expense. For the three months ended March 31, 2019, the investor converted a total of \$21,750 of the face value into 75,000 shares of common stock. As of March 31, 2019, and December 31, 2018, the outstanding principal balance of the note was \$33,250 and \$55,000, respectively with a carrying value as of March 31, 2019 and December 31, 2018, of \$32,944 and \$37,888, net of unamortized discounts of \$306 and \$17,112, respectively.

On October 19, 2018, the Company issued a 12% convertible promissory note, (the "Note") in the principal amount of \$78,000, pursuant to a Securities Purchase Agreement we entered into with the investor. The Note matures 12 months after the date of issuance. The Note is convertible into shares of the Company's common stock beginning on the date which is 180 days from the issuance date of the Note, at a conversion price equal to 65% multiplied by the average of the lowest two trading prices during the 15- trading day period ending on the last completed trading date in the OTC Markets prior to the date of conversion. The note was funded on October 22, 2018, when the Company received proceeds of \$75,000 after disbursements for the lender's transaction costs, fees and expenses of \$3,000, which were recorded as discounts against the debt to be amortized into interest expense through maturity. The embedded conversion feature included in the note resulted in an initial debt discount and derivative liability of \$57,700. For the three months ended March 31, 2019, amortization of the debt discounts of \$15,175 was charged to interest expense. As of March 31, 2019, and December 31, 2018, the outstanding principal balance of the note was \$78,000 with a carrying value as of March 31, 2019, and December 31, 2018, of \$45,392 and \$30,217, respectively, net of unamortized discounts of \$32,608 and \$47,783, respectively.

On November 15, 2018, the Company issued a 12% convertible promissory note, (the "Note") in the principal amount of \$500,000, pursuant to a Securities Purchase Agreement we entered into with the investor. The Note matures November 15, 2019. The Note is convertible into shares of the Company's common stock beginning on the date which is 180 days from the issuance date of the Note, at a conversion price equal to the lesser of (1) the lowest trading price during the previous 20 trading day period ending on the last completed trading date prior to the date of the Note and (2) 65% multiplied by the average of the 3 lowest trading prices of the Company's common stock during the 20 day trading period ending on the latest completed trading day of the common stock prior to the date of conversion of the Note. Pursuant to the Note, the Company agreed to include on its next registration statement filed with the Securities and Exchange Commission, all shares issuable upon conversion of the Note. Pursuant to the Security Agreement, all of the obligations under the Note are secured by a first security interest in and to all of the Company's rights, title and interests in, to and under all assets and all personal property of the Company. The Security Agreement includes customary representations, warranties and covenants by the Company. The note was funded on November 19, 2018, when the Company received proceeds of \$458,500 after OID of \$37,500, and disbursements for the lender's transaction costs, fees and expenses of \$4,000, which were recorded as discounts against the debt to be amortized into interest expense through maturity. The embedded conversion feature included in the note resulted in an initial debt discount and derivative liability of \$363,806. For the three months ended March 31, 2019, amortization of the debt discounts of \$101,327 was charged to interest expense. As of March 31, 2019, and December 31, 2018, the outstanding principal balance of the note was \$500,000 with a carrying value as of March 31, 2019, and December 31, 2018, of \$248,321 and \$146,994, respectively, net of unamortized discounts of \$251,679 and \$353,006, respectively.

On December 5, 2018, the Company issued a 12% convertible promissory note, (the "Note") in the principal amount of \$63,000, pursuant to a Securities Purchase Agreement we entered into with the investor. The Note matures 12 months after the date of issuance. The Note is convertible into shares of the Company's common stock beginning on the date which is 180 days from the issuance date of the Note, at a conversion price equal to 65% multiplied by the average of the lowest two trading prices during the 15- trading day period ending on the last completed trading date in the OTC Markets prior to the date of conversion. The note was funded on December 10, 2018, when the Company received proceeds of \$60,000 after disbursements for the lender's transaction costs, fees and expenses of \$3,000, which were recorded as discounts against the debt to be amortized into interest expense through maturity. The embedded conversion feature included in the note resulted in an initial debt discount and derivative liability of \$47,170. For the three months ended March 31, 2019, amortization of the debt discounts of \$12,543 was charged to interest expense. As of March 31, 2019, and December 31, 2018, the outstanding principal balance of the note was \$63,000 with a carrying value as of March 31, 2019, and December 31, 2018, of \$29,213 and \$16,670, respectively, net of unamortized discounts of \$33,787 and \$46,330, respectively.



On January 7, 2019, the Company issued an 8% convertible promissory note, (the "Note") in the principal amount of \$150,000, pursuant to a Securities Purchase Agreement we entered into with the investor. The Note matures January 7, 2020. The Note is convertible into shares of the Company's common stock beginning on the date which is 180 days from the issuance date of the Note, at a conversion price equal to the lesser of (1) the lowest trading price during the previous 20 trading day period ending on the last completed trading date prior to the date of the Note and (2) 65% multiplied by the average of the 3 lowest trading prices of the Company's common stock during the 20 day trading period ending on the latest completed trading day of the common stock prior to the date of conversion of the Note. The note was funded on January 9, 2019, when the Company received proceeds of \$133,250 after OID of \$14,000, and disbursements for the lender's transaction costs, fees and expenses of \$2,750, which were recorded as discounts against the debt to be amortized into interest expense through maturity. The embedded conversion feature included in the note resulted in an initial debt discount and derivative liability of \$111,500. For the three months ended March 31, 2019, amortization of the debt discounts of \$29,414 was charged to interest expense. As of March 31, 2019, the outstanding principal balance of the note was \$150,000 with a carrying value as of March 31, 2019, of \$51,164, net of unamortized discounts of \$98,836.

On February 5, 2019, the Company issued an 8% convertible promissory note (the "Note") in the aggregate principal amount of up to \$165,000 in exchange for an aggregate purchase price of up to \$148,500 with an original issue discount of \$16,500 to cover the Investor's accounting fees, due diligence fees, monitoring and other transactional costs incurred in connection with the purchase and sale of the Note, which is included in the principal balance of the Note. On February 8, 2019, the Investor funded the first tranche under the Note, and the Company received \$49,500 (\$47,500 after payment of \$2,000 of the Investor's legal fees) for this first tranche of \$55,000 under the Note and on the same date, the Company issued the Note to the Investor. The Note is convertible into shares of the Company's common stock, beginning on the date which is 180 days from the issuance date of the Note, at a conversion price equal to the lesser of (1) the lowest trading price during the previous 20 trading day period ending on the last completed trading date prior to the date of conversion of the Note and (2) 65% multiplied by the average of the 3 lowest trading prices of the Company's common stock during the 20 day trading period ending on the latest completed trading day of the common stock prior to the date of conversion of the Note. The embedded conversion feature included in the note resulted in an initial debt discount and derivative liability of \$38,502. For the three months ended March 31, 2019, amortization of the debt discounts of \$6,900 was charged to interest expense. As of March 31, 2019, the outstanding principal balance of the note was \$55,000 with a carrying value as of March 31, 2019, of \$15,898, net of unamortized discounts of \$39,102.

