**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, DC 20549**

**FORM 10-K**

**(Mark One)**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the fiscal year ended December 31, 2013.**

**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: 000-30728**

# PROTEO, INC.

**(Exact Name of Registrant as Specified in Its Charter)**

| **Nevada** | **88-0292249** |
|---|---|
| **(State or Other Jurisdiction of Incorporation or Organization)** | **(I.R.S. Employer Identification Number)** |

**2102 Business Center Drive**
**Irvine, California 92612**
**(Address of principal executive offices) (Zip Code)**

**Registrant's telephone number, including area code: (949) 253-4155**

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

| **Title of Each Class** | **Name of Each Exchange on Which Registered** |
|---|---|
| None | None |

**Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $0.001**

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

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

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

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

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

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ |
| Non-accelerated filer ☐ | Smaller reporting company ☒ |

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

The aggregate market value of the registrant's voting equity held by non-affiliates of the registrant, computed by reference to the closing sales price for the registrant's common stock on June 28, 2013, as reported on the OTCQB, was approximately $1,225,000. (1)

Number of shares of Common Stock outstanding as of January 31, 2014: 23,879,350

_____

(1) Excludes 12,744,000 shares of common stock held by directors and officers, and any stockholder whose ownership exceeds five percent of the shares outstanding as of June 28, 2013

**Documents Incorporated by Reference**

None.

Transitional Small Business Disclosure Format (check one): Yes ☐ No ☒

**PROTEO, INC.**
**ANNUAL REPORT ON FORM 10-K**
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

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## CAUTIONARY STATEMENT

This Annual Report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). Since we are a "penny stock" company (see Item 5 of Part II of this Annual Report), the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995 does not apply to us. We note, however, that such forward-looking statements involve assumptions, known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the "Company" (as that term is defined below) to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements contained in this Form 10-K. Such potential risks and uncertainties include, without limitation, Food and Drug Administration ("FDA") and other regulatory approval of our products, patent protection on our proprietary technology, product liability exposure, uncertainty of market acceptance, competition, technological change, and other risk factors detailed herein and in our other filings with the Securities and Exchange Commission (the "SEC"). Each forward-looking statement should be read in context with, and with an understanding of, the various other disclosures concerning our Company and our business made elsewhere in this annual report as well as other public reports filed with the SEC. The forward-looking statements are made as of the date of this Form 10-K, and we assume no obligation to update the forward-looking statements or to update the reasons actual results could differ from those projected in such forward-looking statements.

Such statements are based on management's beliefs and assumptions, and on information currently available to management. Forward-looking statements include the information concerning possible or assumed future results of operations of the Company set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements also include statements in which words such as "may," "should, " "expect," "anticipate," "intend," "plan," "believe," "estimate," "consider," “hopes,” “project,” “will,” their opposites and similar expressions are used.

Forward-looking statements are not guarantees of future performance. They should not be regarded as a representation by us or any other person that the objectives or plans will be achieved. The Company's future results and shareholder values may differ materially from those expressed in these forward-looking statements. Readers are cautioned not to put undue reliance on any forward-looking statements.

## PART I

### ITEM 1 - BUSINESS

### COMPANY OVERVIEW- HISTORY

Proteo, Inc. is a Nevada corporation formed on December 18, 1992. Proteo, Inc. has one wholly owned subsidiary, Proteo Biotech AG ("PBAG"), a German corporation (Proteo, Inc. and PBAG are hereinafter collectively referred to as "we", "our", the "Company" and "Proteo"). The Company's common stock is currently quoted on the OTCQB under the symbol "PTEO". Effective December 31, 2004, the Company's other wholly owned subsidiary, Proteo Marketing, Inc. ("PMI") was merged into the Company.

PMI was incorporated in the State of Nevada and began operations on November 22, 2000. In December 2000, PMI entered into a reorganization and stock exchange agreement with PBAG, and as a result, PBAG became a wholly owned subsidiary of PMI.

During 2001, PMI entered into a Shell Acquisition Agreement (the "Acquisition Agreement") with Trivantage Group, Inc. ("Trivantage"), a public "shell" company, in a transaction accounted for as a public shell reverse merger. In accordance with the Acquisition Agreement, PMI first acquired 176,660,280 shares (1,313,922 post-reverse split shares, as described below) of Trivantage's common stock representing 90% of the issued and outstanding common stock of Trivantage, in exchange for a cash payment of $500,000 to the sole shareholder of Trivantage. Secondly, Trivantage completed a one for one-hundred-fifty reverse stock split. Finally, effective April 25, 2002, the shareholders of PMI exchanged their shares of PMI for an aggregate of 20,286,512 shares of Trivantage to effect a public shell reverse merger between PMI and Trivantage. Subsequently, Trivantage changed its name to Proteo, Inc.

### DESCRIPTION OF BUSINESS

Proteo is a clinical stage drug development company and intends to develop, promote and market pharmaceuticals and other biotech products. The Company's focus is on the development of anti-inflammatory treatments for rare diseases with significant unmet needs.

The Company is engaged in the development of pharmaceuticals based on the body's own tools and weapons to fight inflammatory diseases. Specifically, we are focusing our research on the development of drugs based on the human protein Elafin. We strongly believe that Elafin will be useful in the treatment of post-surgery damage to tissue, complications resulting from organ transplantation, pulmonary hypertension, serious injuries caused by accidents, cardiac infarction, as well as other diseases.

Several countries have passed laws or made provisions in order to make the development of drugs for rare diseases financially attractive to the pharmaceutical industry. Pharmaceutical companies developing new medicaments for the treatment of rare diseases (orphan drugs) receive assistance for their approval and marketing. Orphan drugs are pharmaceuticals for the treatment of rare diseases, which do not affect more than 200,000 people in the United States (“US”) and about 250,000 people in the European Union according to the respective legislations. The advantage of developing orphan drugs is seen in the fact that companies can apply for an orphan drug designation in the US or European Union. This is associated with reduced fees to regulatory agencies and guarantees 7-year or 10-year marketing exclusivity in the US and European Union, respectively, on drug sales for the first company to obtain marketing approval of a particular drug in the respective regions.

In contrast to drug development for widespread diseases, orphan drug development costs can be significantly lower, typically 75% lower. Compared with other drugs, fewer requirements have to be met for the clinical trials, particularly those relating to the number of patients. The marketing expenses of orphan drugs are significantly lower, as treatment is generally conducted by a limited number of specialized doctors. The Company believes that it is favorable to target orphan drug indications in the field of post-surgery damage to tissue, organ transplantation, and pulmonary arterial hypertension.

Proteo has obtained Orphan drug designations within the European Union for the use of Elafin for the treatment of pulmonary arterial hypertension and chronic thromboembolic pulmonary hypertension as well as for the treatment of esophagus carcinoma. In the latter indication, especially the acute postoperative inflammation, the main reason for postoperative morbidity, will be targeted by Elafin treatment. Within the United States, Proteo has obtained Orphan drug designations for the use of Elafin for the treatment of pulmonary arterial hypertension as well as for the prevention of inflammatory complications of transthoracic esophagectomy.

Proteo’s pharmaceutical Elafin is a copy of a naturally occurring human anti-inflammatory substance. It is a natural antagonist of tissue destroying enzymes (proteases such as elastase and proteinase 3) that participate in the inflammatory mechanism of many diseases. Elafin’s ability to block the proteases that cause these undesirable effects makes it a promising drug for the treatment of various inflammatory diseases and posttraumatic inflammatory complications. The beneficial anti-inflammatory effects of Elafin have been demonstrated by numerous preclinical studies in animal models of human diseases.

For the development of its lead product Elafin Proteo has established a network of globally renowned research institutes, physicians and hospitals in Europe and the US. The development of Elafin has been widely supported by public grants. Worldwide leading funding bodies, such as the American National Institutes of Health (NIH) and the British Medical Research Council (MRC), support preclinical and clinical studies on Elafin with high volume grants.

Proteo currently focuses on the clinical development of Elafin for treatment of postoperative inflammatory complications in the surgical therapy of esophagus carcinoma. Clinical trials for further indications and preclinical research into new fields of application are conducted in cooperation with Universities and our licensing partner Minapharm.

Our strategy and goal is to develop into a profitable company by developing drug candidates for orphan diseases with high medical needs. The company intends to generate revenue by out-licensing and marketing activities. To date, the Company has not had profitable operations. Furthermore, we do not anticipate that we will have profitable operations in the near future.

The products and technologies we intend to develop will require significant commitments of personnel and financial resources. However, we do not believe that any of our planned products will produce sufficient revenues in the next several years to support us financially. To achieve profitable operations, the Company, independently or in collaboration with others, must successfully identify, develop, manufacture, obtain regulatory approval for and market proprietary products.

**CLINICAL DEVELOPMENT**

After developing a production procedure for Elafin, the Company has initiated clinical trials to achieve governmental approval for the use of Elafin as a drug in Europe. For this purpose, the Company has contracted an experienced Contract Manufacturing Organization in Europe to produce Elafin in accordance with GMP standards as required for clinical trials. The excellent tolerability of Elafin in human subjects was demonstrated in a Phase I clinical single dose escalating study. The drug candidate is currently in clinical development for three indications:

**Treatment of Complications in Esophagus Cancer Surgery**

Esophagus cancer is a life threatening disease which is classified as an orphan disease. The majority of patients with oesophagus carcinoma present at an advanced stage with extensive lymph node metastasis. The curative treatment for this malignancy is consequently aggressive, consisting of chemoradiotherapy followed by radical esophagectomy and lymphadenectomy. Due to extensive surgical and pulmonary trauma and the long duration of surgery, esophagectomy is one of the most invasive and traumatic forms of thoracic surgery, and is associated with severe postoperative complications. The complications affect the lungs, heart and kidney and are associated with pronounced postoperative morbidity requiring ICU care. These complications may progress into life-threatening multiple organ failures. Esophagectomy is also associated with an unacceptably high rate of hospital mortality which contributes to the low survival rate of esophagus cancer.

No specific measures for treatment or prevention of acute postoperative inflammatory complications exist and therapy is generally aimed at vital organ support and management of symptoms according to the individual circumstances. There is a demand for treatments that support an earlier recovery from this surgical procedure, prevent postoperative complications and lead to a reduction in the somatic, psychological and social stress associated with intensive care. A treatment that reduces the risk of postoperative complications is thus likely to make radical therapeutic options, such as transthoracic esophagectomy, accessible to a greater number of patients, particularly older patients and those with comorbidities.

A double-blind, randomized, placebo-controlled Phase II clinical trial on the effect of Elafin on the postoperative inflammatory reactions and postoperative clinical course was conducted in patients undergoing esophagectomy for esophagus carcinoma. We announced the favorable influence of Elafin treatment on the postoperative recovery in February 2011. The trial showed that intravenously administered Elafin had a clear positive effect on the period of recovery: 63 percent of the Elafin-treated patients required only one day of postoperative intensive care. All patients in the placebo group needed several days of postoperative intensive medical care. In January 2010, Orphan Drug Designation was awarded to the Company by the European Commission for the use of Elafin in the treatment of esophagus carcinoma. In March 2013, the U.S. Food and Drug Administration (“FDA”) granted orphan drug designation to Elafin for the prevention of inflammatory complications of transthoracic esophagectomy.

**Treatment of Coronary Bypass Patients**

Coronary artery bypass surgery is a surgical procedure performed to relieve angina pectoris and reduce the risk of death from coronary artery disease. It is the most frequently performed operation in cardiovascular surgery. In Europe and the US about 1 bypass operation is performed on 1,200 inhabitants per year or about 680,000 annually. Coronary artery bypass surgery is associated with a substantial risk of myocardial infarction, pulmonary and renal failure as well as stroke. No specific treatment exists which suppresses myocardial reperfusion injury and systemic inflammation occurring after coronary artery bypass surgery. Inflammation of cardiac muscle and the resulting muscle injury after a bypass operation remain a frequent and unresolved problem.

Since 2009, the Company has been cooperating with researchers at The University of Edinburgh with respect to the clinical development of Elafin for prevention of myocardial injury after coronary artery bypass surgery (CABG). Within the framework of collaboration a clinical study (EMPIRE) was started in the third quarter of 2011. The EMPIRE (Elafin Myocardial Protection from Ischaemia Reperfusion Injury) Study is a placebo-controlled, double-blinded, Phase-II clinical trial. The aim of the study is to investigate the efficacy and safety of Elafin in coronary bypass surgery. In November 2013 the recruitment period for the EMPIRE study was closed after a total of 87 participants have been recruited. No safety concerns were raised by the Data Monitoring Committee at the two planned interim safety analyses of the study. The study results are expected in the first quarter of 2014. In addition, the Edinburgh study team conducted an EMPIRE sub-study with 10 healthy volunteers to aid the interpretation of the imaging findings in the EMPIRE patients. Both studies were performed under the supervision of the cardiologist Dr. Peter Henriksen at NHS Lothian's Edinburgh Heart Centre in association with The University of Edinburgh, one of the leading European universities in the area of cardiovascular research, and the Edinburgh Clinical Trials Unit. The studies were funded by the Medical Research Council (MRC) and Chest Heart & Stroke Scotland (CHSS) with funding in excess of 500,000 GBP.

**Treatment of Kidney Transplantation**

Kidney transplantation is the only long-term treatment option for end stage renal disease and is recognized to be one of the most successful organ transplants. Within the European Union and the US, approximately 35,500 kidney transplantations are performed per year. In spite of improvements in surgical techniques, postoperative patient care, immune suppression and HLA-matching, the failure of organ grafts due to immune rejection and premature degeneration still represents one of the major obstacles in transplantation medicine. Chronic allograft nephropathy (CAN) is the most common cause of renal graft failure, which results in degeneration of the kidney parenchymal and vascular tissue and leads to a progressive decline in allograft function. Ischemia-reperfusion injury following kidney transplantation has been identified as a significant cause of CAN. Graft ischemia occurs during organ removal, flushing, transportation and transplantation and leads to limited tissue damage. On revascularization or reperfusion, leukocytes infiltrate the tissue and initiate an inflammatory response, which results in a considerable exacerbation of the ischemic cellular degeneration. This damage to transplanted organs is a major factor influencing the appearance of subsequent T-cell-mediated acute rejection episodes, both early after transplantation and during later chronic rejection. Consequently, suppressing ischemia reperfusion injury is a potentially effective approach to increasing organ viability after surgery and improving the long-term survival of organ grafts.

In August 2007, we entered into a license agreement with Minapharm Pharmaceuticals SAE ("Minapharm"), a well established Egyptian pharmaceutical company based in Cairo, for clinical development, production and marketing of Elafin. We have granted Minapharm the right to exclusively market Elafin in Egypt and certain Middle Eastern and African countries. Minapharm has initiated a Phase II clinical trial on the use of Elafin in kidney transplantation patients. This trial is concerned with the prevention of acute organ rejection and will be conducted at the University of Cairo. The start and conduct of the trial may be influenced by the actual political situation in Egypt. Actually, the consequences cannot be overseen by management.

**PRECLINICAL RESEARCH**

**Pulmonary Arterial Hypertension and Lung Diseases**

Pulmonary arterial hypertension (PAH) is a life-threatening disease in which the pressure in a patient's pulmonary arteries becomes dangerously high. If untreated, patients have a 40% chance of surviving five years. While the advent of new therapies has likely improved the five year survival rate to approximately 60%, there remains no specific cure for the disease. Despite the treatment progress during the last two decades there is still an unmet medical need for additional treatments. Proteo's Elafin blocks the activity of enzymes that are involved in pulmonary arterial hypertension. We believe that this makes Elafin a highly promising compound for the treatment of the disease with a new mode of action. In preclinical studies, the treatment with Elafin attenuated fully developed PAH in an animal model with a pronounced and significant improvement of the vascular pathology, parameters of pulmonary hemodynamics, and right ventricular function. In humans, the obliteration of distal pulmonary arteries leads to a severe increase in pulmonary artery pressure and subsequently to right ventricular dysfunction. Reversal of this obliteration is a key goal in the treatment of PAH. At year end 2012, the FDA granted Proteo Orphan Drug Designation to Elafin for the treatment of pulmonary arterial hypertension.

Since 2008, the Company has been cooperating with scientists at Stanford University in California with respect to the preclinical development in the field of pulmonary arterial hypertension and ventilator-induced injury. The group presented preclinical data on the Company's drug substance Elafin at the Annual International Conference of the American Thoracic Society in New Orleans in May 2010. The data showed that the treatment with Elafin during mechanical ventilation largely prevented the inflammation in lungs of newborn mice. In August 2010 the cooperation agreement with Stanford University was extended by a further project. In the third quarter of 2011 the Stanford School of Medicine research team led by Marlene Rabinovitch, was awarded a five-year, $10.8 million grant from the National Heart, Lung and Blood Institute for the study of Elafin's ability to treat three distinct lung diseases. The grant will fund one preclinical project for each disease, all three of which are notoriously difficult to treat: pulmonary hypertension, ventilator-induced injury of the immature lung in premature babies, and chronic lung transplant rejection.

