

United Health Products, Inc.  
Form 10-Q  
November 19, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended **September 30, 2014**

**.. 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: 814-00717**

**UNITED HEALTH PRODUCTS, INC.**  
(Exact name of Company as specified in its charter)

**Nevada**  
(State or other jurisdiction of incorporation or  
organization)

**84-1517723**  
(I.R.S. Employer Identification No.)

**10624 S. Eastern Ave., Ste. A209**

**Henderson, NV**

**89052**

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(Address of Company's principal executive offices)

(Zip Code)

**(877) 358-3444**

(Company's telephone number, including area code)

**c/o Morse & Morse, PLLC, 1400 Old Country Road, Ste. 302, Westbury, NY 11590**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for 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 x No "

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the 12 preceding months (or such shorter period that the registrant was required to submit and post such file). Yes " No "

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

Large Accelerated Filer	..	Accelerated Filer	..
Accelerated Filer	..	Smaller Reporting Company	x

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

The number of shares outstanding of the Registrant's Common Stock, as of September 30, 2014 was 102,647,640 after giving effect to the cancellation of 2,090,000 shares that Dr. Forman has agreed to cancel.

**UNITED HEALTH PRODUCTS, INC.**  
**FORM 10-Q QUARTERLY REPORT**

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**PART I – FINANCIAL INFORMATION****UNITED HEALTH PRODUCTS, INC**  
**Consolidated Balance Sheets**

	(Unaudited) September 30, 2014	December 31, 2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 1,480	\$ 1,855
Accounts Receivable	5,027	0
Prepaid expenses	1,328	0
Inventory	12,777	33,651
Total current assets	20,612	35,506
<b>Other Assets</b>		
Intangible Assets, Net	0	50,000
<b>TOTAL ASSETS</b>	<b>\$ 20,612</b>	<b>\$ 85,506</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 315,706	\$ 285,457
Liability for unissued shares	145,543	160,543
Notes payable - related parties	923,508	625,224
Other current liabilities	160,761	136,106
Total current liabilities	1,545,518	1,207,330
<b>Commitments and Contingencies</b>		
<b>Stockholders' Deficiency</b>		
Common Stock - \$.001 par value, 150,000,000 Shares Authorized, 102,647,640 and 102,260,140 Shares Issued and Outstanding at September 30, 2014 and December 31, 2013, respectively	102,648	102,260
Additional Paid-In Capital	6,369,728	6,299,869
Accumulated Deficit	(7,997,282)	(7,523,953)
Total Stockholders' Deficiency	(1,524,906)	(1,121,824)

<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>	\$	20,612	\$	85,506
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See notes to consolidated financial statements.

**UNITED HEALTH PRODUCTS, INC**  
**Consolidated Statements of Operations**  
**(Unaudited)**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues	\$ -	\$ 1,620	\$ 146,773	\$ 3,060
Cost of goods sold	-	-	43,187	-
Gross profit	-	1,620	103,586	3,060
Operating Costs and Expenses				
Amortization of Intangibles		(25,000)	(50,000)	(75,000)
Selling, general and administrative expenses	(72,730)	(806,197)	(474,007)	(883,601)
Total Operating Expenses	(72,730)	(831,197)	(524,007)	(958,601)
Loss from Operations	(72,730)	(829,577)	(420,421)	(955,541)
Other income (expenses)				
Other Income	--	259,041	--	259,041
Interest Expense, Net	(18,557)	(17,174)	(52,908)	(51,525)
Total other income (expense)	(18,557)	241,867	(52,908)	207,516
Net Loss	\$ (91,287)	\$ (587,710)	\$ (473,329)	\$ (748,025)
Net Loss per common share:				
Basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding	102,647,640	98,824,433	102,604,584	91,972,235

See notes to consolidated financial statements.

**UNITED HEALTH PRODUCTS, INC**  
**Consolidated Statements of Stockholders' Deficiency**  
**For the Nine Months Ended September 30, 2014**  
**(Unaudited)**

	<b>Common Stock Shares</b>	<b>Common Stock Amount</b>	<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Total</b>
Balance at January 1, 2014	102,260,140	\$ 102,260	\$ 6,299,869	\$ (7,523,953)	\$ (1,121,824)
Issuance of Common Stock in connection with services	200,000	200	33,800		34,000
Stock options granted in connection with services	-	-	21,247		21,247
Issuance of Common Stock in connection with settlement of note payable	187,500	188	14,812		15,000
Net loss				(473,329)	(473,329)
Balance at September 30, 2014	102,647,640	\$ 102,648	\$ 6,369,728	\$ (7,997,282)	\$ (1,524,906)

See notes to consolidated financial statements.



**UNITED HEALTH PRODUCTS, INC**  
**Consolidated Statements of Cash Flows**  
**For the Nine Months Ended September 30, 2014**  
**(Unaudited)**

	2014	2013
<b>Cash Flows from Operating Activities:</b>		
Net Loss	\$ (473,329)	\$ (748,025)
Adjustments to Reconcile Net loss to		
Net Cash Used In Operating Activities:		
Depreciation and Amortization	50,000	75,000
Interest accrued - related party notes	34,350	51,525
Issuance of stock for services	34,000	744,000
Stock options expensed	19,919	-
Changes in assets and liabilities:		
Accounts Receivable	(5,027)	-
Inventory	20,874	-
Accounts Payable and Accrued Expenses	30,249	(160,623)
<b>Net Cash Used In Operating Activities</b>	<b>(288,964)</b>	<b>(38,123)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from Related Parties	288,589	-
Proceeds from Notes Payable	-	40,000
<b>Net Cash Provided By Financing Activities</b>	<b>288,589</b>	<b>40,000</b>
(Decrease) Increase in Cash and Cash Equivalents	(375)	1,877
Cash and Cash Equivalents - Beginning of period	1,855	32
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>\$ 1,480</b>	<b>\$ 1,909</b>
<b>Schedule of Non-Cash Financing Activities:</b>		
Issuance of Common Stock in connection with settlement of note payable	\$ 15,000	\$ -
Issuance of common Stock in connection with Conversion of Convertible Notes and Related Interest	-	\$ 351,180
Issuance of Common Stock in connection with Services	-	744,000
Capital Contributed, Inventory	-	42,382
Capital Contributed, Officer's Salary Forgiven	-	325,000