On February 21, 2019, the Company issued a 12% convertible promissory note, (the "Note") in the principal amount of \$53,000, pursuant to a Securities Purchase Agreement we entered into with an investor. The Note matures 12 months after the date of issuance. The Note is convertible into shares of the Company's common stock beginning on the date which is 180 days from the issuance date of the Note, at a conversion price equal to 61% multiplied by the average of the lowest two trading prices during the 15- trading day period ending on the last completed trading date in the OTC Markets prior to the date of conversion. The note was funded on February 22, 2019, when the Company received proceeds of \$50,000 after disbursements for the lender's transaction costs, fees and expenses of \$3,000, which were recorded as discounts against the debt to be amortized into interest expense through maturity. The embedded conversion feature included in the note resulted in an initial debt discount and derivative liability of \$44,331. For the three months ended March 31, 2019, amortization of the debt discounts of \$5,230 was charged to interest expense. As of March 31, 2019, the outstanding principal balance of the note was \$53,000 with a carrying value as of March 31, 2019, of \$10,899, net of unamortized discounts of \$42,101.

On March 7, 2019, the Company issued a 12% convertible promissory note, (the "Note") in the principal amount of \$85,000, pursuant to a Securities Purchase Agreement we entered into with an investor. The Note matures 12 months after the date of issuance. The Note is convertible into shares of the Company's common stock, at a conversion price equal to 58% of the average of the two lowest trading prices of the Company's common stock for the previous 20 trading day period ending on the date the notice of conversion of the Note is received by the Company. The note was funded on March 11, 2019, when the Company received proceeds of \$77,900 after OID of \$3,000, and disbursements for the lender's transaction costs, fees and expenses of \$4,100, which were recorded as discounts against the debt to be amortized into interest expense through maturity. The embedded conversion feature included in the note resulted in an initial debt discount and derivative liability of \$77,394. For the three months ended March 31, 2019, amortization of the debt discounts of \$5,310 was charged to interest expense. As of March 31, 2019, the outstanding principal balance of the note was \$85,000 with a carrying value as of March 31, 2019, of \$5,816, net of unamortized discounts of \$79,184.

A summary of the convertible note balance as of March 31, 2019, and December 31, 2018, is as follows:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Principal balance	\$ 1,461,875	\$ 1,254,625
Unamortized discount	(727,917)	(740,523)
Ending balance, net	<u>\$ 733,958</u>	<u>\$ 514,102</u>

#### NOTE 5 – DERIVATIVE LIABILITIES

On April 13, 2018, the Company determined the conversion feature of the Notes represented an embedded derivative since the Notes were convertible into a variable number of shares upon conversion. Accordingly, on April 13, 2018, the Notes were not considered to be conventional debt under ASC 815 and the embedded conversion feature was bifurcated from the debt host and accounted for as a derivative liability.

The Company valued the derivative liabilities at March 31, 2019, and December 31, 2018, at \$1,268,477 and \$1,199,514, respectively. The Company used the Monte Carlo simulation valuation model with the following assumptions as of March 31, 2019, 2018, risk-free interest rates from 2.42% to 2.44% and volatility of 48% to 49%, and as of December 31, 2018; risk-free interest rates from 2.56% to 2.62% and volatility of 61% to 65%. The initial derivative liabilities for convertible notes issued during the three months ended March 31, 2019, used the following assumptions; risk-free interest rates from 2.51% to 2.58% and volatility of 51% to 63%.

A summary of the activity related to derivative liabilities for the three months ended March 31, 2019, and the year ended December 31, 2018, is as follows:

Balance- January 1, 2018	\$ -0-
Issued during period	2,060,656
Converted or paid	(894,929)
Change in fair value recognized in operations	33,787
Balance- December 31, 2018	<u>1,199,514</u>
Issued during the period	271,727
Converted or paid	(155,154)
Change in fair value recognized in operations	(47,610)
Balance- March 31, 2019	<u>\$ 1,268,477</u>

#### NOTE 6 – NOTES PAYABLE

The Company has the following note payables outstanding:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Note payable, interest at 8%, matured September 6, 2018, in default	\$ 330,033	\$ 330,033
Other, due on demand	2,805	2,805
Total notes payable	<u>\$ 332,838</u>	<u>\$ 332,838</u>

#### NOTE 7 – RELATED PARTY TRANSACTIONS

##### Note payable

On October 25, 2017, the Company issued a \$60,000 promissory note to the wife of an officer and director of the Company in exchange for \$50,000. The note originally matured November 25, 2017, and was extended until November 25, 2018. As of March 31, 2019, and December 31, 2018, the balance of the note is \$60,000 and is in default.

### Convertible note payable

On October 16, 2017, OZOP issued a \$50,000 convertible promissory note to the wife of an officer and director in exchange for \$50,000. The note bears interest at ten percent (10%), matured on October 16, 2018. The initial conversion feature allowed the holder to convert the note and any unpaid interest due, into shares of the Company's common stock on the 15<sup>th</sup> business day that the Company becomes listed, at conversion prices equal to discounts of 35%-50% of the average of the three lowest closing prices of the common stock. In August 2018, the Company offered any noteholder to convert their principal and interest into shares of common stock at \$0.50 per share. As of March 31, 2019, and December 31, 2018, the balance of the note is \$50,000 and is in default.

### Management Fees and related party payables

For the three months ended March 31, 2019, and 2018, the Company recorded expenses to its officers in the following amounts:

	Three months ended	
	March 31,	
	2019	2018
CEO, parent	\$ 45,000	\$ 30,000
CEO, subsidiary	—	30,000
CCO	—	30,000
COO	45,000	—
CFO	30,000	30,000
Total	<u>\$ 120,000</u>	<u>\$ 120,000</u>

As of March 31, 2019, and December 31, 2018, included in accounts payable and accrued expenses, related party is \$530,117 and \$552,806, respectively, for the following amounts owed the Company's officers for accrued fees, accounts payable and loans made. The loans have no terms of repayment.