The group has published further evidence for the use of Elafin in the treatment of newborn infants whose lungs are incompletely developed in June 2012 (Am J Physiol Lung Cell Mol Physiol). In May 2013, the group presented the successful treatment of pulmonary arterial hypertension in an animal model at the Annual International Conference of the American Thoracic Society in Philadelphia. They demonstrated in a Sugen/Hypoxia animal model of pulmonary arterial hypertension that intravenous Elafin administration can improve the occlusion of pulmonary vessels, which is associated with a pronounced improvement of the disease.

**Vascular damage**

The Company entered into an agreement with the Molecular Imaging North Competence Center (MOIN CC) at the Christian-Albrechts-University of Kiel in April 2010. Under this agreement the effects of Elafin on vascular changes are being examined in animal models. The federal state of Schleswig-Holstein is backing the creation and infrastructure of MOIN CC with 8.2 million EUR using funding from the federal state and the European Regional Development Fund (ERDF), as well as resources from the second German economic stimulus package. The researchers presented results of a biodistribution study with radiolabeled Elafin at the 50th annual meeting of the German Society of Nuclear Medicine (DGN) held in Bremen, April 2012. They found high accumulation in the kidney and concluded that this could be of great importance in the future as within the treatment of reperfusion injury of the kidney. In 2013, the researchers demonstrated that Elafin administration prevented intima hyperplasia in a rat model of percutaneous transluminal balloon angioplasty. This indicates that Elafin might be effective in preventing restenosis after balloon angioplasty, which is a frequent complication of this intervention in humans.

**OUR SUBSIDIARY**

PBAG, our operating subsidiary, was formed in Kiel, Germany on April 6, 2000. PBAG is in the business of developing pharmaceutical products based on the human protein called Elafin and possible by-products thereof as well as related technologies. The Chief Executive Officer of PBAG is currently Birge Bargmann. The members of the Supervisory Board of PBAG are Oliver Wiedow, MD, Barbara Kahlke, PhD and Florian Wegner. PBAG had four employees as of December 31, 2013.

**COLLABORATION WITH OTHER COMPANIES**

The Company actively seeks further out-licensing partners, co-development partnerships and other collaborations with third parties to generate revenues and/or to expedite the Company's product development. However, there can be no assurance that the Company's efforts to build such alliances will be successful at any time or in any way.

**COMPETITION**

The market for our planned products and technologies is highly competitive, and we expect competition to increase. We compete with many other companies involved in the development of pharmaceuticals, most of which are larger than Proteo. Some of our anticipated competitors offer a broad range of equipment, supplies, products and technology, including many of the products and technologies contemplated to be offered by us. To the extent that customers exhibit loyalty to the supplier that first supplies them with a particular product or technology, our competitors may have an advantage over us with respect to such products and technologies. Additionally, many of our competitors have, and will continue to have, greater research and development, marketing, financial and other resources than us and, therefore, represent and will continue to represent significant competition in our anticipated markets. As a result of their size and the breadth of their product offering, certain of these companies have been and will be able to establish managed accounts by which, through a combination of direct computer links and volume discounts, they seek to gain a disproportionate share of orders for health care products and technologies from prospective customers. Such managed accounts present significant competitive barriers for us. It is anticipated that we will benefit from their participation in selected markets, which, as they expand, may attract the attention of our competitors. The business of research and development of pharmaceuticals is intensely competitive. Major companies with immense financial and personal resources are also engaged in this field.

The patents related to the substance Elafin expired in 2012. Elastase inhibitors such as Elafin have been under research and development in the pharmaceutical industry for decades. Currently, hundreds of related patents have been granted. Most of these substances are produced synthetically, and are not applicable in the treatment of human diseases. Currently two elastase inhibitors are used as pharmaceuticals, alpha-1-antitrypsin worldwide and Sivelestat in Japan and Korea.

***Alpha-1-antitrypsin***

Human blood naturally contains relatively large amounts of alpha-1-antitrypsin. Alpha-1-antitrypsin is marketed for more than 20 years currently by Grifols, CSL Behring and Baxter as a plasma-derived product to supply patients with genetic deficiency of functional alpha-1-antitrypsin.

***Sivelestat***

Ono Pharmaceutical Co. Ltd., in Japan has developed the synthetic elastase inhibitor Sivelestat. Ono received approval in 2002 to use Sivelestat as a drug for the indication "Amelioration of acute lung disease accompanying generalized inflammatory syndrome" in Japan and in Korea (Dong-A, Pharmaceutical Co., Ltd., Seoul) in 2006.

**GOVERNMENT REGULATION**

The Company is, and will continue to be, subject to governmental regulation under the Occupational Safety and Health Act, the Environmental Protection Act, the Toxic Substances Control Act, and other similar laws of general application, as to all of which we believe we are in material compliance. Any future change in, and the cost of compliance with, these laws and regulations could have a material adverse effect on the business, financial condition, and results of operations of the Company.

Because of the nature of our operations, the use of hazardous substances, and our ongoing research and development and manufacturing activities, we are subject to stringent federal, state and local and foreign laws, rules, regulations and policies governing the use, generation, manufacturing, storage, air emission, effluent discharge, handling and disposal of certain materials and wastes. Although we believe that we are in material compliance with all applicable governmental and environmental laws, rules, regulations and policies, there can be no assurance that the business, financial conditions, and results of operations of the Company will not be materially adversely affected by current or future environmental laws, rules, regulations and policies, or by liability occurring because of any past or future releases or discharges of materials that could be hazardous.

Additionally, the clinical testing, manufacture, promotion and sale of a significant majority of the products and technologies of the Company, if those products and technologies are to be offered and sold in the United States, are subject to extensive regulation by numerous governmental authorities in the United States, principally the FDA and corresponding state regulatory agencies. Additionally, to the extent those products and technologies are to be offered and sold in markets other than the United States, the clinical testing, manufacture, promotion and sale of those products and technologies will be subject to similar regulation by corresponding foreign regulatory agencies. In general, the regulatory framework for biological health care products is more rigorous than for non-biological health care products. Generally, biological health care products must be shown to be safe, pure, potent and effective. There are numerous state and federal statutes and regulations that govern or influence the testing, manufacture, safety, effectiveness, labeling, storage, record keeping, approval, advertising, distribution and promotion of biological health care products. Non-compliance with applicable governmental requirements can result in, among other things, fines, injunctions, seizures of products, total or partial suspension of product marketing, failure of the government to grant pre-market approval, withdrawal of marketing approvals, product recall and criminal prosecution.

**PATENTS, LICENSES & ROYALTIES**

On December 30, 2000 the Company entered into an exclusive worldwide license agreement (the “License Agreement”) with Dr. Wiedow, which was amended by an Amendment Agreement to the License Agreement (the "Amendment") dated December 23, 2008. These agreements enable the Company to develop, manufacture or sell Elafin. The Amendment modified the annual payments and also the royalty payment such that from the date of the Amendment the Company will not only pay Dr. Wiedow a three percent royalty on gross revenues from the Company's sale of products based on the licensed technology but also three percent of the license fees (including upfront and milestone payments and running royalties) received by the Company or its subsidiary from their sublicensing of the licensed technology. Pursuant to the License Agreement, as amended, Dr. Wiedow may terminate the License Agreement in the event of a breach which is not cured within 90 days following written notice of such breach. In addition, Dr. Wiedow may terminate the License Agreement immediately in the event of the Company’s bankruptcy, insolvency, assignment for the benefit of creditors, liquidation, assignment of all or substantially all of its assets, failure to continue to develop Elafin. After any termination, to the extent permitted by applicable law, the Company will return all documents, information and data received by Dr. Wiedow and will immediately cease to develop, manufacture or sell Elafin. Please see Management’s Discussion and Analysis - Liquidity and Capital Resources, and Note 6 of the Consolidated Financial Statements included in this Form 10-K, for financial information.

On November 15, 2004, the Company entered into an exclusive worldwide license and collaboration agreement with ARTES Biotechnology GmbH ("ARTES"). This agreement enables the Company to economically produce Elafin on a large scale by using the sublicensed yeast HANSENULA POLYMORPHA as a high performance expression system. Rhein Biotech GmbH ("Rhein") has licensed the yeast to ARTES, who in-turn sublicensed it to the Company. The agreement has a term of fifteen years with an annual license fee equal to the greater of 10,000 Euros or 2.5% royalties on the future sales of Elafin. Should the license agreement between Rhein and ARTES terminate, Rhein will assume the sublicense agreement with the Company under similar terms.

In August 2007, the Company's subsidiary entered into an agreement with Rhein Minapharm ("Minapharm") for clinical development, production and marketing of Elafin. The Company has granted Minapharm the right to exclusively market Elafin in Egypt and certain Middle Eastern and African countries. Under this agreement, the Company had received upfront payments and may receive additional milestone-payments upon Minapharm's attainment of certain clinical milestones as well as royalties on any future net product sales.

The original patents related to the substance Elafin all expired in 2012. As a result, the Company will no longer be required to pay Astra Zeneca, Inc. a royalty for the use of patents related to Elafin.

Please see Management's Discussion and Analysis - Interest and Other Income, and Note 6 of the Consolidated Financial Statements included in this Form 10-K, for financial information.

**EMPLOYEES**

As of December 31, 2013, Proteo had four employees, all working at our offices in Germany.

**ITEM 1A. - RISK FACTORS**

A smaller reporting company ("SRC") is not required to provide any information in response to Item 503(c) of Regulation S-K.

**ITEM 1B. - UNRESOLVED STAFF COMMENTS**

None

**ITEM 2 - PROPERTIES**

The Company has entered into several leases for office and laboratory facilities. The aggregate monthly rental under the foregoing leases was approximately $2,800.

**ITEM 3 - LEGAL PROCEEDINGS**

The Company may from time to time be involved in various claims, lawsuits, and disputes with third parties, actions involving allegations of discrimination, or breach of contract actions incidental to the operation of its business. The Company is not currently involved in any litigation which it believes could have a materially adverse effect on its financial condition or results of operations.

**ITEM 4 - MINE SAFETY DISCLOSURES**

Not applicable.

**PART II**

**ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is quoted on the OTCQB under the symbol PTEO. The table below gives the range of high and low bid prices of our common stock for each quarter during the fiscal years ended December 31, 2013 and 2012 based on information provided by the OTCQB. Such over-the-counter market quotations reflect inter-dealer prices, without mark-up, mark-down or commissions and may not necessarily represent actual transactions or a liquid trading market.

| YEAR | PERIOD | HIGH | LOW |
|---|---|---|---|
| 2012 | First Quarter | $0.37 | $0.05 |
| | Second Quarter | 0.40 | 0.17 |
| | Third Quarter | 0.33 | 0.16 |
| | Fourth Quarter | 0.35 | 0.16 |
| 2013 | First Quarter | $0.40 | $0.10 |
| | Second Quarter | 0.18 | 0.05 |
| | Third Quarter | 0.17 | 0.07 |
| | Fourth Quarter | 0.11 | 0.06 |

On February 14, 2014, the last sales price of our common stock was $0.08 per share. No cash dividends have been paid on our common stock for the 2013 and 2012 fiscal years and no change of this policy is under consideration by the Board of Directors. The payment of cash dividends in the future will be determined by the Board of Directors in light of conditions then existing, including our Company's earnings (if any), financial requirements, and opportunities for reinvesting earnings (if any), business conditions, and other factors. Except as described in the "Preferred Stock" section of Note 3 to the Company's consolidated financial statements included elsewhere herein, there are otherwise no restrictions on the payment of dividends.

**NUMBER OF SHAREHOLDERS**

As of February 18, 2014, the number of shareholders of record of the Company's common stock was 1,741.

**PENNY STOCK**

Until we satisfy the initial listing requirements for the Nasdaq Stock Market and successfully apply to have our shares of common stock traded thereon, our common stock will continue to be quoted on the OTCQB. As a result, an investor may find it more difficult to dispose of, or to obtain accurate quotations as to the price of, our common stock. Our common stock is subject to provisions of Section 15(g) and Rule 15g-9 of the Exchange Act, commonly referred to as the "penny stock rule." Section 15(g) sets forth certain requirements for transactions in penny stocks, and Rule 15g-9(d) incorporates the definition of "penny stock" that is found in Rule 3a51-1 of the Exchange Act. The SEC generally defines "penny stock" to be any equity security that has a market price less than $5.00 per share, subject to certain exceptions. Since our common stock is deemed to be a penny stock, trading in our shares is subject to additional sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors. "Accredited investors" include (i) certain entities as defined in Rule 501(a) of Regulation D, (ii) directors and executive officers of the issuer of the securities being offered or sold and (iii) persons with a net worth exceeding $1,000,000 (excluding the value of the person’s primary residence) or annual income exceeding $200,000 (or $300,000 together with their spouse) in each of the two most recent years and reasonably expect to reach the same income level in the current year. For transactions covered by these rules, broker-dealers must make a special suitability determination for the purchase of such security and must have the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the first transaction, of a risk disclosure document, prepared by the SEC, relating to the penny stock market. A broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative, and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information for the penny stocks held in an account and information on the limited market in penny stocks. Consequently, these rules may restrict the ability of a broker-dealer to trade and/or maintain a market in our common stock and may affect the ability of our shareholders to sell their shares.

**DIVIDEND POLICY**

To date, we have declared no cash dividends on our common or preferred stock, and do not expect to pay cash dividends on our common and preferred stock in the near term. We intend to retain future earnings, if any, to provide funds for operation of our business.

**EQUITY COMPENSATION PLAN INFORMATION**

We have no equity compensation plans as of December 31, 2013.

**RECENT SALES OF UNREGISTERED SECURITIES**

On October 11, 2013, the Company issued an accredited investor 29,000 shares of Series A Preferred Stock in exchange for $420,500. The transaction did not involve an underwriter. The issuance of such securities were deemed to be exempt from registration under the Securities Act of 1933 in reliance on Section 4(2) of the Securities Act of 1933 as transactions by an issuer not involving any public offering. The recipients of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates and other instruments issued in such transactions. The sales of these securities were made without general solicitation or advertising.

**ITEM 6 - SELECTED FINANCIAL DATA.**

An SRC is not required to provide any information in response to Item 301 of Regulation S-K.

**ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**CAUTIONARY STATEMENT**

This Annual Report on Form 10-K contains certain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. The forward-looking statements included herein are based on current expectations that involve a number of risks and uncertainties. Accordingly, to the extent that this Annual Report contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of the Company, please be advised that the Company's actual financial condition, operating results and business performance may differ materially from that projected or estimated by management in forward-looking statements. The differences may be caused by a variety of factors, including but not limited to adverse economic conditions, intense competition, including intensification of price competition and entry of new competitors and products, adverse federal, state and local government regulation, inadequate capital, unexpected costs and operating deficits, increases in general and administrative expenses, and other specific risks that may be alluded to in this Annual Report or in other reports filed with the SEC by the Company. In addition, the business and operations of the Company are subject to substantial risks that increase the uncertainty inherent in the forward-looking statements. The inclusion of forward-looking statements in this Annual Report should not be regarded as a representation by management or any other person that the objectives or plans of the Company will be achieved.

See page one for additional information regarding forward-looking statements.

The Company currently generates minor non-operating revenue from its out-licensing activities and does not expect to report any significant operating revenue until the successful development and marketing of its planned pharmaceutical and other biotech products. Additionally, after the launch of the Company's products, there can be no assurance that the Company will generate positive cash flow and there can be no assurance as to the level of operating revenues, if any, the Company may actually achieve from its planned principal operations.

**OVERVIEW**

The biotech sector largely contributes to the innovative potential of the life science industry by development of new drugs for diseases with insufficient treatment options and for rare diseases (orphan diseases). It is expected that worldwide orphan drug market will grow to $127 billion by 2018. This market is increasingly attractive for pharmaceutical companies.

The specific orphan drug legislation, especially in the United States and in the European Union, makes the development of drugs for rare diseases very appealing. Orphan drug designation provides marketing exclusivity for seven and ten years, respectively and contributes to a significant reduction in development costs, mainly due to small patients populations allowing for smaller clinical trials. Orphan drugs require typically 75% lower R&D costs than standard drugs. The limited number of specialized physicians treating these rare diseases facilitates the marketing of orphan drugs.

Proteo is a clinical stage drug development company focusing on the development of anti-inflammatory treatments for rare diseases with significant unmet needs. The Company's management deems its lead drug candidate Elafin for intravenous use to be one of the most prospective treatments of postoperative inflammatory complications in the surgical therapy of esophagus carcinoma, kidney transplantation and coronary arterial bypass surgery. Elafin appears to be also a promising compound for the treatment of pulmonary arterial hypertension.

The Company's success will depend on its ability to prove that Elafin is well tolerated by humans and its efficacy in the indicated diseases in order to demonstrate a favorable risk/benefit balance. There can be no assurance that the Company will be able to develop feasible production procedures in accordance with Good Manufacturing Practices ("GMP") standards, or that Elafin will receive any governmental approval for its use in further clinical trials or its use as a drug in any of the intended applications.