	March 31,	December 31,
	2019	2018
CEO, parent	\$ 8,925	\$ 22,825
Former CEO, subsidiary	151,453	162,215
Former COO and CCO	211,115	236,905
COO	75,000	45,000
CFO	55,317	58,037
Non-officer affiliate	28,307	27,824
Total	<u>\$ 530,117</u>	<u>\$ 552,806</u>

On February 9, 2018, the Company recorded a stock subscription receivable from its officers and directors of \$7,600 related to the issuance of 7,600,000 shares of common stock.

### NOTE 8 – COMMITMENTS AND CONTINGENCIES

#### License

On February 1, 2018, Spinus entered into an Intellectual Property Licensing Agreement (the "Licensing Agreement"). The Company assumed the obligations under the Licensing Agreement and pledged the assets of Spinus as security. Pursuant to the terms of the Licensing Agreement, in consideration of \$250,000 Spinus has the exclusive rights to certain patents and the non-exclusive rights to other patents. The patents surround mechanical or inflatable expandable interbody implant products. The \$250,000 was due the earlier of (i) February 16, 2019 or (ii) 15 days subsequent to the Company completing a minimum of a \$3,000,000 equity raise. The Company paid the \$250,000 on November 20, 2018. The Company also will pay a royalty of 7% of net sales on any product sold utilizing any of the patents. There have not been any sales of the licensed products and accordingly, no royalties have been incurred.

## *Consulting Agreements*

On August 31, 2018, we entered into an investor relations consulting agreement with Kingdom Building, Inc. (“Kingdom”) whereby Kingdom agreed to provide us with investor relations, public relations and financial media relations consulting services. The term of the agreement is for a period of 12 months. We may terminate the agreement after the initial six months on 60 days’ notice. We agreed to pay Kingdom \$8,500 per month which amount is deferred until we complete a financing transaction with a minimum raise of \$1,500,000 in gross proceeds. In addition, we issued Kingdom 650,000 shares of our unregistered common stock and reimburse them for certain out of pocket expenses. The Company valued the common stock at \$325,000, based on the market price of the common stock on the date of the agreement, to be amortized over the one-year term. For the three months ended March 31, 2019, the Company amortized \$81,250 as stock-based compensation expense. As of March 31, 2019, there remains \$135,417 of deferred stock compensation on the consolidated balance sheet, to be amortized over the remaining contract term.

On October 19, 2018, the Company entered into a consulting agreement (the “Consulting Agreement”) with Draper Inc., a Nevada corporation (“Draper”). Pursuant to the Consulting Agreement the Company engaged Draper as an independent consultant and Draper agreed to provide the Company with consulting services. In exchange for the services to be provided by Draper pursuant to the Consulting Agreement, the Company agreed to issue Draper a total of 1,800,000 unregistered shares of the Company’s \$0.001 par value per share, common stock, with 450,000 shares issued upon execution of the Consulting Agreement, and with 150,000 shares be issued and delivered each month at the beginning of the fourth month to the beginning of the twelve month, until the total amount of shares is issued. Either party can terminate the Consulting Agreement by giving 30 days written notice to the other party. The Company valued the initial 450,000 shares at \$225,000, based on the market price of the common stock on the date of the agreement, to be amortized over the first three months of the contract. For the three months ended March 31, 2019, the Company amortized \$52,500 as stock-based compensation expense. For the three months ended March 31, 2019, the Company recorded 450,000 shares of common stock to be issued, and valued the shares at \$344,970, based on the market price of the common stock on the date of the shares being earned. For the three months ended March 31, 2019, the company amortized \$260,470 as stock-based compensation expense. As of March 31, 2019, there remains \$84,500 of deferred stock compensation on the condensed consolidated balance sheet, to be amortized in April, 2019.

On February 27, 2019, the Company entered into a Mutual Agreement of Understanding (the “Agreement”) with Eric Siu pursuant to which the Company agreed to approve and ratify all of Mr. Siu’s and his related parties’ efforts at pursuing medical device sales and manufacturing in greater China. Additionally, pursuant to the Agreement, the Company and Mr. Siu agreed to confirm and settle amounts owed to Mr. Siu and related parties by the Company upon the completion of the audit of the Company as of December 31, 2018. On March 5, 2019, Eric Sui resigned from his position as a member of the Board.

On March 4, 2019, the Company entered into a Separation Agreement (the “Separation Agreement”) with Salman J. Chaudhry, pursuant to which Mr. Chaudhry resigned immediately from his positions as the CCO and Secretary of the Company and as a member of the Board and from all positions with the Company effective immediately and pursuant to which the Company agreed to pay Mr. Chaudhry \$227,200 (the “Outstanding Fees”) in certain increments as set forth in the Separation Agreement. Mr. Chaudhry’s resignation was not the result of any disagreement with the Company on any matter relating to the Company’s operations, policies or practices. During the three months ended March 31, 2019, the Company paid Mr. Chaudhry \$16,086, and the balance owed is \$211,115.

On March 24, 2019, the Company and Newbridge Securities Corporation (“Newbridge”) entered into an Investment Banking Engagement Agreement (the “Agreement”). Under the terms of the Agreement, Newbridge will provide investment banking and financial advisory services to the Company, including, but not limited to assisting the Company with an up-listing process to a national exchange in the United States, introducing the Company to other investment banking firms focused on servicing emerging growth companies; rendering advice related to capital structures, capital market opportunities, evaluating potential capital raise transactions and assisting the Company to develop growth optimization strategies. The term of the Agreement is 12 months from the date of the Agreement, however either party may terminate the Agreement anytime upon 15 days written notice. As compensation for its services under the Agreement, Newbridge and its assignees received 171,400 shares of the Company’s common stock. The Agreement contains customary terms relating to payment of expenses, indemnification and other matters. The Agreement also includes customary representations, warranties and covenants by the Company. The Company valued the shares at \$77,130, based on the market price of the common stock on the date of the agreement, to be amortized over the one-year term of the contract. For the three months ended March 31, 2019, the Company amortized \$1,500 as stock-based compensation expense. As of March 31, 2019, there remains \$75,630 of deferred stock compensation on the condensed consolidated balance sheet, to be amortized over the remaining term of the agreement.

**NOTE 9 - INCOME TAXES**

The Company was incorporated in the United States and has operations in two tax jurisdictions - the United States and Hong Kong. The Company's HK subsidiary is subject to a 16.5% profit tax based on its taxable net profit. The Company's U.S. operations are subject to income tax according to U.S. tax law.

A reconciliation of the provision for income taxes determined at the U.S. statutory rate to the Company's effective income tax rate is as follows:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
Pre-tax loss	\$ (904,155)	\$ (257,948)
U.S. federal corporate income tax rate	21%	21%
Expected U.S. income tax credit	(189,873)	(54,169)
Tax rate difference between U.S. and foreign operations	231	1,469
Permanent differences	111,325	—
Change of valuation allowance	78,317	52,700
Effective tax expense	\$ —	\$ —

The Company had deferred tax assets as follows:

	<b>March 31,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
Net operating losses carried forward	\$ 648,139	\$ 569,822
Less: Valuation allowance	(648,139)	(569,822)
Net deferred tax assets	\$ —	\$ —

As of March 31, 2019, the Company has approximately \$2,619,000 and \$593,000 net operating loss carryforwards available in the United States and Hong Kong, respectively, to reduce future taxable income. The net operating loss from Hong Kong operations can be carried forward with no time limit from the year of the initial loss pursuant to relevant Hong Kong tax laws and regulations. For U.S. purposes the NOL deduction for a tax year is equal to the lesser of (1) the aggregate of the NOL carryovers to such year, plus the NOL carry-backs to such year, or (2) 80% of taxable income (determined without regard to the deduction). Generally, NOLs can no longer be carried back but are allowed to be carried forward indefinitely. The special extended carryback provisions are generally repealed, except for certain farming and insurance company losses. The amendments incorporating the 80% limitation apply to losses arising in tax years beginning after Dec. 31, 2017. It is more likely than not that the deferred tax assets cannot be utilized in the future because there will not be significant future earnings from the entity which generated the net operating loss. Therefore, the Company recorded a full valuation allowance on its deferred tax assets.

As of March 31, 2019, and December 31, 2018, the Company has no material unrecognized tax benefits which would favorably affect the effective income tax rate in future periods, and does not believe that there will be any significant increases or decreases of unrecognized tax benefits within the next twelve months. No interest or penalties relating to income tax matters have been imposed on the Company during the three months ended March 31, 2019, and 2018, and no provision for interest and penalties is deemed necessary as of March 31, 2019, and 2018.

The U.S. Tax Cuts and Jobs Act (Tax Act) was enacted on December 22, 2017 and introduces significant changes to U.S. income tax law. Effective in 2018, the Tax Act reduces the U.S. statutory tax rate from 35% to 21% and creates new taxes on certain foreign-sourced earnings and certain related-party payments, which are referred to as the global intangible low-taxed income tax and the base erosion tax, respectively. The Tax Act requires the Company to pay U.S. income taxes on accumulated foreign subsidiary earnings not previously subject to U.S. income tax at a rate of 15.5% to the extent of foreign cash and certain other net current assets and 8% on the remaining earnings. Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, the Company has not recorded any adjustments according to Tax Act. As the Company collects and prepares necessary data, and interprets the Tax Act and any additional guidance issued by the U.S. Treasury Department, the IRS, and other standard-setting bodies, the Company may make adjustments to the provisional amounts. The accounting for the tax effects of the Tax Act will be completed in 2018.

Since the Company's foreign subsidiaries have not generated income since inception, the Company believes that Tax Act will not have significant impact on the Company's consolidated financial statements.

## **NOTE 10 – STOCKHOLDERS' EQUITY**

### **Common stock**

On October 13, 2018, the Board of Directors of the Company authorized a Private Placement Memorandum (the "October PPM") offering of a minimum of \$50,000 and up to \$3,000,000 of up to 6,000,000 units (a "Unit"), for a price of \$0.50 per Unit (the "Purchase Price") with each Unit consisting of one (1) share of Common Stock and a warrant (a "Warrant") to purchase one (1) share of Common Stock, with each Warrant having a three year term and an exercise price of \$1.00 per share of Common Stock. During the three months ended March 31, 2019, we sold 160,000 Units pursuant to the October PPM at \$0.50 per Unit, issued 160,000 shares of our common stock and received proceeds of \$80,000.

During the three months ended March 31, 2019, holders of an aggregate of \$51,750 in principal of convertible debt issued by the Company, converted their debt into 230,844 shares of our common stock at an average conversion price of \$0.224 per share.

On March 24, 2019, the Company recorded the issuance of 171,400 of common stock for consulting services.

As of March 31, 2019, the Company has 290,000,000 shares of \$0.001 par value common stock authorized and there are 29,630,455 shares of common stock issued and outstanding and 450,000 shares of common stock to be issued.

### **Preferred stock**

As of March 31, 2019, 10,000,000 shares have been authorized as preferred stock, par value \$0.001 (the "Preferred Stock"), which such Preferred Stock shall be issuable in such series, and with such designations, rights and preferences as the Board of Directors may determine from time to time. On March 28, 2019, the Company filed a Certificate of Designation with the Secretary of State of Nevada to designate 1,000,000 shares as Series B Preferred Stock. The Series B Preferred Stock is not convertible into common stock, nor does the Series B Preferred Stock have any right to dividends and any liquidation preference. The Series B Preferred Stock entitles its holder to a number of votes per share equal to 50 votes.

### **Stock subscription receivable**

On February 9, 2018, the Company recorded a stock subscription receivable from its officers and directors of \$7,600 related to the issuance of 7,600,000 shares of common stock.

**NOTE 11 – SEGMENT REPORTING, GEOGRAPHICAL INFORMATION**

The Company operates in two geographic segments, the United States and Hong Kong. Set out below are the revenues, gross profits and total assets for each segment.

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenue:</b>		
United States	\$ 47,602	\$ 6,727
Hong Kong	\$ -0-	\$ -0-
	<u>\$ 47,602</u>	<u>\$ 6,727</u>
<b>Gross Profit</b>		
United States	\$ 47,602	\$ 6,727
Hong Kong	\$ -0-	\$ -0-
	<u>\$ 47,602</u>	<u>\$ 6,727</u>
	<b>March 31,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
<b>Total Assets:</b>		
United States	\$ 657,881	\$ 658,350
Hong Kong	1,069	869
Total Assets	<u>\$ 658,950</u>	<u>\$ 659,219</u>

**NOTE 12 – GOING CONCERN AND MANAGEMENT’S PLANS**

The accompanying unaudited condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. At March 31, 2019, the Company had a stockholders’ deficit of \$2,706,380 and a working capital deficit of \$3,155,055. In addition, the Company has generated losses since inception. These factors, among others, raise substantial doubt about the ability of the Company to continue as a going concern.