Proteo has obtained Orphan drug designations within the European Union for the use of Elafin for the treatment of pulmonary arterial hypertension and chronic thromboembolic pulmonary hypertension as well as for the treatment of esophagus carcinoma. In the latter indication, especially the postoperative inflammation, the main reason for postoperative morbidity, will be targeted by Elafin treatment. Orphan drug designation assures exclusive marketing rights for the treatment of the respective disease within the EU for a period of up to ten years after receiving market approval. In addition, a simplified, accelerated and less expensive approval procedure with the assistance of European Medicines Agency (“EMA”), the European FDA equivalent, can be drawn upon.

Within the United States, Proteo has obtained Orphan drug designations for the use of Elafin for the treatment of pulmonary arterial hypertension as well as for the prevention of inflammatory complications of transthoracic esophagectomy. These designations are associated with reduced fees to regulatory agencies and provide a 7-year marketing exclusivity in the U.S. on drug sales for the first company to obtain marketing approval of a particular drug.

For the development of its lead product Elafin, Proteo has established a network of globally renowned research institutes, physicians and hospitals in Europe and the US. The development of Elafin has been widely supported by public grants. Worldwide leading funding bodies, such as the American National Institutes of Health (NIH) and the British Medical Research Council (MRC), support preclinical and clinical studies on Elafin with high volume grants.

Proteo currently focuses on the development of Elafin for treatment of postoperative inflammatory complications in the surgical therapy of esophagus carcinoma. Clinical trials for further indications and preclinical research into new fields of application are conducted in cooperation with Universities and our licensing partner Minapharm.

**Highlights 2013**

- In March 2013, the FDA granted Proteo Orphan Drug Designation to Elafin for the prevention of inflammatory complications of transthoracic esophagectomy
- Significant progress of the EMPIRE phase II trial in coronary bypass patients: In November 2013, patient recruitment and treatment in Elafin CABG Phase II clinical trial completed.
- Development program for Elafin in PAH: In May 2013, the Stanford group presented the successful treatment of pulmonary arterial hypertension in an animal model at the Annual International Conference of the American Thoracic Society in Philadelphia. They demonstrated in a Sugen/Hypoxia animal model of pulmonary arterial hypertension that intravenous Elafin administration can improve the occlusion of pulmonary vessels, which is associated with a pronounced improvement of the disease.
- Development program for Elafin in vascular damage: In a rat model of percutaneous transluminal balloon angioplasty, the researchers demonstrated that Elafin administration prevented intima hyperplasia. This represents further indication, that Elafin might be effective in preventing restenosis after balloon angioplasty, which is a frequent complication of this intervention in humans.

Further details are described in Item 1.

**RESULTS OF OPERATIONS**

**OPERATING EXPENSES**

The Company's operating expenses for the year ended December 31, 2013 were approximately $492,000, a decrease of approximately $251,000 over the year ended December 31, 2012. This decrease is primarily due to a decrease in research and development expenses during the year ended December 31, 2013 of approximately $146,000, and a decrease of general and administrative expenses of $105,000. Research and development expenses decreased primarily due to a decrease in research related wages in 2013 as well as reduction to research related expenditures as in-house research was scaled back in 2013. General and administrative expenses decreased primarily due to decreased professional fees related to cost cutting efforts, as well as lower depreciation and lease expenses driven by Management’s decision to terminate the month-to-month lease at its pilot research plant during the first quarter of 2013, as significant in-house process development for fermentation was no longer deemed necessary.

**INTEREST AND OTHER INCOME**

Interest and other income (expense) for the year ended December 31, 2013 approximated ($60,000), a decrease of $109,000 from the income of $49,000 for the year ended December 31, 2012. The decrease is driven primarily by higher foreign currency transaction losses in 2013 compared to 2012, the recognition of late fees on the preferred stock subscription agreement during 2012, with no similar income in 2013, and the net loss on disposal of equipment in 2013 approximating $11,000, with no similar loss in 2012. During 2013 the U.S. Dollar weakened about 4% compared to the Euro resulting in a loss approximating $59,000 for the year, compared 2% weakening of the U.S. Dollar during 2012, resulting in a $29,000 loss. Furthermore, the Company recognized $60,000 of late fees on the preferred stock subscription agreement during the year ended December 31, 2012, with no similar gains in 2013. The subscription agreement has been repaid in full, so no further gains are expected.

**FOREIGN CURRENCY TRANSLATION ADJUSTMENTS**

We experienced other comprehensive gains of approximately $64,000 and $34,000 due to foreign currency translation adjustments during the years ended December 31, 2013 and 2012, respectively. This represents a net increase of approximately $30,000. The increase is primarily due to a more significant weakening of the U.S. Dollar (our reporting currency) compared to the Euro (the functional currency of PBAG) during 2013 compared 2012.

**INCOME TAXES**

The Company has a deferred tax asset of approximately $2,501,000 and $2,281,000 at December 31, 2013 and 2012, respectively, relating primarily to tax net operating loss carryforwards, as discussed below, and temporary differences related to the recognition of accrued licensing fees. Full valuation allowances have been established against these deferred tax assets as it is likely that the Company will not be able to utilize them.

As of December 31, 2013, the Company had tax net operating loss carryforwards ("NOLs") of approximately $1,716,000 and $6,568,000 available to offset future taxable Federal and foreign income, respectively. The Federal NOL expires in varying years through 2025. The foreign net operating loss relates to Germany and does not have an expiration date. In the event the Company were to experience a greater than 50% change in ownership, as defined in Section 382 of the Internal Revenue Code, the utilization of the Company's Federal tax NOLs could be restricted.

**LIQUIDITY AND CAPITAL RESOURCES**

During the years ended December 31, 2013 and 2012, the Company received payments approximating $420,500 and $362,000, respectively, in connection with the sale/subscription of Series A Preferred Stock.

Proteo is a holding company that owns 100% of Proteo Biotech AG, its operating subsidiary in Germany (the “Subsidiary”). To date the Subsidiary has not had any earnings, and it does not expect to have any earnings for several years pending the approval of its first product candidate. In this regard, there were no undistributed earnings of the Subsidiary to repatriate to the U.S. parent (i.e. the Company).

In December 2012, Dr. Wiedow agreed in writing to waive any non-payment defaults under the License Agreement and to defer all current payments to April 2015. See Note 6 to the consolidated financial statements included elsewhere for the payment terms under the License Agreement.

The Company has cash approximating $456,000 as of December 31, 2013 to support current and future operations. This is an increase of $80,000 over the December 31, 2012 cash balance of approximately $376,000. Such cash is held by the Subsidiary in Germany in Euros. The Company does not intend to repatriate any amount of this cash to the United States as it will be used to fund the Subsidiary’s continued operations. Management believes that the Company will not generate any significant revenues in the next few years. Given the Company's current cash on hand, management believes the Company has sufficient cash on hand to cover its operations for the next 12 to 15 months. As for periods beyond the next 15 months, we expect to continue to direct the majority of our research and development expenses towards the development of Elafin, although it is extremely difficult for us to reasonably estimate all future research and development costs associated with Elafin due to the number of unknowns and uncertainties associated with preclinical and clinical trial development.

These unknown variables and uncertainties include, but are not limited to:

- the uncertainty of future clinical trial results;
- the uncertainty of the ultimate number of patients to be treated in any current or future clinical trial;
- the uncertainty of the applicable regulatory bodies allowing our studies to move forward;
- the uncertainty of the rate at which patients are enrolled into any current or future study. Any delays in clinical trials could significantly increase the cost of the study and would extend the estimated completion dates;
- the uncertainty of terms related to potential future partnering or licensing arrangements;
- the uncertainty of protocol changes and modifications in the design of our clinical trial studies, which may increase or decrease our future costs; and
- the uncertainty of our ability to raise additional capital to support our future research and development efforts beyond December 2014.

As a result of the foregoing, the Company's success will largely depend on its ability to generate revenues from out-licensing activities, secure additional funding through the sale of its Common/Preferred Stock and/or the sale of debt securities. There can be no assurance, however, that the Company will be able to generate revenues from out-licensing activities and/or to consummate debt or equity financing in a timely manner, or on a basis favorable to the Company, if at all, to support operations past 2014.

**RESEARCH SUPPLIES**

The Company's capitalized research supplies, which are all held by PBAG in Germany, have increased from $368,000 at December 31, 2012 to $392,000 at December 31, 2013. The increase is primarily the result of changes to foreign currency translation adjustments driven by the weakening U.S. Dollar.

**PROPERTY AND EQUIPMENT**

The Company's capitalized property and equipment decreased from $83,000 at December 31, 2012 to $21,000 at December 31, 2013. The decrease is primarily the result of the closure of the pilot plant and related sales of large scale fermentation equipment, as previously discussed, partly offset by changes to foreign currency translation adjustments driven by the weakening U.S. Dollar.

**CAPITAL EXPENDITURES**

None significant.

**INFLATION**

Management believes that inflation has not had a material effect on the Company's results of operations during 2013 and 2012.

**OFF BALANCE SHEET ARRANGEMENTS**

The Company does not currently have any off balance sheet arrangements.

**ACCOUNTING MATTERS**

**CRITICAL ACCOUNTING POLICIES**

The discussion and analysis of our results of operations, liquidity and capital resources is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States.

The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. We base our estimates on historical and anticipated results and trends and on various other assumptions that we believe are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ from our estimates.

The following represents a summary of our critical accounting policies, defined as those policies that we believe are: (a) the most important to the portrayal of our financial condition and results of operations, and (b) that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the matters that are inherently uncertain. We discuss each of these policies below, as well as the estimates and judgments involved. We also have other policies that we consider key accounting policies; however, these policies do not meet the definition of critical accounting estimates, because they do not generally require us to make estimates or judgments that are difficult or subjective.

**FOREIGN CURRENCY FINANCIAL REPORTING**

Assets and liabilities of the Company's German operations are translated from Euros (the functional currency) into U.S. dollars (the reporting currency) at period-end exchange rates. Expense and grant receipts are translated at weighted average exchange rates for the period. Net exchange gains or losses resulting from such translation are excluded from the consolidated statements of operations and are included in comprehensive loss and accumulated in a separate component of stockholders' (deficit) equity. Such accumulated amounts approximated $251,000 and $187,000 at December 31, 2013 and 2012, respectively.

The Company records payables related to a certain licensing agreement (Note 6) in accordance with the Foreign Currency Matters Topic of the Codification. Quarterly commitments under such agreement are denominated in Euros. For each reporting period, the Company translates the quarterly amount to U.S. dollars at the exchange rate effective on that date. If the exchange rate changes between when the liability is incurred and the time payment is made, a foreign exchange gain or loss results. The Company paid 30,000 Euros under this agreement during the year ended December 31, 2012 and realized a $3,000 gain. The Company made no payments under this licensing agreement during the year ended December 31, 2013, and did not realize any significant foreign currency exchanges gains or losses.

Additionally, the Company computes a foreign exchange gain or loss at each balance sheet date on all recorded transactions denominated in foreign currencies that have not been settled. The difference between the exchange rate that could have been used to settle the transaction on the date it occurred and the exchange rate at the balance sheet date is the unrealized gain or loss that is currently recognized. The Company recorded an unrealized foreign currency transaction loss of approximately $59,000 and $29,000 for the years ended December 31, 2013 and 2012, respectively, which are included in interest and other income (expense), net in the accompanying consolidated statements of operations and comprehensive loss.

**INCOME TAXES**

The Company accounts for income taxes using the liability method in accordance with the Income Taxes Topic of the ASC. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is provided for significant deferred tax assets when it is more likely than not that such assets will not be recovered.

As of December 31, 2013 and 2012, management believes the Company did not have any uncertain tax positions and, accordingly, there is no accrual for any liability for unrecognized tax benefits. Furthermore, there were no adjustments to the liability or lapse of any statutes of limitation or settlements with taxing authorities.

The Company expects resolution of unrecognized tax benefits, if created, would occur while the 100% valuation allowance of deferred tax assets is maintained; therefore, the Company does not expect to have any unrecognized tax benefits that, if recognized, would affect its effective income tax rate.

The Company will recognize any interest and penalties related to unrecognized tax benefits as income tax expense. As of December 31, 2013 and 2012, the Company has not recognized any liability for unrecognized tax benefits.

The Company is subject to taxation in the U.S., various states, and Germany. The Company's 2009 through 2013 tax years are subject to examination by the taxing authorities. With few exceptions, the Company is no longer subject to U.S. federal, state, local or foreign examinations by taxing authorities for years before 2009.

**COMPREHENSIVE LOSS**

Total comprehensive loss represents the net change in stockholders' (deficit) equity during a period from sources other than transactions with stockholders and as such, includes net earnings or loss. For the Company, other comprehensive loss represents the foreign currency translation adjustments, which are recorded as components of stockholders' (deficit) equity.

**LOSS PER COMMON SHARE**

Basic loss per common share is computed based on the weighted average number of shares outstanding for the period. Diluted loss per common share is computed by dividing net loss available to common stockholders by the weighted average shares outstanding assuming all dilutive potential common shares were issued. There were no dilutive potential common shares outstanding at December 31, 2013 or 2012.

**ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

An SRC is not required to provide any information in response to Item 305 of Regulation S-K.

**ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The information required by this item is submitted as a separate section of this report immediately following the signature page.

**ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES**

None.

**ITEM 9A - CONTROLS AND PROCEDURES**

Under the supervision and with the participation of management, including Birge Bargmann, our chief executive officer and chief financial officer, we have evaluated the effectiveness of the Company's disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this Annual Report on Form 10-K. Based on that evaluation, Ms. Bargmann has concluded that these controls and procedures were effective as of December 31, 2013, including those to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC, and is accumulated and communicated to management, including the principal executive officer and the principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure.

**REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Management of Proteo is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, (iii) provide reasonable assurance that receipts and expenditures of the company are being made only in accordance with authorization of management and directors of the company, and (iv) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Management has assessed the Company's internal control over financial reporting as of December 31, 2013. The assessment was based on criteria for effective internal control over financial reporting described in the *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, Management believes that the Company maintained effective internal control over financial reporting as of December 31, 2013.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report in this annual report.

**CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

There have been no significant changes in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Inherent limitations exist in any system of internal control including the possibility of human error and the potential of overriding controls. Even effective internal controls can provide only reasonable assurance with respect to financial statement preparation. The effectiveness of an internal control system may also be affected by changes in conditions.

**ITEM 9B - OTHER INFORMATION**

None.

**PART III**

**ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The following table sets forth the names and ages of the current and incoming directors and executive officers of the Company and the principal offices and positions with the Company held by each person.

| NAME | AGE | POSITIONS |
|---|---|---|
| Birge Bargmann | 52 | President, Chief Executive Officer, Chief Financial Officer and Director |
| Dr. Barbara Kahlke, Ph.D. | 49 | Secretary |
| Prof. Oliver Wiedow, M.D. | 56 | Director |
| Prof. Hartmut Weigelt, Ph.D. | 68 | Director |

The above listed directors will serve until the next annual meeting of the stockholders or until their death, resignation, retirement, removal, or disqualification, or until their successors have been duly elected and qualified. Vacancies in the existing board are filled by shareholders by majority vote of the outstanding shares of common stock. Our officers serve at the will of the board.

**BIOGRAPHICAL INFORMATION**

Birge Bargmann has served as our President, Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") since November 2005 and a Director of the Company since December 2000. In November 2005, she was appointed CEO and CFO of the Company and its subsidiary. Ms. Bargmann was a member of the Supervisory Board of Proteo Biotech AG from 2000 to 2005. Since 1989, Ms. Bargmann has worked as a medical technique assistant engaged in the Elafin project at the University of Kiel. She co-developed and carried out procedures to detect and to purify Elafin. The Board of Directors concluded that Ms. Bargmann should serve as a director in light of her extensive scientific understanding of our technologies in development combined with the perspective and experience she brings as our current President and Chief Executive Officer from her extensive history with the Company.

Dr. Barbara Kahlke has served as our Secretary since August 2004. She has been a member of the Supervisory Board of Proteo Biotech AG since May 2002, and a scientific researcher for Proteo Biotech AG since May 2000. Dr. Kahlke is a biologist, having received her doctorate from Christian-Albrechts-University in Kiel, Germany. Since 1994, Dr. Kahlke has worked for a medium-sized German pharmaceutical company with responsibilities in molecular biology and in protein production in compliance with GMP.

Prof. Oliver Wiedow, M.D. has served as a Director of the Company since December 2000. Professor Wiedow served as our President, Chief Executive Officer and Chief Financial Officer from January 2004 to June 2004 and has served as a member of the Supervisory Board of Proteo Biotech AG since 2000. Since 1985 Professor Wiedow has served as physician and scientist at the University of Kiel, Germany. Prof. Wiedow discovered Elafin in human skin and has researched its biological effects. The Board of Directors concluded that Dr. Wiedow should serve as a director in light of his having been an inventor of, and his extensive scientific understanding of, our technologies in development.

Prof. Hartmut Weigelt, Ph.D. has served as a Director of the Company since December 2000. Prof. Weigelt was a member of the Supervisory Board of Proteo Biotech AG from 2000 to 2003. Since 1996, Prof. Weigelt has served as the managing director of Eco Impact GmbH which he co-founded. Prof. Weigelt was a co-founder of the first German private university, Witten/Herdecke and he is currently Chief Scientific Officer ("CSO") of SNAP GmbH, and dean of the Faculty of Dental Technology at the SRH University of Applied Sciences in Hamm (Northrhine-Westphalia, Germany). Prof. Weigelt studied chemistry and biology and graduated with a M.Sc., Ph.D., and D.Sc. in biology. The Board of Directors concluded that Prof. Weigelt should serve as a director in light of his extensive scientific understanding of our technologies in development.