**Management’s Plans**

In April 2018, OZOP entered into and completed a share exchange agreement with the Company (see Note 1), a publicly traded company. As a public company, management believes it will be able to access the public equities market for fund raising for product development and regulatory approvals, sales and marketing and as we expand our distribution in the US market, we will need to meet increasing inventory requirements.

**NOTE 13 – SUBSEQUENT EVENTS**

From April 1, 2019, through the date of this report the Company has issued 2,230,008 shares of common stock upon the conversion of \$41,960 of principal of convertible notes.

In April 2019, we sold 40,000 Units pursuant to the October PPM, at \$0.50 per Unit, issued 40,000 shares of our common stock and warrants to purchase 40,000 shares of our common stock, and received proceeds of \$20,000.

On May 3, 2019, the Company issued to a third-party investor a convertible promissory note (the “Note”) with a face value of \$58,000. The note matures on May 3, 2020, has a stated interest of 12% and is convertible into a variable number of the Company's common stock, based on a conversion ratio of 61% of the lowest closing bid price for the 20 days prior to conversion. The note was funded on May 6, 2019, when the Company received proceeds of \$55,000, after disbursements for the lender’s transaction costs, fees and expenses.

On May 7, 2019, the Company issued to a third-party investor a convertible redeemable promissory note (the "Note") with a face value of \$52,500, including an original issue discount of \$2,500. The note matures on February 7, 2020, has a stated interest of 12% and is convertible into a variable number of the Company's common stock, based on a conversion ratio of 58% of the average of the two lowest trading prices for the 20 days prior to conversion. The note was funded on May 8, 2019, when the Company received proceeds of \$47,500, after disbursements for the lender's transaction costs, fees and expenses.

On May 7, 2019, the Company issued a warrant (the "Warrant") to purchase 18,333 shares of the Company's common stock at an exercise price of \$1.50 for a term of three (3) years to Crown Bridge Partners, LLC (CBP). The Company received the funding of the second tranche on May 10, 2019, in an amount of \$23,500 (the "Second Tranche") under the \$165,000 convertible promissory note issued by the Company to CBP on February 5, 2019.

The Company has evaluated subsequent events through the date the financial statements were issued. The Company has determined that there are no other such events that warrant disclosure or recognition in the financial statements, except as stated herein.



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

This quarterly report and other reports filed by Ozop Surgical Corp. ("we," "us," "our," or the "Company"), from time to time contain or may contain forward-looking statements and information that are based upon beliefs of, and information currently available to, the Company's management as well as estimates and assumptions made by Company's management. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used in the filings, the words "anticipate," "believe," "estimate," "expect," "future," "intend," "plan" or the negative of these terms and similar expressions as they relate to the Company or the Company's management identify forward-looking statements. Such statements reflect the current view of the Company with respect to future events and are subject to risks, uncertainties, assumptions, and other factors. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, including the securities laws of the United States, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). These accounting principles require us to make certain estimates, judgments, and assumptions. We believe that the estimates, judgments, and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments, and assumptions are made. These estimates, judgments, and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our financial statements would be affected to the extent there are material differences between these estimates.

The following discussion should be read in conjunction with our unaudited financial statements and the related notes that appear elsewhere in this Quarterly Report on Form 10-Q.

### THE COMPANY

Ozop Surgical Corp. (the "Company," "we," "us" or "our") was originally incorporated as Newmark Corp. on July 17, 2015, under the laws of the State of Nevada, for the purpose of renting out Segways and bicycles. Following the acquisition of OZOP Surgical, Inc. as discussed below, we have been engaged in the business of inventing, designing, developing, manufacturing and globally distributing innovative endoscopic instruments, surgical implants, instrumentation, devices and related technologies, focused on spine, neurological and pain management procedures and specialties.

On April 13, 2018, we entered into and completed a share exchange agreement (the "Share Exchange Agreement") with OZOP Surgical, Inc. ("OZOP"), the shareholders of OZOP (the "OZOP Shareholders") and Denis Razvodovskij, the then holder of 2,000,000 shares of our common stock. Pursuant to the terms of the Share Exchange Agreement, the OZOP Shareholders transferred and exchanged 100% of the capital stock of OZOP in exchange for an aggregate of 25,000,000 newly issued shares of our common stock (the "Share Exchange"). After giving effect to the redemption of 2,000,000 shares of our common stock pursuant to the Redemption Agreement discussed below and the issuance of 25,000,000 shares of our common stock pursuant to the Share Exchange Agreement, we had 25,797,500 shares of common stock issued and outstanding, with the OZOP Shareholders, as a group, owning 96.9% of such shares. The merger was accounted for as a reverse merger, whereby OZOP was considered the accounting acquirer and became a wholly-owned subsidiary of the Company. In accordance with the accounting treatment for a "reverse merger" or a "reverse acquisition," the Company's historical financial statements prior to the reverse merger were and will be replaced with the historical financial statements of OZOP prior to the reverse merger, in all future filings with the SEC. The consolidated financial statements after completion of the reverse merger have and will include the assets, liabilities and results of operations of the combined company from and after the closing date of the reverse merger.

In connection with the acquisition of OZOP, we purchased and redeemed 2,000,000 shares of our common stock from Mr. Razvodovskij for a total purchase price of \$350,000 pursuant to a Share Redemption Agreement (the "Redemption Agreement"). Pursuant to the terms of the Share Exchange Agreement, effective April 13, 2018, Mr. Razvodovskij resigned as the Company's Chief Executive Officer, Chief Financial Officer, Secretary, and sole director.

On May 8, 2018, we amended our Articles of Incorporation (the “Amendment”) to change our name from Newmarkt Corp. to Ozop Surgical Corp in order to reflect more accurately the name of our core service offering and operations. The Amendment also increased our authorized shares of capital stock to 300,000,000, of which 290,000,000 has been designated as common stock, par value \$0.001, and 10,000,000 shares have been designated as preferred stock, par value \$0.001 (the “Preferred Stock”). The Preferred Stock shall be issuable in such series, and with such designations, rights and preferences as the Board of Directors may determine from time to time. The Company’s trading symbol for its common stock which trades on the OTC PINK Tier of the OTC Markets, Inc. was changed to “OZSC” effective on May 21, 2018.

## OZOP

OZOP was originally incorporated in Switzerland on November 28, 1998 under the name Perma Consultants Holding AG (“Perma”). On July 19, 2016, Mr. Eric Siu (“Siu”), one of our directors purchased 100% of the outstanding capital stock of Perma and changed the name from Perma to Ozop Surgical AG (“Ozop AG”). On February 1, 2018, Ozop AG was re-domiciled as a Delaware corporation and changed its name to Ozop Surgical, Inc. On July 28, 2016, Ozop formed as the sole member, Ozop Surgical, LLC (“Ozop LLC”), a Wyoming limited liability company. On October 28, 2016, Ozop acquired 100% of Ozop Surgical Limited (“Ozop HK”), from Siu, the sole shareholder of Ozop HK. Ozop HK, is a private limited company incorporated in Hong Kong.

On February 16, 2018, OZOP acquired the 100% membership interest (the “Membership Interest”) in Spinus, LLC, a Texas limited liability company (“Spinus”), from RWO Medical Consulting LLC (“RWO”), a Texas limited liability company (the “Acquisition”). OZOP purchased the Membership Interest from RWO in exchange for; (i) 5,000,000 shares OZOP’s common stock and ii) the assumption of all liabilities of Spinus, including an obligation of \$250,000 pursuant to a license agreement by and between Spinus and a third party (the “Assumed Debt”). The Assumed Debt was paid in November 2018.

### Results of Operations for the three months ended March 31, 2019 and 2018:

#### Revenue

For the three months ended March 31, 2019, and 2018, the Company generated total revenue of \$47,602 and \$6,727, respectively. The revenues are from the sale of Spinus’s spine surgery products. The increase in revenues is a result of Spinus being acquired in February 2018 and therefore revenues in the 2018 period were only included from the acquisition date. Revenues from Spinus are recognized as an agent and are recorded at net.

#### Operating expenses

Total operating expenses for the three months ended March 31, 2019, and 2018, were \$768,569 and \$236,450, respectively. The operating expenses were comprised of:

	Three months ended March 31,	
	2019	2018
Management fees- related parties	\$ 120,000	\$ 119,953
Professional and consulting fees	47,256	48,493
Stock based compensation	395,720	-0-
Research and development	53,204	10,565
General and administrative	152,389	57,439
Total	<u>\$ 768,569</u>	<u>\$ 236,450</u>

Current period Management fees consist of monthly fees to our CEO, COO and CFO of \$15,000, \$15,000 and \$10,000, respectively. The 2018 period included monthly fees of \$10,000 for the same positions as well as \$10,000 per month to the former CEO of Ozop HK (resigned in March 2019).

Stock based compensation in the current period is comprised of:

- Amortization of \$81,250 related to a one-year consulting agreement effective on August 31, 2018, pursuant to the issuance of 650,000 shares of common stock. The Company valued the shares at \$0.50 per share (the price the Company was selling shares of common stock on the date of the agreement). The Company recorded \$325,000 as deferred stock compensation to be amortized over the term of the agreement, and accordingly has included \$81,250 in stock-based compensation for the three months ended March 31, 2019.
- On October 19, 2018, the company recorded the issuance of 450,000 shares of common stock, as the first tranche of a one- year consulting agreement requiring a total of 1,800,000 shares. The Company valued the shares issued at \$0.50 per share (the price the Company was selling shares of common stock on the date of the agreement). The Company recorded \$225,000 as deferred stock compensation to be amortized over the first three months of the agreement, and accordingly has included \$52,500 in stock-based compensation for the three months ended March 31, 2019.
- For the three months ended March 31, 2019, the Company recorded 450,000 shares of common stock to be issued pursuant to the one-year agreement above to issue 1,800,000 shares. The 450,000 shares were valued at \$344,970, based on the market price of the common stock on their respective date of issuances, and the Company expensed \$260,470 s stock-based compensation for the three months ended March 31, 2019.
- On March 24, 2019, the Company signed a one-year consulting agreement with Newbridge. As compensation for its services under the Agreement, Newbridge and its assignees received 171,400 shares of the Company’s common stock. The Company valued the shares at \$77,130, based on the market price of the common stock on the date of the agreement, to be amortized over the one-year term of the contract. For the three months ended March 31, 2019, the Company amortized \$1,500 as stock-based compensation expense

Research and development costs of \$53,204 and \$10,565 for the three months ended March 31, 2019, and 2018, respectively, were all costs related to development of new product. The Company anticipates incurring substantial research and development costs in 2019, and beyond as it continues to develop, engineer and test prototypes of new products to be introduced to the market.

General and administrative expenses, other

Total general and operating expenses, other, were \$152,389 and \$57,439 for the three months ended March 31, 2019, and 2018, respectively, and were comprised of:

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
Travel expenses	\$ 31,023	\$ 38,869
Advertising and marketing	25,779	—
Meals and entertainment	3,822	3,177
Commissions	8,100	—
Investor relations	60,059	—
Other	23,606	15,393
<b>Total</b>	<b>\$ 152,389</b>	<b>\$ 57,439</b>

### Other Income (Expenses)

Other expenses, net, for the three months ended March 31, 2019, and 2018, were \$183,189 and \$28,225, respectively, and were as follows.

	Three months ended March 31,	
	2019	2018
Interest expense	\$ 48,792	\$ 28,225
Gain on change in fair value of derivatives	(47,610)	—
Amortization of debt discounts	318,682	—
Gain on extinguishment of debt	(136,675)	—
Total other expense (income), net	\$ 183,189	\$ 28,225

The increase in other expense is primarily a result of increases in interest expense and amortization of debt discounts, partially offset by gains on extinguishment of debt for the three months ended March 31, 2019.

### Net loss

The net loss for the three months ended March 31, 2019, and 2018, was \$904,156 and \$257,947 respectively. The increases are a result of the changes discussed above.

### Liquidity and Capital Resources

Currently, we have limited operating capital. The Company anticipates that it will require a minimum of \$6,000,000 of working capital to complete substantially all of its desired business activity for the next twelve months, including bringing new products to market as well as meeting the qualifications for an uplist to the NASDAQ market. The Company has earned limited revenue from its business operations. Our current capital and our other existing resources will be sufficient only to provide a limited amount of working capital, and, to date, the revenues generated from our business operations have not been sufficient to fund our operations or planned growth. As noted above, we will require additional capital to continue to operate our business, and to further expand our business. We may be unable to obtain the additional capital required. Our inability to generate capital or raise additional funds when required will have a negative impact on our operations, business development and financial results.

For the three months ended March 31, 2019, we primarily funded our business operations with \$295,650 of proceeds from the issuances of convertible note financings as well as \$80,000 from the sale of 160,000 shares of common stock at \$0.50 per share. Of the proceeds \$84,000 was used to make payments on convertible debt and for working capital. We may continue to rely on the issuance of convertible promissory notes to fund our business operations.