**AUDIT COMMITTEE AND FINANCIAL EXPERT**

Proteo, Inc. is not a "listed company" under SEC rules and is therefore not required to have an audit committee comprised of independent directors. We do not currently have an audit committee; however, for certain purposes of the rules and regulations of the SEC and in accordance with the Sarbanes-Oxley Act of 2002, our board of directors is deemed to be its audit committee and as such functions and performs some of the same duties as an audit committee including: (1) selection and oversight of our independent accountant; (2) establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls and auditing matters; and (3) engaging outside advisors. Our board of directors has determined that its members do not include a person who is an "audit committee financial expert" within the meaning of the rules and regulations of the SEC.

The board of directors has determined that each of its members is able to read and understand fundamental financial statements and has substantial business experience that results in that member's financial sophistication. Accordingly, the board of directors believes that each of its members has sufficient knowledge and experience necessary to fulfill the duties and obligations that an audit committee would have. The Company does not have a formal compensation committee. The board of directors, acting as a compensation committee, periodically meets to discuss and deliberate on issues surrounding the terms and conditions of executive officer compensation.

**FAMILY RELATIONSHIPS**

There are no family relationships between or among the directors, executive officers or persons nominated by the Company to become directors or executive officers, with the exception that Dr. Oliver Wiedow and Birge Bargmann are immediate family members.

**INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS**

To the best of the management's knowledge, during the past five years, none of the following occurred with respect to a present or former director or executive officer of the Company: (1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer at the time of the bankruptcy or within two years prior to that time; (2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities or banking activities; and (4) being found by a court of competent jurisdiction (in a civil action), the SEC or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires the Company's directors and executive officers and persons who own more than ten percent of a registered class of the Company's equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent beneficial owners of our common stock are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. To the Company's knowledge, based solely on the review of copies of such reports furnished to the Company and written representations that no other reports were required, the Company has been informed that all Section 16(a) filing requirements applicable to the Company's officers, directors and greater than ten percent beneficial owners of our common stock were complied with.

**CODE OF ETHICAL CONDUCT**

The Company maintains a code of ethical conduct applicable to all employees, officers and directors. The Company will also provide to any person without charge, and upon request, a copy of the Code of Ethics by making a request in writing to: info@proteo.us.

**ITEM 11 - EXECUTIVE COMPENSATION**

The following table sets forth the total compensation earned over each of the past two fiscal years ended December 31, 2013 by each person who served as the principal executive officer of Proteo during fiscal years ended 2013 and 2012. There were no other executive officers who had compensation of $100,000 or more during fiscal years ended 2013 and 2012.

SUMMARY COMPENSATION TABLE

| Name and Principal Position | Year | Salary ($) | Bonus ($) | Stock Awards ($) | Option Awards ($) | Non-Equity Incentive Plan Compensation (#) | Non-Qualified Deferred Compensation Earnings ($) | All Other Compensation ($) | Total Compensation ($) |
|---|---|---|---|---|---|---|---|---|---|
| Birge Bargmann | 2013 | $68,786 | -0- | -0- | -0- | -0- | -0- | -0- | 68,786 |
| (Chief Executive Officer and Chief Financial Officer) | 2012 | $142,450 | -0- | -0- | -0- | -0- | -0- | -0- | 142,450 |

Ms. Bargmann’s salary is paid by the Company’s wholly owned subsidiary Proteo Biotech AG.

**OPTION/STOCK APPRECIATION RIGHTS GRANTS TABLE**

The Company does not have a stock option plan, and has not granted any stock options or stock appreciation rights to date.

**AGGREGATED OPTION EXERCISES AND FISCAL YEAR-END OPTION VALUE TABLE**

Not applicable.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The Company does not have any equity compensation plans.

**COMPENSATION OF DIRECTORS**

The Directors have not received any compensation for serving in such capacity, and the Company does not currently contemplate compensating its Directors in the future for serving in such capacity.

**EMPLOYMENT AND CONSULTING AGREEMENTS**

The Company has no employment contracts with any of its officers or directors and maintains no retirement, fringe benefit or similar plans for the benefit of its officers or directors. However, Ms. Bargmann does have an employment contract with the Company's wholly owned subsidiary Proteo Biotech AG. The Company may, however, enter into employment contracts with its officers and key employees, adopt various benefit plans and begin paying compensation to its officers and directors as it deems appropriate to attract and retain the services of such persons. The Company does not pay fees to directors who are not executive officers for their attendance at meetings of the Board of Directors or its committees; however, the Company may adopt a policy of making such payments in the future. The Company will reimburse out-of-pocket expenses incurred by directors in attending Board and committee meetings.

**COMPENSATION COMMITTEE AND INSIDER PARTICIPATION**

The current Board of Directors includes Birge Bargmann, who also serves as an executive officer of the Company. As a result, this director discusses and participates in deliberations of the Board of Directors on matters relating to the terms of executive compensation. In this regard, a director whose executive compensation is voted upon by the Board of Directors must abstain from such vote.

**REPORT OF THE BOARD OF DIRECTORS ON EXECUTIVE COMPENSATION**

The following statement made by the Board of Directors, sitting as a Compensation Committee, shall not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, and shall not otherwise be deemed filed under either of such Acts.

The Company does not have a formal compensation committee and the Company's officers receive no compensation from the Company at this time. Ms. Bargmann, our President, Chief Executive Officer and Chief Financial Officer, receives compensation from our wholly-owned subsidiary, Proteo Biotech AG.

The Supervisory Board of Proteo Biotech AG had entered into an employment contract with Ms. Bargmann on May 27, 2011, amended on April 2, 2013 and on November 14, 2013. The contract expires on September 30, 2015.

**ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth, as of December 31, 2013, certain information with respect to the Company's equity securities owned of record or beneficially by (i) each director and executive officer; (ii) each person who owns beneficially more than 5% of each class of the Company's outstanding equity securities; and (iii) all directors and executive officers as a group. The address for all of the following individuals is c/o Proteo, Inc., 2102 Business Center Drive, Irvine, California 92612.

| Name of Beneficial Owner | Number of Common Shares Beneficially Owned (1) | Percent of Class |
|---|---|---|
| Prof. Oliver Wiedow, M.D. | 10,680,000 | 44.7% |
| Birge Bargmann | 2,000,000 | 8.4% |
| Dr. Barbara Kahlke | 10,000 | * |
| Prof. Hartmut Weigelt, Ph.D. | 54,000 | * |
| All directors and executive officers as a group (4 persons) | 12,744,000 | 53.4% |

* less than 1%

(1) Based on 23,879,350 common shares outstanding as of December 31, 2013.

**ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

On December 30, 2000, the Company entered into a thirty-year license agreement, beginning January 1, 2001 (the "License Agreement"), with Dr. Wiedow, the owner and inventor of several patents, patent rights and technologies related to Elafin. Pursuant to the License Agreement, the Company agreed to pay Dr. Wiedow an annual license fee of 110,000 Euros for a period of six years. No payments were made through fiscal year 2003. In 2004, the License Agreement was amended to require the Company to make annual payments of 30,000 Euros, to be paid on July 15 of each year, beginning in 2004. Such annual payment could be increased to 110,000 Euros by June 1 of each year based on an assessment of the Company's financial ability to make such payments. In December 2007 the Company paid Dr. Wiedow 30,000 Euros. The License Agreement was again amended by an Amendment Agreement to the License Agreement (the "Amendment") dated December 23, 2008. Pursuant to the Amendment, the Company and Dr. Wiedow have agreed that the Company would pay the outstanding balance of 630,000 Euros to Dr. Wiedow as follows: for fiscal years 2008 to 2012, the Company shall pay Dr. Wiedow 30,000 Euros per year, and for fiscal years 2013 to 2016, the Company shall pay Dr. Wiedow 120,000 Euros per year. The foregoing payments shall be made on or before December 31 of each fiscal year. In both December 2008 and February 2012, the Company paid Dr. Wiedow 30,000 Euros. No other payments were made under this agreement. In July 2011, and again in December 2012, Dr. Wiedow agreed in writing to waive the non-payment defaults and agreed to defer the due dates of each payment. Specifically, the Licensor defers to April 15, 2015 the installments payable by Licensee in the amount of 330,000 Euros, which otherwise would be due on December 31, 2012 (30,000 €), April 15, 2013 (60,000 €), December 31, 2013 (120,000 €) and December 31, 2014 (120,000€). While the total amount owed does not currently bear interest, the Amendment provides that any late payment shall be subject to interest at an annual rate equal to the German Base Interest Rate (-0.13% as of January 1, 2013) plus six percent. In the event that the Company's financial condition improves, the parties can agree to increase and/or accelerate the payments.

The Amendment also modified the royalty payment such that the Company will not only pay Dr. Wiedow a three percent royalty on gross revenues from the Company's sale of products based on the licensed technology but also three percent of the license fees (including upfront and milestone payments and running royalties) received by the Company or its subsidiary from their sublicensing of the licensed technology.

No royalty expense has been recognized under the License Agreement or the Amendment since the Company has yet to generate any related revenues. At December 31, 2013 and 2012, the Company has accrued approximately $785,000 and $753,000, respectively, of licensing fees payable to Dr. Wiedow, which are included in the long-term liabilities.

Pursuant to the License Agreement, as amended, Dr. Wiedow may terminate the License Agreement in the event of a breach which is not cured within 90 days following written notice of such breach. In addition, Dr. Wiedow may terminate the License Agreement immediately in the event of the Company’s bankruptcy, insolvency, assignment for the benefit of creditors, insolvency, liquidation, assignment of all or substantially all of its assets, failure to continue to develop Elafin. After any termination, to the extent permitted by applicable law, the Company will return all documents, information and data received by Dr. Wiedow and will immediately cease to develop, manufacture or sell Elafin

On September 28, 2006, Dr. Wiedow entered into an agreement to contribute 50,000 Euros (approximately $63,000) to PBAG for a 15% non-voting interest in PBAG, in accordance with certain provisions of the German Commercial Code. Dr. Wiedow will receive 15% of profits, as determined under the agreement, not to exceed in any given year 30% of the capital contributed. Additionally, he will be allocated 15% of losses, as determined under the agreement, not to exceed the capital contributed. Dr. Wiedow is under no obligation to provide additional capital contributions to the Company or absorb losses beyond his ownership interest. During the years ended December 31, 2007 and 2006, losses of 50,000 Euros (approximately $63,000) were allocated against the contributed capital account, which is presented as minority interest in the profits and losses of Proteo Biotech on the accompanying statements of operations and comprehensive loss.

The disclosure requirements of Item 407(a) of Regulation S-K are not applicable to this filing.

**ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICES**

**AUDIT FEES:**

We were billed or expect to be billed approximately $65,000 for each of the fiscal years ended December 31, 2013 and 2012, for professional services rendered by the principal accountant for the audit of the our annual consolidated financial statements and the review of our quarterly unaudited consolidated financial statements.

**AUDIT RELATED FEES:**

None

**TAX FEES:**

We were billed approximately $8,000 for each of the fiscal years ended December 31, 2013 and 2012, for professional services rendered by the principal accountant for tax compliance services.

**ALL OTHER FEES:**

There were no other professional services rendered by our principal accountant during the two years ended December 31, 2013 that were not included in the three categories above.

All of the services provided by our principal accountant were approved by our Board of Directors. No more than 50% of the hours expended on our audit for the last fiscal year were attributed to work performed by persons other than full-time employees of our principal accountant.

## PART IV

**ITEM 15 - EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a)(1) **Financial Statements.** Reference is made to the Index to Consolidated Financial Statements on page F-1 for a list of financial statements filed as a part of this Annual Report.

(2) **Financial Statement Schedules.** All financial statement schedules are omitted because of the absence of the conditions under which they are required to be provided or because the required information is included in the financial statements listed above and/or related notes.

(3) **List of Exhibits.**

| | |
|---|---|
| 2.1 | Agreement and Plan of Share Exchange (Incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the Commission on May 6, 2002) |
| 3.1 | Articles of Incorporation, dated December 18, 1992 (Incorporated by reference to Exhibit 3.1 to the Registrant's Form 10-SB filed with the Commission on April 25, 2000) |
| 3.2 | Amendment to Articles of Incorporation, dated October 31, 1996 (Incorporated by reference to Exhibit 3.2 to the Registrant's Form 10-SB filed with the Commission on April 25, 2000) |
| 3.3 | Amendment to Articles of Incorporation, dated February 12, 1998 (Incorporated by reference to Exhibit 3.3 to the Registrant's Form 10-SB filed with the Commission on April 25, 2000) |
| 3.4 | Amendment to Articles of Incorporation, dated May 18, 1999 (Incorporated by reference to Exhibit 3.4 to the Registrant's Form 10-SB filed with the Commission on April 25, 2000) |
| 3.5 | Amendment to Articles of Incorporation, dated July 18, 2001 (Incorporated by reference to Exhibit 3.5 to the Registrant's Annual Report on Form 10-KSB filed with the Commission on May 10, 2002) |
| 3.6 | Amendment to Articles of Incorporation, dated January 11, 2002 (Incorporated by reference to Exhibit 3.6 to the Registrant's Annual Report on Form 10-KSB filed with the Commission on May 10, 2002) |
| 3.7 | Articles of Share Exchange, dated April 25, 2002 (Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission on May 6, 2002) |
| 3.8 | By-Laws, dated December 18, 1992 (Incorporated by reference to Exhibit 3.5 to the Registrant's Form 10-SB filed with the Commission on April 25, 2000) |
| 3.9 | Certificate of Designation of Series A Preferred Stock dated June 5, 2008 (Incorporated by reference to Exhibit 3.9 to the Registrant's Current Report on Form 8-K filed with the Commission on June 11, 2008) |
| 10.3 | Common Stock Purchase Agreement dated November 7, 2005 (Incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the Commission on November 14, 2005) |

| | |
|---|---|
| 10.4 | Promissory Note dated November 7, 2005 with Guaranty (Incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed with the Commission on November 14, 2005) |
| 10.5 | Common Stock Purchase Agreement dated December 22, 2006 (Incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed with the Commission on December 22, 2006) |
| 10.6 | Promissory Note dated December 22, 2006 (Incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed with the Commission on December 22, 2006) |
| 10.7 | License Agreement dated August 9, 2007, by and between Proteo Biotech AG and Rhein Minapharm Biogenetics SAE. (Incorporated by reference to Exhibit 10.7 to the Registrant's Form 10-QSB filed with the Commission on November 14, 2007) ** |
| 10.8 | Preferred Stock Purchase Agreement dated June 9, 2008 (Incorporated by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the Commission on November 3, 2011) |
| 10.9 | Promissory Note dated June 9, 2008 (Incorporated by reference to Exhibit 10.9 to the Registrant's Current Report on Form 8-K filed with the Commission on June 11, 2008) |
| 10.10 | Amendment to the License Agreement between the Registrant and Dr. Oliver Wiedow dated December 23, 2008 (Incorporated by reference to Exhibit 10.10 of the Registrant's Current Report on Form 8-K filed with the Commission on January 7, 2009) |
| 10.11 | Forbearance Agreement and General Release dated July 6, 2009 (Incorporated by reference to Exhibit 10.11 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the Commission on November 3, 2011) |
| 10.12 | Agreement on the Assumption of Debt dated February 11, 2010 (Incorporated by reference to Exhibit 10.12 to the Registrant's Current Report on Form 8-K filed with the Commission on February 17, 2010) |
| 10.13 | Summary of Ms. Birge Bargmann's Employment Agreement dated May 27, 2011, with Proteo Biotech AG (Incorporated by reference to Exhibit 10.14 of the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 3, 2011) * |
| 10.14 | Summary of amendments to Ms. Birge Bargmann's Employment Agreement dated May 27, 2011, with Proteo Biotech AG dated April 2, 2013 and on November 14, 2013**** |
| 10.15 | License Agreement between the Registrant and Professor Dr. Oliver Wiedow dated December 30, 2000 (Incorporated by reference to Exhibit 10.15 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the Commission on November 3, 2011) |
| 10.16 | Summary of Material Terms of License Agreement between Proteo Biotech AG, the Registrant's wholly owned subsidiary, and ARTES Biotechnology GmbH dated November 15, 2004 (Incorporated by reference to Exhibit 10.16 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 filed with the Commission on November 3, 2011) |
| 10.17 | Translation from German to English of Contract for an Atypical Silent Partnership between Proteo Biotech AG, the Registrant's wholly owned subsidiary, and Professor Dr. Oliver Wiedow effective October 1, 2006 (Incorporated by reference to Exhibit 10.17 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the Commission on November 3, 2011) |

| | |
|---|---|
| 10.18 | Letter Agreement dated July 28, 2011, between Registrant and Dr. Oliver Wiedow (Incorporated by reference to Exhibit 10.17 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the Commission on November 3, 2011) |
| 10.19 | Letter Agreement dated February 6, 2012, between the Registrant and Dr. Oliver Wiedow (Incorporated by reference to Exhibit 10.19 of the Registrant's Annual Report on Form 10-K filed with the Commission on March 27, 2012) |
| 10.20 | Letter Agreement dated February 10, 2013, between the Registrant and Dr. Oliver Wiedow (Incorporated by reference to Exhibit 10.20 of the Registrant's Annual Report on Form 10-K filed with the Commission on March 29, 2013) |
| 10.21 | Form of Preferred Stock Purchase Agreement *** |
| 14.1 | Code of Ethics (Incorporated by reference to Exhibit 14.1 of the Registrant's Form 10-KSB filed with the Commission on March 31, 2005) |
| 21 | Subsidiaries of Registrant *** |
| 31.1 | Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *** |
| 31.2 | Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *** |
| 32 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *** |
| 101.INS | XBRL Instance Document *** |
| 101.SCH | XBRL Schema Document *** |
| 101.CAL | XBRL Calculation Linkbase Document *** |
| 101.DEF | XBRL Definition Linkbase Document *** |
| 101.LAB | XBRL Label Linkbase Document *** |
| 101.PRE | XBRL Presentation Linkbase Document *** |

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* This Exhibit is a management contract or a compensation plan or arrangement.