As of March 31, 2019, we had cash of \$56,023 as compared to \$50,903 at December 31, 2018. As of March 31, 2019, we had current liabilities of \$3,365,330 (including \$1,268,477 of non-cash derivative liabilities), compared to current assets of \$210,274, which resulted in a working capital deficit of \$3,155,056. The current liabilities are comprised of accounts payable, accrued expenses, convertible debt, derivative liabilities, license fees payable and notes payable.

### Operating Activities

For the three months ended March 31, 2019, net cash used in operating activities was \$286,717, compared to \$163,650 for the three months ended March 31, 2018. For the three months ended March 31, 2019, our net cash used in operating activities was primarily attributable to the net loss of \$904,156, a gain of \$47,610 on the change in fair value of derivative liabilities and gains of \$136,675 in extinguishment of debt, adjusted by the non-cash expenses of interest and amortization and depreciation of \$342,898 and stock-based compensation of \$395,720. Net changes of \$63,106 in operating assets and liabilities reduced the cash used in operating activities. For the three months ended March 31, 2018, our net cash used in operating activities was primarily attributable to the net loss of \$257,947 adjusted by the net changes of \$94,135 in operating assets and liabilities.

### Investing Activities

There were no investing activities for the three months ended March 31, 2019. For the three months ended March 31, 2018, investing activities were comprised of the cash acquired in the Spinus acquisition of \$20,574 purchased office equipment.

### Financing Activities

For the three months ended March 31, 2019, the net cash provided by financing activities was \$291,650, compared to \$50,000 for the three months ended March 31, 2018. During the three months ended March 31, 2019, we received \$295,650 of proceeds from the issuances of convertible note financings, as well as \$80,000 from the sale of 160,000 shares of common stock at \$0.50 per share. The Company made payments on convertible debt of \$84,000. The net cash provided by financing activities of \$50,000 for the three months ended March 31, 2018, resulted from proceeds of the issuance of a convertible note.

### **OFF BALANCE SHEET ARRANGEMENTS**

We have no off-balance sheet arrangements including arrangements that would affect our liquidity, capital resources, market risk support and credit risk support or other benefits.

### ***Critical Accounting Policies***

Our significant accounting policies are described in more details in the notes to our financial statements appearing elsewhere in this Quarterly Report on Form 10-Q. We believe the following accounting policies to be most critical to the judgement and estimates used in the preparation of our financial statements:

### ***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements and with the instructions to Form 10-Q and Article 8 of Regulation S-X of the SEC. Accordingly, they do not contain all information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements contain all the adjustments necessary (consisting only of normal recurring accruals) to present the financial position of the Company as of March 31, 2019, and the results of operations and cash flows for the periods presented. The results of operations for the three months ended March 31, 2019, are not necessarily indicative of the operating results for the full fiscal year or any future period. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and related notes thereto included in the Company's Annual Report on Form 10-K filed on April 16, 2019.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

### ***Revenue Recognition***

Effective January 1, 2018, the Company adopted ASC 606 — Revenue from Contracts with Customers. Under ASC 606, the Company recognizes revenue from the commercial sales of products by: (1) identify the contract (if any) with a customer; (2) identify the performance obligations in the contract (if any); (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract (if any); and (5) recognize revenue when each performance obligation is satisfied. For the comparative periods, revenue has not been adjusted and continues to be reported under ASC 605 — Revenue Recognition. Under ASC 605, revenue is recognized when the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) the performance of service has been rendered to a customer or delivery has occurred; (3) the amount of fee to be paid by a customer is fixed and determinable; and (4) the collectability of the fee is reasonably assured. The Company has no outstanding contracts with any of its customers. Revenues from Spinus of \$47,602 and \$6,727 for the three months ended March 31, 2019, and 2018 (from February 17, 2018, the date of the acquisition of Spinus), respectively, are recognized as an agent and are recorded at net. There was no impact on the Company's financial statements as a result of adopting Topic 606 for the three months ended March 31, 2019 and 2018.

### ***Research and Development***

Costs and expenses that can be clearly identified as research and development are charged to expense as incurred. For the three months ended March 31, 2019, and 2018, the Company recorded \$56,802 and \$10,565 of research and development expenses.

### ***Earnings (Loss) Per Share***

The Company computes net loss per share in accordance with FASB ASC 260, "Earnings per Share." ASC 260 requires presentation of both basic and diluted earnings per share (EPS) on the face of the statement of operations. Basic EPS is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period including stock options, using the treasury stock method, and convertible notes and stock warrants, using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options, warrants and conversion of convertible notes. Diluted EPS excludes all dilutive potential common shares if their effect is anti-dilutive.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

Not Applicable.

### **Item 4. Controls and Procedures.**

#### ***Disclosure Controls and Procedures***

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of March 31, 2019. Based on the evaluation of these disclosure controls and procedures, and in light of the material weaknesses found in our internal controls over financial reporting, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective for the reasons discussed below.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. In its assessment of the effectiveness of internal control over financial reporting as of March 31, 2019, the Company determined that there were control deficiencies that constituted material weaknesses, as described below.

1. We do not have an Audit Committee – While not being legally obligated to have an audit committee, it is the management's view that such a committee, including a financial expert member, is an utmost important entity level control over the Company's financial statement. Currently the Board of Directors acts in the capacity of the Audit Committee, and does not include a member that is considered to be independent of management to provide the necessary oversight over management's activities.
2. We did not maintain appropriate cash controls – As of March 31, 2019, the Company has not maintained sufficient internal controls over financial reporting for cash, including failure to segregate cash handling and accounting functions, and did not require dual signatures on the Company's bank accounts.

Accordingly, the Company concluded that these control deficiencies resulted in a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis by the company's internal controls.

Our management, including our Chief Executive Officer and our Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, 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. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

#### ***Changes in Internal Controls over Financial Reporting***

There has been no change in our internal control over financial reporting occurred during the three months ended March 31, 2019, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. LEGAL PROCEEDINGS**

We know of no material, existing or pending legal proceedings against our Company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

### **Item 1A. RISK FACTORS**

Not applicable for smaller reporting companies.

### **Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

During the three months ended March 31, 2019, we sold 160,000 shares of our common stock at a price of \$0.50 per share to three investors and received proceeds of \$80,000 and the Company used the proceeds for working capital.