** Portions omitted pursuant to a request of confidentially filed separately with the Commission.

*** Filed herewith

**PROTEO, INC. AND SUBSIDIARY**
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**


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| Consolidated Balance Sheets as of December 31, 2013 and 2012 | F-3 |
| Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2013 and 2012 and for the Period From November 22, 2000 (Inception) Through December 31, 2013 | F-4 |
| Consolidated Statements of Stockholders' Equity for the years ended December 31, 2013 and 2012 and for the Period From November 22, 2000 (Inception) Through December 31, 2013 | F-5 |
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REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Proteo, Inc.

We have audited the accompanying consolidated balance sheets of Proteo, Inc. and Subsidiary (collectively the "Company"), a Development Stage Company, as of December 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive loss, stockholders' (deficit) equity and cash flows for the years ended December 31, 2013 and 2012, and for the period from November 22, 2000 (Inception) to December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company was not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Proteo, Inc. and Subsidiary as of December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for the years ended December 31, 2013 and 2012, and for the period from November 22, 2000 (Inception) to December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

/s/ Squar, Milner, Peterson, Miranda & Williamson, LLP

February 26, 2014
Newport Beach, California

PROTEO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS

ASSETS

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 456,310 | $ 375,722 |
| Research supplies | 391,526 | 368,407 |
| Prepaid expenses and other current assets | 22,073 | 40,530 |
| | 869,909 | 784,659 |
| PROPERTY AND EQUIPMENT, NET | 20,501 | 82,728 |
| | $ 890,410 | $ 867,387 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|---|---|---|
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | $ 151,359 | $ 92,214 |
| | 151,359 | 92,214 |
| LONG TERM LIABILITIES | | |
| Accrued licensing fees | 784,776 | 753,426 |
| | 784,776 | 753,426 |
| COMMITMENTS AND CONTINGENCIES - See Note 6 | | |
| STOCKHOLDERS' (DEFICIT) EQUITY | | |
| Non-voting preferred stock, par value $0.001 per share; 10,000,000 shares authorized; 723,590 and 694,590 shares issued and outstanding at December 31, 2013 and 2012, respectively (Liquidation preference - Note 3) | 724 | 695 |
| Common stock, par value $0.001 per share; 300,000,000 shares authorized; 23,879,350 shares issued and outstanding | 23,880 | 23,880 |
| Additional paid-in capital | 8,988,125 | 8,567,634 |
| Accumulated other comprehensive income | 250,514 | 186,699 |
| Deficit accumulated during development stage | (9,308,968) | (8,757,161) |
| Total Stockholders' (Deficit) Equity | (45,725) | 21,747 |
| Total Liabilities and Stockholders' (Deficit) Equity | $ 890,410 | $ 867,387 |

SEE ACCOMPANYING NOTES TO THESE CONSOLIDATED FINANCIAL STATEMENTS

PROTEO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
AND FOR THE PERIOD FROM NOVEMBER 22, 2000 (INCEPTION) THROUGH DECEMBER 31, 2013

| | 2013 | 2012 | NOVEMBER 22, 2000 (INCEPTION) THROUGH DECEMBER 31, 2013 |
|---|---|---|---|
| CONSOLIDATED STATEMENTS OF OPERATIONS | | | |
| REVENUES | $ – | $ – | $ – |
| EXPENSES | | | |
| General and administrative | 209,815 | 314,788 | 5,597,373 |
| Research and development | 282,063 | 427,748 | 4,240,521 |
| | 491,878 | 742,536 | 9,837,894 |
| INTEREST AND OTHER INCOME (EXPENSE), NET | (59,929) | 48,730 | 466,017 |
| NET LOSS | (551,807) | (693,806) | (9,371,877) |
| LESS: NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST | – | – | 63,004 |
| NET LOSS ATTRIBUTABLE TO PROTEO, INC. | (551,807) | (693,806) | (9,308,873) |
| PREFERRED STOCK DIVIDEND | – | – | (95) |
| NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS | $ (551,807) | $ (693,806) | $ (9,308,968) |
| BASIC AND DILUTED LOSS ATTRIBUTABLE TO PROTEO, INC. COMMON SHAREHOLDERS | $ (0.02) | $ (0.03) | |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | 23,879,350 | 23,879,350 | |
| CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS | | | |
| NET LOSS ATTRIBUTABLE TO PROTEO, INC. | $ (551,807) | $ (693,806) | $ (9,308,873) |
| FOREIGN CURRENCY TRANSLATION ADJUSTMENTS | 63,815 | 33,570 | 250,514 |
| COMPREHENSIVE LOSS | $ (487,992) | $ (660,236) | $ (9,058,359) |

SEE ACCOMPANYING NOTES TO THESE CONSOLIDATED FINANCIAL STATEMENTS

PROTEO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012, AND FOR THE PERIOD
FROM NOVEMBER 22, 2000 (INCEPTION) THROUGH DECEMBER 31, 2013

| | Preferred Stock | | Common Stock | | Additional Paid-in | Stock Subscriptions | Accumulated Other Comprehensive | Deficit Accumulated During Development | |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Capital | Receivable | Income (Loss) | Stage | Total |
| BALANCE - November 22, 2000 (Inception) | – | $ – | – | $ – | $ – | $ – | $ – | $ – | $ – |
| Common stock subscribed at $0.001 per share | – | – | 4,800,000 | 4,800 | – | (4,800) | – | – | – |
| Common stock issued for cash at $3.00 per share | – | – | 50,000 | 50 | 149,950 | – | – | – | 150,000 |
| Reorganization with Proteo Biotech AG | – | – | 2,500,000 | 2,500 | 6,009 | – | – | – | 8,509 |
| Net loss | – | – | – | – | – | – | – | (60,250) | (60,250) |
| BALANCE - December 31, 2000 | – | – | 7,350,000 | 7,350 | 155,959 | (4,800) | – | (60,250) | 98,259 |
| Common stock issued for cash at $3.00 per share | – | – | 450,000 | 450 | 1,349,550 | – | – | – | 1,350,000 |
| Cash received for common stock subscribed at $0.001 per share | – | – | – | – | – | 4,800 | – | – | 4,800 |
| Common stock issued for cash at $0.40 per share | – | – | 201,025 | 201 | 80,209 | – | – | – | 80,410 |
| Common stock subscribed at $0.40 per share | – | – | 5,085,487 | 5,086 | 2,029,109 | (2,034,195) | – | – | – |
| Common stock issued for cash to related parties at $0.001 per share | – | – | 7,200,000 | 7,200 | – | – | – | – | 7,200 |
| Other loss comprehensive | – | – | – | – | – | – | (20,493) | – | (20,493) |
| Net loss | – | – | – | – | – | – | – | (374,111) | (374,111) |
| BALANCE - December 31, 2001 | – | – | 20,286,512 | 20,287 | 3,614,827 | (2,034,195) | (20,493) | (434,361) | 1,146,065 |
| Common stock issued in connection with reverse merger | – | – | 1,313,922 | 1,314 | (1,314) | – | – | – | – |
| Cash received for common stock subscribed at $0.40 per share | – | – | – | – | – | 406,440 | – | – | 406,440 |
| Other comprehensive income | – | – | – | – | – | – | 116,057 | – | 116,057 |
| Net loss | – | – | – | – | – | – | – | (1,105,395) | (1,105,395) |
| BALANCE - December 31, 2002 | – | – | 21,600,434 | 21,601 | 3,613,513 | (1,627,755) | 95,564 | (1,539,756) | 563,167 |
| Common stock issued for cash at $0.60 per share | – | – | 66,667 | 67 | 39,933 | – | – | – | 40,000 |

SEE ACCOMPANYING NOTES TO THESE CONSOLIDATED FINANCIAL STATEMENTS

PROTEO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012, AND FOR THE PERIOD
FROM NOVEMBER 22, 2000 (INCEPTION) THROUGH DECEMBER 31, 2013
(continued)

| | Preferred Stock | | Common Stock | | Additional Paid-in Capital | Stock Subscriptions Receivable | Accumulated Other Comprehensive Income (Loss) | Deficit Accumulated During Development Stage | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | | |
| Cash received for common stock subscribed at $0.40 per share | – | – | – | – | – | 387,800 | – | – | 387,800 |
| Other comprehensive income | – | – | – | – | – | – | 164,399 | – | 164,399 |
| Net loss | – | – | – | – | – | – | – | (620,204) | (620,204) |
| BALANCE -December 31, 2003 | – | – | 21,667,101 | 21,668 | 3,653,446 | (1,239,955) | 259,963 | (2,159,960) | 535,162 |
| Common stock issued for cash at $0.40 per share | – | – | 412,249 | 412 | 164,588 | – | – | – | 165,000 |
| Cash received for common stock subscribed at $0.40 per share | – | – | – | – | – | 680,000 | – | – | 680,000 |
| Other comprehensive income | – | – | – | – | – | – | 93,186 | – | 93,186 |
| Net loss | – | – | – | – | – | – | – | (639,746) | (639,746) |
| BALANCE - December 31, 2004 | – | – | 22,079,350 | 22,080 | 3,818,034 | (559,955) | 353,149 | (2,799,706) | 833,602 |
| Common stock subscribed at $0.84 per share | – | – | 300,000 | 300 | 251,700 | (252,000) | – | – | – |
| Cash received for common stock subscribed at $0.40 per share | – | – | – | – | – | 435,284 | – | – | 435,284 |
| Other comprehensive loss | – | – | – | – | – | – | (134,495) | – | (134,495) |
| Net loss | – | – | – | – | – | – | – | (1,131,781) | (1,131,781) |
| BALANCE - December 31, 2005 | – | – | 22,379,350 | 22,380 | 4,069,734 | (376,671) | 218,654 | (3,931,487) | 2,610 |
| Common stock subscribed at $0.60 per share | – | – | 1,500,000 | 1,500 | 898,500 | (900,000) | – | – | – |
| Cash received for common stock subscribed at $0.40 per share | – | – | – | – | – | 414,590 | – | – | 414,590 |
| Other comprehensive income | – | – | – | – | – | – | 61,737 | – | 61,737 |
| Net loss | – | – | – | – | – | – | – | (649,868) | (649,868) |
| BALANCE - December 31, 2006 | – | – | 23,879,350 | 23,880 | 4,968,234 | (862,081) | 280,391 | (4,581,355) | (170,931) |
| Cash received for common stock subscribed at $0.60 per share | – | – | – | – | – | 862,081 | – | – | 862,081 |
| Other comprehensive income | – | – | – | – | – | – | 89,987 | – | 89,987 |
| Net loss | – | – | – | – | – | – | – | (445,169) | (445,169) |
| BALANCE - December 31, 2007 | – | – | 23,879,350 | 23,880 | 4,968,234 | – | 370,378 | (5,026,524) | 335,968 |
| Preferred stock subscribed at $6.00 per share | 600,000 | 600 | – | – | 3,599,400 | (3,600,000) | – | – | – |
| Cash received for preferred stock subscribed at $2.26 per share | – | – | – | – | – | 1,354,611 | – | – | 1,354,611 |
| Other comprehensive loss | – | – | – | – | – | – | (91,098) | – | (91,098) |
| Net loss | – | – | – | – | – | – | – | (889,882) | (889,882) |
| BALANCE - December 31, 2008 | 600,000 | 600 | 23,879,350 | 23,880 | 8,567,634 | (2,245,389) | 279,280 | (5,916,406) | 709,599 |

SEE ACCOMPANYING NOTES TO THESE CONSOLIDATED FINANCIAL STATEMENTS

PROTEO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012, AND FOR THE PERIOD
FROM NOVEMBER 22, 2000 (INCEPTION) THROUGH DECEMBER 31, 2013
(continued)

| | Preferred Stock | | Common Stock | | Additional Paid-in Capital | Stock Subscriptions Receivable | Accumulated Other Comprehensive Income (Loss) | Deficit Accumulated During Development Stage | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | | |
| Cash received for preferred stock subscribed at $2.26 per share | – | – | – | – | – | 514,083 | – | – | 514,083 |
| Preferred stock dividend | 30,000 | 30 | | – | | | | (30) | |
| Other comprehensive income | – | – | – | – | – | – | 37,248 | – | 37,248 |
| Net loss | – | – | – | – | – | – | – | (857,784) | (857,784) |
| BALANCE - December 31, 2009 | 630,000 | 630 | 23,879,350 | 23,880 | $ 8,567,634 | (1,731,306) | 316,528 | (6,774,220) | 403,146 |
| Cash received for preferred stock subscribed at $2.26 per share | – | – | – | – | – | 746,906 | – | – | 746,906 |
| Preferred stock dividend | 31,500 | 32 | | – | | | | (32) | |
| Other comprehensive loss | – | – | – | – | – | – | (146,848) | – | (146,848) |
| Net loss | – | – | – | – | – | – | – | (510,114) | (510,114) |
| BALANCE - December 31, 2010 | 661,500 | 662 | 23,879,350 | 23,880 | $ 8,567,634 | (984,400) | 169,680 | (7,284,366) | 493,090 |
| Cash received for preferred stock subscribed at $2.26 per share | – | – | – | – | – | 622,383 | – | – | 622,383 |
| Preferred stock dividend | 33,090 | 33 | | – | | | | (33) | |
| Other comprehensive loss | – | – | – | – | – | – | (16,551) | – | (16,551) |
| Net loss | – | – | – | – | – | – | – | (778,956) | (778,956) |
| BALANCE - December 31, 2011 | 694,590 | 695 | 23,879,350 | 23,880 | $ 8,567,634 | (362,017) | 153,129 | (8,063,355) | 319,966 |
| Cash received for preferred stock subscribed at $2.26 per share | – | – | – | – | – | 362,017 | – | – | 362,017 |
| Other comprehensive loss | – | – | – | – | – | – | 33,570 | – | 33,570 |
| Net loss | – | – | – | – | – | – | – | (693,806) | (693,806) |
| BALANCE - December 31, 2012 | 694,590 | 695 | 23,879,350 | 23,880 | $ 8,567,634 | – | 186,699 | (8,757,161) | 21,747 |
| Preferred stock sold at $14.50 per share | 29,000 | 29 | – | – | 420,491 | – | – | – | 420,520 |
| Other comprehensive income | – | – | – | – | – | – | 63,815 | – | 63,815 |
| Net loss | – | – | – | – | – | – | – | (551,807) | (551,807) |
| BALANCE December 31, 2013 | 723,590 | $ 724 | 23,879,350 | $ 23,880 | $ 8,988,125 | $ – | $ 250,514 | $ (9,308,968) | $ (45,725) |

SEE ACCOMPANYING NOTES TO THESE CONSOLIDATED FINANCIAL STATEMENTS

PROTEO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
AND FOR THE PERIOD FROM NOVEMBER 22, 2000 (INCEPTION) THROUGH DECEMBER 31, 2013

| | 2013 | 2012 | NOVEMBER 22, 2000 (INCEPTION) THROUGH DECEMBER 31, 2013 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net loss attributable to Proteo, Inc. | $ (551,807) | $ (693,806) | $ (9,308,873) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Depreciation | 16,986 | 41,651 | 546,481 |
| Bad debt expense | – | – | 60,408 |
| Loss on disposal of equipment | 11,568 | – | 16,086 |
| Foreign currency transaction losses | 58,602 | 28,853 | 170,802 |
| Changes in operating assets and liabilities: | | | |
| Research supplies | (7,515) | 67,936 | (421,509) |
| Prepaid expenses and other current assets | 19,433 | (42) | (122,551) |
| Accounts payable and accrued liabilities | 56,227 | (1,403) | 119,695 |
| Deferred fees | – | – | 11,944 |
| Accrued licensing fees | – | (39,500) | 621,213 |
| NET CASH USED IN OPERATING ACTIVITIES | (396,506) | (596,311) | (8,306,304) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of property and equipment | – | – | (638,921) |
| Proceeds from sale of property and equipment | 34,663 | – | 34,663 |
| Cash of reorganized entity | – | – | 27,638 |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | 34,663 | – | (576,620) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issuance of common stock | – | – | 1,792,610 |
| Proceeds from issuance of preferred stock | 420,520 | – | 420,520 |
| Proceeds from subscribed common stock and issuance of preferred stock to related party | – | 362,017 | 6,790,975 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 420,520 | 362,017 | 9,004,105 |
| EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 21,911 | 12,159 | 335,129 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 80,588 | (222,135) | 456,310 |
| CASH AND CASH EQUIVALENTS--BEGINNING OF PERIOD | 375,722 | 597,857 | – |
| CASH AND CASH EQUIVALENTS--END OF PERIOD | $ 456,310 | $ 375,722 | $ 456,310 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | |
| Preferred stock dividend | $ – | $ – | $ 95 |
| Common stock issued for subscriptions receivable | $ – | $ – | $ 1,627,755 |
| Net assets (excluding cash) of reorganized entity received in exchange for equity securities | $ – | $ – | $ 8,509 |

SEE ACCOMPANYING NOTES TO THESE CONSOLIDATED FINANCIAL STATEMENTS

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### ORGANIZATION/NATURE OF BUSINESS

Proteo, Inc. and Proteo Marketing, Inc. ("PMI"), a Nevada corporation, which began operations in November 2000, entered into a reorganization and stock exchange agreement in December 2000 with Proteo Biotech AG ("PBAG"), a German corporation, incorporated in Kiel, Germany. Pursuant to the terms of the agreement, all of the shareholders of PBAG exchanged their common stock for 2,500,000 shares of PMI common stock. As a result, PBAG became a wholly owned subsidiary of PMI. Proteo Inc.'s common stock is quoted on the OTCQB under the symbol "PTEO".

During 2001, PMI entered into a Shell Acquisition Agreement (the "Acquisition Agreement") with Trivantage Group, Inc. ("Trivantage"), a public "shell" company, in a transaction accounted for as a reverse merger. In accordance with the Acquisition Agreement, PMI first acquired 176,660,280 shares (1,313,922 post-reverse split shares, as described below) of Trivantage's common stock representing 90% of the issued and outstanding common stock of Trivantage, in exchange for a cash payment of $500,000 to the sole shareholder of Trivantage. Secondly, Trivantage completed a one for one-hundred-fifty reverse stock split. Finally, effective April 25, 2002, the shareholders of PMI exchanged their shares of PMI for an aggregate of 20,286,512 shares of Trivantage to effect a reverse merger between PMI and Trivantage. Subsequently, Trivantage changed its name to Proteo, Inc. Effective December 31, 2004, PMI merged into Proteo, Inc. PBAG and Proteo, Inc. are hereinafter collectively referred to as the "Company."

The Company intends to develop, promote and market pharmaceuticals and other biotech products. The Company is focused on the development of pharmaceuticals based on the human protein Elafin. Elafin is a human protein that naturally occurs in human skin, lungs, and mammary glands. The Company believes Elafin may be useful in the treatment of post-surgery damage to tissue, complications resulting from organ transplantation, pulmonary hypertension, serious injuries caused by accidents, cardiac infarction, as well as other diseases.

Since its inception, the Company has primarily been engaged in the research and development of its proprietary product Elafin. Once the research and development phase is complete, the Company will obtain the various governmental regulatory approvals for the marketing of Elafin. The Company is in the development stage and has not generated any significant revenues from product sales. The Company believes that none of its planned products will produce sufficient revenues in the near future. There are no assurances, however, that the Company will be able to obtain regulatory approvals for marketing of Elafin, or if approved, that Elafin will be accepted in the marketplace.

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**DEVELOPMENT STAGE**

The Company has been in the development stage since it began operations on November 22, 2000 and has not generated any revenues from operations and has incurred net losses since inception of approximately $9,309,000. There is no assurance of any future revenues.

The Company will require substantial additional funding for continuing research and development, obtaining regulatory approval, and for the commercialization of its products.

Management has taken action to address these matters. They include:

- Retention of experienced management personnel with particular skills in the development of such products.
- Attainment of technology to develop biotech products.
- Raising additional funds through the sale of debt and/or equity securities.

The Company's products, to the extent they may be deemed drugs or biologics, are governed by the United States Federal Food, Drug and Cosmetics Act and the regulations of state and various foreign government agencies. The Company's proposed pharmaceutical products to be used with humans are subject to certain clearance procedures administered by the above regulatory agencies. There can be no assurance that the Company will receive the regulatory approvals required to market its proposed products elsewhere or that the regulatory authorities will review the product within the average period of time.

Management plans to generate revenues from product sales, but there are no purchase commitments for any of the proposed products. Additionally, the Company may generate revenues from out-licensing activities. There can be no assurance that further out-licensing may be achieved and may generate significant profit. In the absence of significant sales and profits, the Company may seek to raise additional funds to meet its working capital requirements through the additional placement of debt and/or sales of equity securities. There is no assurance that the Company will be able to obtain sufficient additional funds when needed, or that such funds, if available, will be obtainable on terms satisfactory to the Company.

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**CONCENTRATIONS**

The Company maintains substantially all of its cash in bank accounts at a private German commercial bank. The Company's bank accounts at this financial institution are presently protected by the voluntary Deposit Protection Fund of The German Private Commercial Banks. As such, the Company's bank is a member of this deposit protection fund. The Company has not experienced any losses in these bank accounts.

The Company's research and development activities and most of its assets are located in Germany. The Company's operations are subject to various political, economic, and other risks and uncertainties inherent in Germany and the European Union.

**OTHER RISKS AND UNCERTAINTIES**

The Company's line of future pharmaceutical products being developed by its German subsidiary are considered drugs or biologics, and as such, are governed by the Federal Food and Drug and Cosmetics Act and by the regulations of state agencies and various foreign government agencies. There can be no assurance that the Company will obtain the regulatory approvals required to market its products. The pharmaceutical products under development in Germany will be subject to more stringent regulatory requirements because they are recombinant proteins for use in humans. The Company has no experience in obtaining regulatory approvals for these types of products. Therefore, the Company will be subject to the risks of delays in obtaining or failing to obtain regulatory clearance and other uncertainties, including financial, operational, technological, regulatory and other risks associated with an emerging business, including the potential risk of business failure.

As substantially all of the Company's operations are in Germany, they are exposed to risks related to fluctuations in foreign currency exchange rates. The Company does not utilize derivative instruments to hedge against such exposure.

**PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and include the accounts of Proteo, Inc. and Proteo Biotech AG, its wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Furthermore, the Company classifies noncontrolling interests (previously referred to as "minority interest") as part of consolidated net earnings and includes the accumulated amount of noncontrolling interests as part of stockholders' equity. Earnings per share reflects amounts attributable only to the Company, excluding noncontrolling interests. Increases and decreases in the Company's controlling financial interests in consolidated subsidiaries will be reported in equity similar to treasury stock transactions. If a change in ownership of a consolidated subsidiary results in loss of control and deconsolidation, any retained ownership interests are remeasured with the gain or loss reported in net earnings. The Company has a substantive contractual arrangement that specifies the attribution of net earnings and loss not to exceed the noncontrolling interest.

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**STARTUP ACTIVITIES**

The Other Expenses Topic (Start-Up Costs Sub-topic) of the Financial Accounting Standard Board's ("FASB") Accounting Standards Codification ("ASC" or "Codification") requires that all non-governmental entities expense the costs of startup activities as incurred, including organizational costs.

**GRANTS**

At times the Company has received grants from the German government which were used to fund research and development activities and the acquisition of equipment. Grant receipts for the reimbursement of research and development expenses were offset against such expenses in the accompanying consolidated statements of operations and comprehensive loss when the related expenses are incurred. Grants related to the acquisition of tangible property were recorded as a reduction of such property's historical cost.

The Company has not received any grant funds for the years ended December 31, 2013 and 2012, nor has it applied for any additional grants during such periods.

**USE OF ESTIMATES**

The Company prepares its consolidated financial statements in conformity with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues (if any) and expenses during the reporting period. Significant estimates made by management include, among others, realizability of long-lived assets and estimates for deferred tax asset valuation allowances. Actual results could materially differ from such estimates.

**FAIR VALUE OF FINANCIAL INSTRUMENTS AND CERTAIN OTHER ASSETS/LIABILITIES**

The Fair Value Measurements and Disclosures Topic of the ASC requires disclosure of fair value information about financial instruments when it is practicable to estimate that value. Management believes that the carrying amounts of the Company's financial instruments, consisting primarily of cash and cash equivalents, accounts payable and accrued liabilities, approximate their fair value at December 31, 2013 and 2012 due to their short-term nature. The Company did not have any assets or liabilities that are measured at fair value on a recurring or non-recurring basis during the years ended December 31, 2013 and 2012 and for the period from November 22, 2000 (Inception) through December 31, 2013.

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**FOREIGN CURRENCY FINANCIAL REPORTING**

Assets and liabilities of the Company's German operations are translated from Euros (the functional currency) into U.S. dollars (the reporting currency) at period-end exchange rates. Expense and grant receipts are translated at weighted average exchange rates for the period. Net exchange gains or losses resulting from such translation are excluded from the consolidated statements of operations and are included in comprehensive loss and accumulated in a separate component of stockholders' (deficit) equity. Accumulated gains approximated $251,000 and $187,000 at December 31, 2013 and 2012, respectively.

The Company records payables related to a certain licensing agreement (Note 6) in accordance with the Foreign Currency Matters Topic of the Codification. Quarterly commitments under such agreement are denominated in Euros. For each reporting period, the Company translates the quarterly amount to U.S. dollars at the exchange rate effective on that date. If the exchange rate changes between when the liability is incurred and the time payment is made, a foreign exchange gain or loss results. The Company paid 30,000 Euros under this agreement during the year ended December 31, 2012 and realized a $3,000 gain. The Company made no payments under this licensing agreement during the year ended December 31, 2013, and did not realize any significant foreign currency exchanges gains or losses.

Additionally, the Company computes a foreign exchange gain or loss at each balance sheet date on all recorded transactions denominated in foreign currencies that have not been settled. The difference between the exchange rate that could have been used to settle the transaction on the date it occurred and the exchange rate at the balance sheet date is the unrealized gain or loss that is currently recognized. The Company recorded an unrealized foreign currency transaction losses of approximately $59,000 and $29,000 for the years ended December 31, 2013 and 2012, respectively, which are included in interest and other income (expense), net in the accompanying consolidated statements of operations and comprehensive loss.

**CASH AND CASH EQUIVALENTS**

The Company considers all highly liquid temporary cash investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consist primarily of deposits with banks.

**RESEARCH SUPPLIES**

Research supplies inventory is stated at cost, and is entirely comprised of research supplies and materials that are expensed as consumed.

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**LONG-LIVED ASSETS**

Property and equipment are recorded at cost and depreciated using the straight-line method over their expected useful lives, which range from 3 to 14 years. Leasehold improvements are amortized over the expected useful life of the improvement or the remaining lease term, whichever is shorter. Expenditures for normal maintenance and repairs are charged to income, and significant improvements are capitalized. The cost and related accumulated depreciation or amortization of assets are removed from the accounts upon retirement or other disposition; any resulting gain or loss is reflected in the consolidated statements of operations and comprehensive loss.

The Codification requires that certain long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If the cost basis of a long-lived asset is greater than the projected future undiscounted net cash flows from such asset, an impairment loss is recognized. Impairment losses are calculated as the difference between the cost basis of an asset and its estimated fair value. Assets to be disposed are reported at the lower of the carrying amount or fair value less costs to sell. Management believes that no indicators of impairment existed as of or during the years ended December 31, 2013 and 2012.

**REVENUE RECOGNITION**

It is the Company's intent to recognize revenues from future product sales at the time of product delivery. The Company believes that once significant operating revenues are generated, the Company's revenue recognition accounting policies will conform to the Revenue Recognition Topic of the Codification.

**RESEARCH AND DEVELOPMENT**

Research and development costs are charged to operations as incurred. Grant funds received, if any, are reported as a reduction of research and development costs.

**PATENTS AND LICENSES**

The Company operates, related to the Elafin technology, under a technology license agreement with a related party (see Note 6). Under such license agreement, the Company has agreed to pay all costs related to new patents, patents pending, and patent maintenance associated with the Elafin technology. The Company expenses such costs as incurred. The original patents related to Elafin all expired in 2012; however, new patents are under development regarding the novel uses of Elafin.

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**INCOME TAXES**

The Company accounts for income taxes using the liability method in accordance with ASC 740-10, Income Taxes. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is provided for significant deferred tax assets when it is more likely than not that such assets will not be recovered.

The Company also follows the provisions of ASC 740-10 relating to accounting for uncertain tax positions. Under ASC 740-10, the Company must recognize the tax benefit from an uncertain tax position only 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 50% likelihood of being realized upon ultimate resolution. The Company has not recognized any liabilities for uncertain tax positions as a result of ASC 740-10. The Company expects any resolution of unrecognized tax benefits, if created, would occur while the full valuation allowance of deferred tax assets is maintained; therefore, the Company does not expect to have any unrecognized tax benefits that, if recognized, would affect the effective tax rate.

The Company will recognize interest and penalties related to any unrecognized tax benefits within the income tax expense line in the accompanying consolidated statements of operations. As of December 31, 2013 and 2012, management believes the Company has no unrecognized tax benefits.

The Company's income tax returns remain open for examination by taxing authorities for a statutory defined period of time. The Company is currently not under examination by any taxing authorities.

**ACCOUNTING FOR STOCK-BASED COMPENSATION**

From inception to December 31, 2013, the Company has not granted any stock options, stock warrants, or stock appreciation rights, and has not adopted any stock option plan.

**LOSS PER COMMON SHARE**

Basic loss per common share is computed based on the weighted average number of shares outstanding for the period. Diluted loss per common share is computed by dividing net loss available to common stockholders by the weighted average shares outstanding assuming all dilutive potential common shares were issued. There were no dilutive potential common shares outstanding at December 31, 2013 or 2012.

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date the accompanying financial statements were filed with the SEC for transactions and other events which may require adjustment of and/or disclosure in such financial statements.

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**COMPREHENSIVE LOSS**

Total comprehensive loss represents the net change in stockholders' (deficit) equity during a period from sources other than transactions with stockholders and as such, includes net earnings or loss. For the Company, other comprehensive loss represents the foreign currency translation adjustments, which are recorded as components of stockholders' (deficit) equity.

**SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION**

The Company considers itself to operate in one segment and has had no operating revenues from inception. See Note 2 for information on long-lived assets located in Germany.

**SIGNIFICANT RECENT ACCOUNTING PRONOUNCEMENTS**

In February 2013, the FASB issued ASU No. 2013-02, *Comprehensive Income (Topic 220), Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. This Update does not change the current requirements for reporting net income or other comprehensive income in financial statements. The Update requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under GAAP that provide additional details about those amounts. The Update became effective for the Company on January 1, 2013. The Company does not believe it had any significant amounts reclassified out of other comprehensive income during the year ended December 31, 2013.

Except as described above, in the opinion of management, neither the FASB, its Emerging Issues Task Force, the AICPA, nor the SEC have issued any additional accounting pronouncements that are expected to have a material impact on the Company's future consolidated financial statements.

## 2. PROPERTY AND EQUIPMENT

Property and equipment, all of which is located in Kiel, Germany, consist of the following:

| | December 31, | |
|---|---|---|
| | 2013 | 2012 |
| Technical and laboratory equipment | $ 254,366 | $ 408,761 |
| Plant | – | 195,341 |
| Leasehold improvements | 5,119 | 4,914 |
| Office equipment | 24,418 | 23,072 |
| | 283,903 | 632,088 |
| Less accumulated depreciation and amortization | (263,402) | (549,360) |
| Total | $ 20,501 | $ 82,728 |

Depreciation and amortization expense included in general and administrative expense in the consolidated statements of operations approximated $17,000 and $42,000 for the years ended December 31, 2013 and 2012, respectively.

During 2013, management made the decision to terminate the month-to-month lease at its pilot research plant as significant in-house process development for fermentation is no longer deemed necessary. In connection with this matter, property and equipment with a net depreciated book value of approximately $46,000 was disposed of for cash proceeds approximating $35,000. The net loss approximating $11,000 is included in interest and other income (expense), net, in the accompanying consolidated statements of operations and comprehensive loss.

## 3. STOCKHOLDERS' EQUITY

### COMMON STOCK

The Company is authorized to issue 300,000,000 shares of $0.001 par value common stock. The holders of the Company's common stock are entitled to one vote for each share held of record on all matters to be voted on by those stockholders.

In November 2000, the Company sold and issued 4,800,000 shares of restricted common stock at $0.001 per share for $4,800 in cash, which was received in fiscal 2001; therefore the issuance was accounted for as a stock subscription receivable at December 31, 2000. During the year ended December 31, 2001, the Company sold and issued an additional 7,200,000 shares of restricted common stock to related parties at $0.001 per share for $7,200 in cash.

In November 2000, the Company sold and issued 50,000 shares of restricted common stock at $3.00 per share for $150,000 in cash.

**3. STOCKHOLDERS' EQUITY (continued)**

**COMMON STOCK (continued)**

In December 2000, the Company issued 2,500,000 shares of restricted common stock in connection with the reorganization and stock exchange agreement with PBAG (see "Organization/Nature of Business" in Note 1).