The shares of Common Stock in the foregoing issued to the investors were issued in reliance upon the exemption from securities registration afforded by the provisions of Section 4(a)(2) of the Securities Act of 1933, as amended, ("Securities Act"), and/or Regulation D, as promulgated by the SEC under the Securities Act.

During the three months ended March 31, 2019, holders of an aggregate of \$51,750 in principal of convertible debt issued by OZOP converted their debt into 230,844 shares of our common stock at an average conversion price of \$0.224 per share.

The issuances described above related to the conversion of debt were made in reliance on the exemption from registration provided by Sections 3(a)(9) of the Securities Act.

On March 24, 2019, the Company recorded the issuance of 171,400 of common stock for consulting services.

The issuances described above related to the issuance of shares for services and pursuant to a consulting agreement, were issued in reliance upon the exemption from securities registration afforded by the provisions of Section 4(a)(2) of the Securities Act.

**Item 3.                    DEFAULTS UPON SENIOR SECURITIES**

None.

**Item 4.                    MINE SAFETY DISCLOSURE**

Not applicable.

**Item 5.                    OTHER INFORMATION**

- (a) None.
- (b) During the quarter ended March 31, 2019, there have not been any material changes to the procedures by which security holders may recommend nominees to the Board of Directors.

**Item 6.                    EXHIBITS**

The following documents are filed as part of this report:

<b>Exhibit No.</b>	<b>Description</b>
2.1	Share Exchange Agreement dated April 5, 2018 by and among Newmarkt Corp., the shareholders of Ozop Surgical, Inc., Ozop Surgical, Inc. and Denis Razvodovskij (Incorporated by reference to Exhibit 2.1 of the Current Report on Form 8-K filed on April 19, 2018).
3.1	Articles of Incorporation (Incorporated by reference to our General Form for Registration of Securities on Form S-1 filed on August 1, 2016)
3.2	Bylaws (Incorporated by reference to our General Form for Registration of Securities on Form S-1 filed on August 1, 2016)
3.3	Certificate of Amendment of Amended and Restated Articles of Incorporation as filed with the Nevada Secretary of State on May 8, 2018 (Incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed on May 14, 2018).
3.4	Certificate of Designations for Series B Preferred Stock. (Incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed on April 2, 2019).



10.1	Securities Purchase Agreement entered into between Ozop Surgical Corp. and Auctus Fund, LLC dated January 7, 2019. (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on January 11, 2019).
10.2	Convertible Promissory Note issued to Auctus Fund, LLC by Ozop Surgical Corp. dated January 7, 2019. (Incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed on January 11, 2019).
10.3	Warrant issued by Ozop Surgical Corp. to Auctus Fund, LLC dated January 7, 2019. (Incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K filed on January 11, 2019).
10.4	Securities Purchase Agreement entered into between Ozop Surgical Corp. and Crown Bridge Partners, LLC dated February 5, 2019. (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on February 11, 2019).
10.5	Convertible Promissory Note issued to Crown Bridge Partners, LLC by Ozop Surgical Corp. dated February 5, 2019. (Incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed on February 11, 2019).
10.6	Warrant issued by Ozop Surgical Corp. to Crown Bridge Partners, LLC dated February 5, 2019. (Incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K filed on February 11, 2019).
10.7	Amendment No. 1 to Convertible Promissory Note issued October 19, 2018, entered into between Ozop Surgical Corp. and Power Up Lending Group LTD. dated February 13, 2019. (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on February 15, 2019).
10.8	Amendment No. 1 to Convertible Promissory Note issued on December 5, 2018, entered into between Ozop Surgical Corp. and Power Up Lending Group LTD. dated February 13, 2019. (Incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed on February 15, 2019).
10.9	Warrant issued by Ozop Surgical Corp. to Power Up Lending Group LTD. dated February 13, 2019. (Incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K filed on February 15, 2019).
10.1	Securities Purchase Agreement, entered into between Ozop Surgical Corp. and Power Up Lending Group LTD. dated February 21, 2019. (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on February 27, 2019).
10.11	Convertible Promissory Note issued on February 21, 2019, by Ozop Surgical Corp. to Power Up Lending Group LTD. (Incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed on February 27, 2019).
10.12+	Agreement of Understanding between Ozop Surgical Corp. and Eric Sui dated February 27, 2019. (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on March 6, 2019).
10.13+	Separation Agreement between Ozop Surgical Corp. and Salman J. Chaudhry dated March 4, 2019. (Incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed on March 6, 2019).
10.14	Securities Purchase Agreement between Ozop Surgical Corp. and GS Capital Partners, LLC dated March 7, 2019. (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on March 13, 2019).
10.15	Convertible Promissory Note issued by Ozop Surgical Corp. to GS Capital Partners, LLC dated March 7, 2019. (Incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed on March 13, 2019).

10.16	Investment Banking Engagement Agreement between Ozop Surgical Corp. and Newbridge Securities Corporation dated March 24, 2019. (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on March 28, 2019).
31.1*	Certification of Chief Executive Officer required by Rule 13a-14(1) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer required by Rule 13a-14(1) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer and the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and Section 1350 of 18 U.S.C. 63
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith.

+ Management contract or compensatory plan or arrangement.

## SIGNATURES

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

Dated: May 15, 2019

OZOP SURGICAL CORP.

By: /s/ Michael Chermak  
Michael Chermak  
Chief Executive Officer (principal executive officer)

By: /s/ Barry Hollander  
Barry Hollander  
Chief Financial Officer (principal financial and accounting officer)

**Certification of Chief Executive Officer**  
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**  
**and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934**

I, Michael Chermak, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 of OZOP SURGICAL CORP. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financing reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 15, 2019

*/s/ Michael Chermak*

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Michael Chermak, Chief Executive Officer  
(Principal Executive Officer)

**Certification of Chief Financial Officer**  
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**  
**and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934**

I, Barry Hollander, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 of OZOP SURGICAL CORP. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financing reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 15, 2019

*/s/ Barry Hollander*

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Barry Hollander  
Chief Financial Officer  
(principal financial and accounting officer)

**Certification of Periodic Financial Report by the Chief Executive Officer and  
Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of OZOP SURGICAL CORP. (the "Company") for the quarterly period ended March 31, 2019 as filed with the Securities and Exchange Commission (the "Report"), I, Michael Chermak, Chief Executive Officer and I, Barry Hollander, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

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

Date: May 15, 2019

*/s/ Michael Chermak*

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Michael Chermak  
Chief Executive Officer

Date: May 15, 2019

*/s/ Barry Hollander*

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Barry Hollander  
Chief Financial Officer