During the year ended December 31, 2001, the Company issued and sold 450,000 shares of restricted common stock at $3.00 per share to Euro-American GmbH for $1,350,000 in cash.

During the year ended December 31, 2001, the Company entered into a subscription agreement and note receivable for 6,000,000 shares of the Company's restricted common stock with Euro-American GmbH, valued at $2,400,000. During the year ended December 31, 2001, 5,286,512 shares of Company common stock were issued under such subscription, of which approximately $435,000, $680,000, and $794,000 was received against this receivable during the years ended December 31, 2005, 2004, and the period from Inception through December 31, 2003, respectively. In May 2003, FID-Esprit AG ("FID-Esprit") assumed the common stock subscription agreement with Euro-American GmbH. The Company received the outstanding balance in installments through March 28, 2006.

During the year ended December 31, 2002, the Company issued 1,313,922 shares of restricted common stock in conjunction with the reverse merger with PMI (see "Organization/Nature of Business" in Note 1).

Additionally, the Company entered into a common stock purchase agreement with FID-Esprit to sell up to 1,000,000 shares of the Company's restricted common stock. Under the agreement, the Company agreed to sell its common stock at a price per share equal to 40% of the average ask price for the 20 trading days previous to the date of subscription, as quoted on a public market. However, the price per share will be no less than $0.40. During the years ended December 31, 2004 and 2003, the Company issued 412,249 and 66,667 shares, respectively, at $0.40 and $0.60 per share, respectively, for cash. Such agreement was not renewed after it expired on December 31, 2004.

In November 2005, the Company entered into a common stock purchase agreement with FID-Esprit to sell 300,000 of the Company's restricted common shares at $0.84 per share, or $252,000. Concurrent with such transaction, FID-Esprit issued a promissory note to the Company for $252,000 to be paid in four installments of $63,000 each, due on March 31, 2006, June 30, 2006, September 30, 2006, and December 31, 2006. The promissory note was paid in full during the year ended December 31, 2006.

In December 2006, the Company entered into a common stock purchase agreement with FID-Esprit to sell 1,500,000 of the Company's restricted common shares at $0.60 per share, or $900,000. Concurrent with such transaction, FID-Esprit issued a promissory note to the Company for $900,000 to be paid in five installments of $180,000 each through December 31, 2007. FID-Esprit made a partial payment of $37,894 against the note in December 2006. FID-Esprit paid the remaining balance in 2007.

**3. STOCKHOLDERS' EQUITY (continued)**

**PREFERRED STOCK**

The Company is authorized to issue 10,000,000 shares of preferred stock, $0.001 par value per share. Except as described below, the Board of Directors has not designated any liquidation value, dividend rates or other rights or preferences with respect to any shares of preferred stock.

The Board of Directors has designated 750,000 preferred shares as non-voting Series A Preferred Stock. As more fully described in the Company's Form 8-K filed with the SEC on June 11, 2008, holders of Series A Preferred Stock are entitled to receive preferential dividends, if and when declared, at the per share rate of twice the per share amount of any cash or non-cash dividend distributed to holders of the Company's common stock. If no dividend is distributed to common stockholders, the holders of Series A Preferred Stock are entitled to an annual stock dividend payable at the rate of one share of Series A Preferred Stock for each twenty shares of Series A Preferred Stock owned by each holder of Series A Preferred Stock. The annual stock dividend shall be paid on June 30 of each year commencing in 2009 and no stock dividends will be paid after December 31, 2011.

On June 9, 2008, the Company entered into a Preferred Stock Purchase Agreement ("Stock Purchase Agreement") with FID-Esprit (the "Investor"), a common stockholder and related party. Pursuant to the Stock Purchase Agreement, the Company sold and issued to the Investor 600,000 shares of Series A Preferred Stock at a price of $6.00 per share, for an aggregate price of $3,600,000 ("Purchase Price"). In payment of the Purchase Price, the Investor delivered to the Company a promissory note in the amount of $3,600,000 (the "Note"), which matured on March 31, 2009. The Series A Preferred Stock note receivable is reported as a reduction of stockholders' equity. During the year ended December 31, 2009, the Company received payments approximating $514,000 (including payments received under the Forbearance Agreement, as described below), in connection with the Stock Purchase Agreement. The unpaid principal balance of the Series A Preferred Stock note receivable as of December 31, 2009, approximated $1,731,000.

On July 6, 2009, the Company and Investor entered into a Forbearance Agreement and General Release (the "Forbearance Agreement") to renegotiate the terms of the Note. Pursuant to the Forbearance Agreement, the Investor acknowledged and agreed that, as of July 6, 2009, it was obligated to the Company under the Note for the aggregate sum of $1,940,208 (the "Indebtedness"), which represents the unpaid principal amount as of such date plus a late charge equal to three percent (3%) of the unpaid principal amount (approximately $65,000). In exchange for the Company's agreement to forbear from exercising its rights under the Note and Guaranty, the Investor has agreed to pay the Indebtedness by making monthly payments in the amount of $140,000 commencing on the first business day of September 2009 and continuing on the first business day of each succeeding month thereafter until the Indebtedness is paid in full. As of December 31, 2009, the Company had only received approximately $148,000 since the inception of the Forbearance Agreement (approximately $5,000 of which was applied to the late charge), and therefore the Investor was technically in default. The Company did not chose to enforce the remedies under the Forbearance Agreement or the Stock Purchase Agreement. The receivable for late fees was fully reserved at December 31, 2011.

**3. STOCKHOLDERS' EQUITY (continued)**

**PREFERRED STOCK (continued)**

On February 11, 2010, the Company entered into an Agreement on the Assumption of Debt ("Agreement") between the Company, btd biotech development GmBH ("Assignee"), and Axel J. Kutscher (the "Guarantor" of the Note). Pursuant to the Agreement, the Company consented to Assignee's assumption of the obligations owed to the Company by Investor under the Note, Stock Purchase Agreement and Forbearance Agreement. The Guarantor consented to the assumption of the obligations owed to the Company by Investor and acknowledged, agreed, and consented to the continuing validity of his guaranty. During the years ended December 31, 2012, 2011 and 2010, the Company received payments approximating $362,000 (including late fees approximating $60,000), $622,000 and $747,000, respectively, in connection with this agreement. The note receivable was paid in full at December 31, 2012.

Effective June 30, 2011, 2010 and 2009, the Company declared stock dividends of 33,090 shares, 31,500 shares and 30,000 shares, respectively, of Series A Preferred Stock payable to its Series A Preferred Stock holders pursuant to the Stock Purchase Agreement.

In October 2013, the Company issued 29,000 shares of its Series A Preferred Stock for cash to one unrelated party at a price of $14.50 per share.

**4. NONCONTROLLING INTEREST**

On September 28, 2006, a shareholder of the Company entered into an agreement and contributed 50,000 Euros (approximately $63,000 at such time) to PBAG for a 15% non-voting interest in PBAG, in accordance with certain provisions of the German Commercial Code. The party will receive 15% of profits, as determined under the agreement, not to exceed in any given year 30% of the capital contributed. Additionally, the party will be allocated 15% of losses, as determined under the agreement, not to exceed the capital contributed. The party is under no obligation to provide additional capital contributions to the Company or absorb losses beyond his ownership interest. Prior to 2008, allocated losses reduced the minority stockholder's capital account to $0, which has been reported as net loss attributable to noncontrolling interest in the accompanying consolidated financial statements.

**5. INCOME TAXES**

There is no material income tax expense or benefit recorded for the years ended December 31, 2013 or 2012 due to the Company's net losses and related deferred tax asset full valuation allowance.

Income tax expense (benefit) for the years ended December 31, 2013 and 2012 differed from the amounts computed by applying the U.S. federal income tax rate of 34 percent to the pretax loss for the following reasons:

| | 2013 | 2012 |
|---|---|---|
| Income tax benefit at U.S. federal statutory rates | $ (187,000) | $ (243,000) |
| Change in valuation allowance | 187,000 | 243,000 |
| | $ – | $ – |

**5. INCOME TAXES (continued)**

The Company has a deferred tax asset and an equal amount of valuation allowance of approximately $2,468,000 and $2,281,000 at December 31, 2013 and 2012, respectively, relating primarily to tax net operating loss carryforwards, as discussed below, and temporary differences related to the recognition of accrued licensing fees.

As of December 31, 2013, the Company had tax net operating loss carryforwards ("NOLs") of approximately $1,700,000 and $7,400,000 available to offset future taxable Federal and foreign income, respectively. The Federal NOL expires in varying years through 2025. The foreign net operating loss relates to Germany and does not have an expiration date.

In the event the Company were to experience a greater than 50% change in ownership, as defined in Section 382 of the Internal Revenue Code, the utilization of the Company's Federal tax NOLs could be restricted.

**6. COMMITMENTS AND CONTINGENCIES**

**DR. WIEDOW LICENSE AGREEMENT**

On December 30, 2000, the Company entered into a thirty-year license agreement, beginning January 1, 2001 (the "License Agreement"), with Dr. Oliver Wiedow, MD, the owner and inventor of several patents, patent rights and technologies related to Elafin. Pursuant to the License Agreement, the Company agreed to pay Dr. Wiedow an annual license fee of 110,000 Euros for a period of six years. No payments were made through fiscal year 2003. In 2004, the License Agreement was amended to require the Company to make annual payments of 30,000 Euros, to be paid on July 15 of each year, beginning in 2004. Such annual payment could be increased to 110,000 Euros by June 1 of each year based on an assessment of the Company's financial ability to make such payments. In December 2007 the Company paid Dr. Wiedow 30,000 Euros. The License Agreement was again amended by an Amendment Agreement to the License Agreement (the "Amendment") dated December 23, 2008. Pursuant to the Amendment, the Company and Dr. Wiedow have agreed that the Company would pay the outstanding balance of 630,000 Euros to Dr. Wiedow as follows: for fiscal years 2008 to 2012, the Company shall pay Dr. Wiedow 30,000 Euros per year, and for fiscal years 2013 to 2016, the Company shall pay Dr. Wiedow 120,000 Euros per year. The foregoing payments shall be made on or before December 31 of each fiscal year. In both December 2008 and February 2012, the Company paid Dr. Wiedow 30,000 Euros. No other payments were made under this agreement. In July 2011, and again in December 2012, Dr. Wiedow agreed in writing to waive the non-payment defaults and agreed to defer the due dates of each payment. Specifically, the Licensor defers to April 15, 2015 the installments payable by Licensee in the amount of 330,000 Euros, which otherwise would be due on December 31, 2012 (30,000 Euros), April 15, 2013 (60,000 Euros), December 31, 2013 (120,000 Euros) and December 31, 2014 (120,000 Euros). While the total amount owed does not currently bear interest, the Amendment provides that any late payment shall be subject to interest at an annual rate equal to the German Base Interest Rate (-0.13% as of January 1, 2013) plus six percent. In the event that the Company's financial condition improves, the parties can agree to increase and/or accelerate the payments.

The Amendment also modified the royalty payment such that the Company will not only pay Dr. Wiedow a three percent royalty on gross revenues from the Company's sale of products based on the licensed technology but also three percent of the license fees (including upfront and milestone payments and running royalties) received by the Company or its subsidiary from their sublicensing of the licensed technology.

No royalty expense has been recognized under the License Agreement or the Amendment since the Company has yet to generate any related revenues. At December 31, 2013 and 2012, the Company has accrued approximately $785,000 and $753,000, respectively, of licensing fees payable to Dr. Wiedow is included in long-term liabilities.

**6. COMMITMENTS AND CONTINGENCIES (continued)**

**DR. WIEDOW LICENSE AGREEMENT (continued)**

Pursuant to the License Agreement, as amended, Dr. Wiedow may terminate the License Agreement in the event of a breach which is not cured within 90 days following written notice of such breach. In addition, Dr. Wiedow may terminate the License Agreement immediately in the event of the Company's bankruptcy, insolvency, assignment for the benefit of creditors, insolvency, liquidation, assignment of all or substantially all of its assets, failure to continue to develop Elafin. After any termination, to the extent permitted by applicable law, the Company will return all documents, information and data received by Dr. Wiedow and will immediately cease to develop, manufacture or sell Elafin.

Dr. Wiedow, who is a director of the Company, beneficially owned approximately 45% of the Company's outstanding common stock as of December 31, 2013.

**ARTES BIOTECHNOLOGY LICENSE AGREEMENT**

On November 15, 2004, the Company entered into an exclusive worldwide license and collaboration agreement with ARTES Biotechnology GmbH ("ARTES"). This agreement enables the Company to economically produce Elafin on a large scale by using the sublicensed yeast HANSENULA POLYMORPHA as a high performance expression system. Rhein Biotech GmbH ("Rhein") has licensed the yeast to ARTES, who in-turn sublicensed it to the Company. The agreement has a term of fifteen years with an annual license fee equal to the greater of 10,000 Euros or 2.5% royalties on the future sales of Elafin. Should the license agreement between Rhein and ARTES terminate, Rhein will assume the sublicense agreement with the Company under similar terms.

**RHEIN MINAPHARM AGREEMENT**

In August 2007, the Company's subsidiary entered into an agreement with Rhein Minapharm ("Minapharm") for clinical development, production and marketing of Elafin. The Company has granted Minapharm the right to exclusively market Elafin in Egypt and certain Middle Eastern and African countries. The Company may receive milestone-payments upon Minapharm's attainment of certain clinical milestones as well as royalties on any future net product sales. No payments under this agreement were received in 2012 or 2013.

**LEASES**

The Company has entered into several leases for office and laboratory facilities in Germany. The Company also leases office space in Irvine, California on a month-to-month basis. Total rental expense (including additional expenses) for all facilities for the years ended December 31, 2013 and 2012 approximated $32,000, and $55,000, respectively.

**6. COMMITMENTS AND CONTINGENCIES (continued)**

**LEGAL**

The Company may from time to time be involved in various claims, lawsuits, disputes with third parties, actions involving allegations of discrimination, or breach of contract actions incidental to the operation of its business. The Company is not currently involved in any such litigation which it believes could have a material adverse effect on its financial condition or results of operations.

**7. LOSS PER COMMON SHARE**

The following is a reconciliation of the numerators and denominators of the basic and diluted loss per common share computations for the years ended December 31, 2013 and 2012:

| | 2013 | 2012 |
|---|---|---|
| Numerator for basic and diluted loss per common share: | | |
| Net loss attributable to Proteo, Inc. | $ (551,807) | $ (693,806) |
| Preferred stock dividend | – | – |
| Net loss attributable to common stockholders | (551,807) | (693,806) |
| | | |
| Denominator for basic and diluted loss per common share: | | |
| Weighted average number of common shares outstanding | 23,879,350 | 23,879,350 |
| | | |
| Basic and diluted loss per common share | $ (0.02) | $ (0.03) |

SIGNATURES

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

PROTEO, INC.
(Registrant)

Dated: February 26, 2014

By: /s/ Birge Bargmann
Birge Bargmann
Chief Executive Officer and
Chief Financial Officer (Principal Accounting Officer)

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

| Signature | Capacity | Date |
|---|---|---|
| /s/ Birge Bargmann<br>Birge Bargmann | Director, Principal Executive Officer and Chief Financial Officer (signed both as an Officer duly authorized to sign on behalf of the Registrant and as Principal Financial Officer and Chief Accounting Officer) | February 26, 2014 |
| /s/ Oliver Wiedow, M.D.<br>Oliver Wiedow, M.D. | Director | February 26, 2014 |
| /s/ Hartmut Weigelt, Ph.D.<br>Hartmut Weigelt, Ph.D. | Director | February 26, 2014 |

**EXHIBIT 10.14**

**Summary of amendments to Ms. Birge Bargmann's Employment Agreement dated May 27, 2011, with Proteo Biotech AG dated April 2, 2013 and on November 14, 2013**

On April 2, 2013 the Supervisory Board of Proteo Biotech AG entered into an amendment agreement to the employment contract with Ms. Bargmann dated May 27, 2011. The amendment was retroactively effective to January 1, 2013. Pursuant to the agreement, Ms. Bargmann received a salary of 1,000 Euro per month. The supervisory Board and Ms. Bargmann are obliged to negotiate the compensation at any time on the request of either party taking into consideration the economic performance of the Company. All other provisions of the employment contract remained unchanged.

On November 14, 2013 the Supervisory Board of Proteo Biotech AG entered into a second amendment agreement to the employment contract with Ms. Bargmann dated May 27, 2011. The amendment was retroactively effective to September 30, 2013. Pursuant to the agreement, Ms. Bargmann received a salary of 14,000 Euro per month with effect from October 2013. The supervisory Board and Ms. Bargmann are obliged to negotiate the compensation at any time on the request of either party taking into consideration the economic performance of the Company. The employment contract expires on September 30, 2015. All other provisions of the employment contract remained unchanged.

**EXHIBIT 10.21**

**PROTEO, INC.**

**PREFERRED STOCK PURCHASE AGREEMENT**

This Preferred Stock Purchase Agreement ("Agreement") is made this _____ day of_____, 20___ by and between PROTEO, INC., a Nevada corporation with its principal place of business at 2102 Business Center Drive, Irvine, CA 92612 (the "Company") and the Purchaser of its stock, _____ ("Purchaser").

RECITALS

A. The Company is engaged in research and development of pharmaceuticals. The Company now is willing to sell shares of its Series A Preferred stock, on terms as stated herein.

B. The Company has authorized 300,000,000 shares of common stock and 10,000,000 shares of preferred stock. Currently, _____ shares of the Company's common stock are issued and outstanding. The Company has created a Series A Preferred Stock of and designated up to 750,000 shares of the Company's preferred stock which voting powers, preferences and relative, participating, optional and other special rights are defined in the Certificate of Designation of, a copy of which is attached hereto as Exhibit A. Currently, _____ shares of the Company's Series A Preferred Stock are issued and outstanding.

C. Purchaser and the Company now mutually desire for Purchaser to purchase _____ shares of the Company's Series A Preferred Stock at the price per share determined herein, on the terms and conditions stated herein.

AGREEMENT

In consideration of the mutual promises, representations, warranties and conditions set forth in this Agreement, the Company and Purchaser agree as follows.

1. Purchase and Sale of Shares.

1.1 Sale of Shares. The Company and its Board of Directors has authorized the issuance and sale of _____ shares of Series A Preferred stock (the "Purchase Shares") pursuant to the terms of this Agreement, which Purchase Shares in accordance with the Certificate of Designation, Preferences and Rights of Series A Preferred Stock (the "Certificate"), a copy of which is attached hereto as part of this Agreement.

1.2 Price per Share. The price per share shall be $_____ per share, totaling to $_____ for the Purchase Shares.

In reliance upon Purchaser representations and warranties contained in Section 4 hereof, and subject to the terms and conditions set forth herein, the Company hereby agrees to sell to Purchaser _____ shares of the Company's Series A Preferred Stock.

2. Closing: Issuance and Delivery of Shares: Conditions.

2.1 Closing(s). The closing of the sale under this Agreement (the "Closing"), shall be held within five (5) working days following the date of the Agreement ("Closing Date"), at the offices of the Company or on such earlier date or at such other place as the Parties may agree.

2.2 Payment of Purchase Price. At the Closing, the Purchaser shall pay the purchase price as determined in paragraph 1.2., falling due upon execution. The payment shall be in United States funds by check, cash, by wire transfer or by other means of payment as shall have been agreed upon by the Purchaser and the Company prior to payment.

2.3 Issuance and Delivery. At the Closing, subject to the terms and conditions hereof, the Company shall deliver an irrevocable instruction to the Company's secretary to issue and deliver to Purchaser appropriate stock certificates, registered in the name of the Purchaser for the Shares, or his designee.

3. Representations and Warranties of the Company.

The Company hereby represents and warrants to Purchaser as of the date hereof as follows, and all such representations and warranties shall be true and correct as of any Closing Date as if then made and shall survive the Closing.

3.1 Organization. The Company is a corporation, duly incorporated, validly existing and in good standing under the laws of Nevada. The Company has all requisite power and authority to own or lease its properties and to conduct its business as now conducted. The Company holds all licenses and permits required for the conduct of its business as now conducted, which, if not obtained, would have a material adverse effect on the business, financial condition or results of operations of the Company taken as a whole. The Company is qualified as a foreign corporation and is in good standing in any states where the conduct of its business or its ownership or leasing of property requires such qualification, except where the failure to so qualify would not have a material adverse effect on the business, financial condition or results of operations of the Company taken as a whole.

3.2 Capitalization. The Company is authorized to issue 300,000,000 shares of Common Stock of which _____ shares are outstanding at the date of this Agreement. The Company is authorized to issue 10,000,000 shares of Preferred Stock of which _____ shares are outstanding at the date of this Agreement. All of the issued and outstanding shares of Common Stock and Preferred Stock on the Closing Date are or will have been duly authorized, validly issued and then fully paid and non-assessable. The Company’s right to issue shares of its stock otherwise shall not be limited by any provision herein.

3.3 Authority. The Company has all requisite power and authority to enter into this Agreement, and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement, and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company, and upon their execution and delivery by the Company, such document will constitute a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

3.4 Issuance of Shares. The Purchase Shares, when issued pursuant to the terms of this Agreement, will be duly and validly authorized and issued, fully paid and non-assessable.

3.5 No Conflict with Law or Documents. The execution, delivery and consummation of this Agreement, and the transactions contemplated hereby, will not (a) conflict with any provisions of the Articles of Incorporation or Bylaws of the Company; (b) result in any violation of or default or loss of a benefit under, or permit the acceleration of any obligation under (in each case, upon the giving of notice, the passage of time, or both), any mortgage, indenture, lease, agreement or other instrument, permit, franchise license, judgement, order, decree, law, ordinance, rule or regulation applicable to the Company.

3.6 Consents, Approvals and Private Offering. Except for any filings required under Federal and applicable state securities laws, all of which shall have been made as of the Closing Date to the extent required as of such time, no permit, consent, approval, order or authorization of, or registration, declaration or filing with, any Federal, state, local or foreign governmental authority is required to be made or obtained by the Company in connection with the execution and delivery of this Agreement, and the consummation of the transactions contemplated hereby and thereby.

4. Representations and Warranties of Purchaser.

Purchaser hereby represents, warrants and covenants with the Company as follows:

4.1 Legal Power. Purchaser has the requisite power, as appropriate, and is authorized to enter into this Agreement, to purchase the Purchase Shares hereunder, and to carry out and perform his, her or its obligations under the terms of this Agreement.

4.2 Due Execution. This Agreement has been duly authorized, executed and delivered by Purchaser, and, upon due execution and delivery by the Company, this Agreement will be a valid and binding agreement of Purchaser.

4.3 Investment Representations.

Purchaser represents and agrees that:

4.3.1 Purchaser is acquiring the Purchase Shares for its own account, not as a nominee or agent, for investment and not with a view to or for resale in connection with, any distribution or public offering thereof within the meaning of the Securities Act of 1933, as amended (the "Act"), except pursuant to an effective registration statement under the Act;

4.3.2 Purchaser is an 'accredited investor,' as that term is defined in Rule 501 (a) of Regulation D promulgated under the Act. Purchaser has such knowledge and experience in financial and business matters that it is fully able to evaluate the merits and risks of the acquisition of the Securities, and has conducted their own investigation into the suitability of its investment, and reviewed all the information that it considers necessary to evaluate its acceptance of the Purchase Shares. Purchaser is able to bear the risks associated with accepting the Purchase Shares, including the risk of loss of the entire investment in the Purchase Shares. Purchaser has received and reviewed any and all information Purchaser deemed necessary to evaluate its investment.

4.3.3 Purchaser understands that the Purchase Shares have not been registered under the Act by reason of a specific exemption therefrom, and may not be transferred or resold except pursuant to an effective registration statement or exemption from registration and each certificate representing the Purchase Shares will be endorsed with the following legend:

(i) THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THE SHARES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF A CURRENT AND EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT WITH RESPECT TO SUCH SHARES, OR AN OPINION OF THE ISSUER'S COUNSEL TO THE EFFECT THAT REGISTRATION IS NOT REQUIRED UNDER THE ACT; and

(ii) Any legend required to be placed thereon by applicable federal or state securities laws.

4.3.4 Purchaser has read, and understands and agrees to the Certificate of Designation for the Series A Preferred Stock.

5. Term and Termination

5.1 Term. This Agreement shall expire upon total payment of the Purchase Price and issuance of _____ shares of Preferred Stock Class A to Purchaser.

5.2. The Company may cancel this agreement upon

(i) any misrepresentation or omission of or on behalf of the Purchaser made to the Company in connection with this Agreement;
(ii) adjudication of bankruptcy, or filing of a petition under any bankruptcy or debtor's relief law by or against the Purchaser, or failure of the Purchaser to generally pay its debts as they become due;

6. Miscellaneous.

6.1 Governing Law . This Agreement shall be governed by and construed under the laws of the State of California.

6.2 Successors and Assigns. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and are binding upon, the successors, assigns, heirs, executors, and administrators of the parties hereto.

6.3 Entire Agreement. This Agreement and the other documents delivered pursuant hereto, constitute the full and entire understanding and agreement among the parties with regard to the subjects hereof and no party shall be liable or bound to any other party in any manner by a representations, warranties, covenants, or agreements except as specifically set forth herein or therein. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto and their respective successors and assigns, any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided herein.

6.4 Severability. In case any provision of this Agreement shall be invalid, illegal, or unenforceable, it shall to the extent practicable, be modified so as to make it valid, legal and enforceable and to retain as nearly as practicable the intent of the parties and the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

6.5 Amendment and Waiver. Except as otherwise provided herein, any term of this Agreement may be amended, and the observance of any term of this Agreement may be waived (either generally or in a particular instance, either retroactively or prospectively, and either for a specified period of time or indefinitely), with the written consent of the Company and Purchaser. Any amendment or waiver effected in accordance with this Section shall be binding upon each future holder of any security purchased under this Agreement (including securities into which such securities have been converted) and the Company.

6.6 Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be effective when delivered personally, or sent by telex or telecopier (with receipt confirmed), provided that a copy is mailed by registered mail, return receipt requested, or when received by the addressee, if sent by Express Mail, Federal Express or other express delivery service (receipt request) in each case to the appropriate address set forth below.

If to the Company: PROTEO, INC.
ATTN: CEO
2102 Business Center Drive
Irvine, CA 92612

If to Purchaser: _____
_____

6.7 Titles and Subtitles. The titles of paragraphs and subparagraphs of this Agreement are for convenience of reference only and are not be not considered in construing this Agreement.

6.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement the date first above written.

"COMPANY"
PROTEO, INC. a Nevada Corporation

By: _____

"PURCHASER"

By: _____

Exhibit A: Certificate of Designation of Series A Preferred Stock

Exhibit A

CERTIFICATE OF DESIGNATION OF SERIES A PREFERRED STOCK

OF

PROTEO, INC.
A NEVADA CORPORATION

Proteo, Inc., a Nevada corporation (the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation:

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Corporation (the "Board of Directors") in accordance with the provisions of the Articles of Incorporation of the Corporation, there is hereby created, a series of Preferred Stock consisting of 750,000 shares, which series shall have the following powers, designations, preferences and relative, participating, optional and other special rights, and the following qualifications, limitations and restrictions as follows:

Section 1. DESIGNATION AND AMOUNT. The shares of Preferred Stock created hereby shall be designated as "Series A Preferred Stock" and the authorized number of shares constituting such series shall be 750,000.

Section 2. DIVIDENDS AND DISTRIBUTIONS.

(A) The holders of the then outstanding shares of Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of funds of the Corporation legally available therefore, preferential dividends at the per share rate of two (2) times the per share amount of each and any cash and non-cash dividend distributed to holders of the Corporation's Common Stock when, as and if declared by the Board of Directors.

(B) No dividend shall be paid or declared on any share of Common Stock, unless a dividend, payable in the same consideration and manner, is simultaneously paid or declared, as the case may be, on each share of Series A Preferred Stock in an amount determined as set forth in paragraph (A) above. For purposes hereof, the term "dividends" shall include any pro rata distribution by the Corporation, out of funds of the Corporation legally available therefore, of cash, property, securities (including, but not limited to, rights, warrants or options) or other property or assets to the holders of the Common Stock, whether or not paid out of capital, surplus or earnings.

(C) If no dividend is distributed according to Section 2 (A), the holders of the then outstanding shares of Series A Preferred Stock shall be entitled to an annual stock dividend, when, as and if declared by the Board of Directors, payable at the rate of one (1) share of the Series A Preferred Stock for each twenty (20) shares of Series A Preferred Stock then held by each holder of Series A Preferred Stock. Such stock dividend shall be paid on June 30 of each year, commencing with the first June 30 in the year subsequent to the calendar year in which the shares of Series A Preferred Stock were issued and no dividend was distributed according to Section 2 (A). No fractional shares of Series A Preferred Stock shall be issued in connection with the payment of the stock dividend. In lieu of fractional shares, the Corporation shall issue such additional fraction of a share as is necessary to increase the fractional share to a full share.

No stock dividend under this paragraph shall be paid after December 31, 2011.

(D) The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive any dividend or distribution as provided in Paragraph (A) or Paragraph (C) above.

Section 3. VOTING RIGHTS. Except than otherwise provided herein or by law, the shares of Series A Preferred Stock shall have no voting rights other than on such matters submitted to a vote to the stockholders of Series A Preferred Stock and such other stock designated to be the same class of the Company's stock.

Section 4. REACQUIRED SHARES. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Company in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of Series A Preferred Stock or of any other series of Preferred Stock as designated by the Board of Directors from time to time.

Section 5. LIQUIDATION, DISSOLUTION OR WINDING UP. Upon any liquidation, voluntary or otherwise, dissolution or winding up of the Company, holders of Series A Preferred Stock shall be entitled to receive per share distributions equal to two (2) times the rate of per share distributions to be made to the holders of Common Stock. No distributions shall be made unless nay accrued and unpaid dividends and distributions on the Series A Preferred Stock have been made prior thereto. In the event, the Company shall have (i) subdivided the outstanding Common Stock, or (ii) combined the outstanding Common Stock into a smaller number of shares by a reverse stock split or otherwise, after the issuance of Series A Preferred Stock, distributions payable to Series A Preferred Stock under this Section 5 shall be adjusted accordingly.

Section 6. CONSOLIDATION; MERGER; ETC. In the event the Company shall enter into any consolidation, merger combination or other transaction in which the shares of Common Stock are exchanged into other stock or securities, cash and /or any other property, then in any such case each share of Series A Preferred Stock shall automatically be simultaneously exchanged for or converted into the same stock or securities, cash and/or other property at a rate per share equal to 1.5 times the rate per share that the Common Stock is being exchanged or converted.. In the event, the Company shall (i) subdivide the outstanding Common Stock, or (ii) combine the outstanding Common Stock into a smaller number of shares by a reverse stock split or otherwise, the amount set forth in the preceding sentence shall be adjusted at the same rate.

Section 7. REDEMPTION. The shares of Series A Preferred Stock shall not be redeemable.

Section 8. RANKING. The Series A Preferred Stock may rank junior to any other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets as may be determined in the designation of any such series of Preferred Stock.

Section 9. AMENDMENT. At any time when any shares of Series A Preferred Stock are outstanding, neither the Articles of Incorporation of the Corporation nor this Certificate of Designation shall be amended or altered in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of holders representing a majority of the outstanding shares of Series A Preferred Stock, voting separately as a class.

IN WITNESS WHEREOF, the undersigned have executed this Certificate and do affirm the foregoing as true and correct this 05 day of June 2008.

/s/ Birge Bargmann
Birge Bargmann
President, CEO and CFO

Attest:

/s/ Barbara Kahlke
Barbara Kahlke, Ph.D.
Secretary

**EXHIBIT 21**

**SUBSIDIARIES OF PROTEO, INC.**

Proteo Biotech AG, a German joint stock corporation

**EXHIBIT 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Birge Bargmann, certify that:

1. I have reviewed this annual report on Form 10-K (hereinafter referred to as "this report") of Proteo, Inc. (hereinafter referred to as "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. I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my 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 my 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 that has materially affected, or is reasonably likely to affect, the registrant's internal control over financial reporting; and;

5. I have disclosed, based on my 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: February 26, 2014

By: /s/ Birge Bargmann
Birge Bargmann
Chief Executive Officer
(Principal Executive Officer)

**EXHIBIT 31.2**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Birge Bargmann, certify that:

1. I have reviewed this annual report on Form 10-K (hereinafter referred to as "this report") of Proteo, Inc. (hereinafter referred to as "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. I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my 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 my 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 that has materially affected, or is reasonably likely to affect, the registrant's internal control over financial reporting; and;

5. I have disclosed, based on my 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: February 26, 2014

By: /s/ Birge Bargmann
Birge Bargmann
Chief Financial Officer
(Principal Accounting Officer)

**EXHIBIT 32**

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

The undersigned hereby certifies, in her capacity as an officer of Proteo, Inc. (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to her knowledge:

(1) the Annual Report of the Company on Form 10-K for the period ended December 31, 2013 (hereinafter referred to as the "Annual Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: February 26, 2014

/s/ Birge Bargmann
Birge Bargmann
Chief Executive Officer and
Chief Financial Officer (Principal Accounting Officer)

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN PROVIDED TO PROTEO, INC. AND WILL BE RETAINED BY PROTEO, INC. AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

THIS CERTIFICATION IS BEING FURNISHED PURSUANT TO RULE 15(D) AND SHALL NOT BE DEEMED "FILED" FOR PURPOSES OF SECTION 18 OF THE EXCHANGE ACT (15 U.S.C. 78R), OR OTHERWISE SUBJECT TO THE LIABILITY OF THAT SECTION. THIS CERTIFICATION SHALL NOT BE DEEMED TO BE INCORPORATED BY REFERENCE INTO ANY FILING UNDER THE SECURITIES ACT OR THE EXCHANGE ACT, EXCEPT TO THE EXTENT THAT THE COMPANY SPECIFICALLY INCORPORATES IT BY REFERENCE.