See notes to consolidated financial statements

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**UNITED HEALTH PRODUCTS, INC. AND SUBSIDIARY COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(unaudited)**

**Note 1. Organization and Basis of Preparation**

United Health Products, Inc. (formerly United EcoEnergy Corp.) (“United” or the “Company”) is a product development and solutions company focusing its growth initiatives on the expanding wound-care industry and disposable medical supplies markets. The Company produces an innovative gauze product that absorbs exudate (fluids which have been discharged from blood vessels) by forming a gel-like substance upon contact. Epic Wound Care, Inc. (“Epic”), the Company’s principal operating subsidiary, was dissolved by the State of Florida on September 23, 2011 and, accordingly, all operations are now directly in the Company.

While the Company has funded its initial operations with private placements and secured loans from a related party, there can be no assurance that adequate financing will continue to be available to the Company and, if available, on terms that are favorable to the Company. The Company’s ability to continue as a going concern is also dependent on many events outside of its direct control, including, among other things, improvement in the economic climate. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Interim financial statements are prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 8 of Regulation S-X, as appropriate. In the opinion of management, all adjustments, which are of a normal recurring nature, considered necessary for the fair presentation of financial statements for the interim period, have been included.

Operating results for the interim periods presented are not necessarily indicative of the results to be expected for a full year.

The condensed consolidated balance sheet at December 31, 2013 has been derived from the audited consolidated financial statements at that date but does not include all the information and footnotes required by generally accepted accounting principles for complete financial statements.

These interim condensed financial statements should be read in conjunction with the Company's audited financial statements and notes for the period ended December 31, 2013 filed with the Securities and Exchange Commission on Form 10-K in April 2014.

## **Note 2. Significant Accounting Policies**

### **Consolidation**

The accompanying consolidated financial statements include the accounts of the Company and its former wholly owned subsidiary, Epic Wound Care, Inc. (which was dissolved by the State of Florida on September 23, 2011), as of the dates and for the fiscal years indicated. All intercompany accounts and transactions have been eliminated in consolidation.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period. Changes in the economic environment, financial markets, as well as in the healthcare industry, and any other parameters used in determining these estimates, could cause actual results to differ.

## **Income Taxes**

The Company accounts for income taxes using a method that requires recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between tax bases and financial reporting bases of the Company's assets and liabilities which is commonly known as the asset and liability method. In assessing the ability to realize deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company evaluates its tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the "more-likely-than-not" threshold are recorded as an expense in the applicable year. The Company does not have a liability for any unrecognized tax benefits. Management's evaluation of uncertain tax positions may be subject to review and adjustment at a later date based upon factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof, with due consideration given to the fact that tax periods are open to examination by tax authorities. Management believes the Company is no longer subject to income examinations for years prior to 2010.

## **Revenue Recognition**

The Company recognizes revenues when persuasive evidence of an arrangement exists, product has been delivered, the price is fixed or determinable and collectability is reasonably assured. Revenue is recognized net of estimated sales returns and allowances.

Revenues are attributable to the sale of medical products through distributor agreements. The principal terms of the agreements provide that the distributor orders be accompanied by partial payment in advance, which at least equals 50% of total manufactured cost, as defined, for orders for distributor inventory and, in addition, an agreed portion of the distributor's gross profit on special orders. The balance of the manufactured cost is due from the distributor at the time of shipment. The Company is also entitled to an agreed percentage of the distributor's profit on receipt by the distributor.

## **Per Share Information**

Basic earnings per share are calculated using the weighted average number of common shares outstanding for the period presented. Diluted loss per share is the same as basic loss per share, as the effect of potentially dilutive securities (2,450,000 options and 1,698,378 warrants at September 30, 2014), is anti-dilutive.

## **New Accounting Pronouncements**

### **Recently Adopted Accounting Pronouncements**

In May 2014, FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. The revenue recognition standard affects all entities that have contracts with customers, except for certain items. The new revenue recognition standard eliminates the transaction and industry specific revenue recognition guidance under current GAAP and replaces it with a principle-based approach for determining revenue recognition. Public entities are required to adopt the revenue recognition standard for reporting periods beginning after December 15, 2016, and interim and annual reporting periods thereafter. Early adoption is not permitted for public entities. The Company has reviewed the applicable ASU and has not, at the current time, quantified the effects of this pronouncement, however management believes that there will be no material effect on the consolidated financial statements.

In September 2014, FASB issued Accounting Standards Update (ASU) No. 2014-12 *Compensation — Stock Compensation (Topic 718), Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. A performance target in a share-based payment that affects vesting and that could be achieved after the requisite service period should be accounted for as a performance condition under Accounting Standards Codification (ASC) 718, *Compensation — Stock Compensation*. As a result, the target is not reflected in the estimation of the award's grant date fair value. Compensation cost would be recognized over the required service period, if it is probable that the performance condition will be achieved. The guidance is effective for annual periods beginning after 15 December 2015 and interim periods within those annual periods. Early adoption is permitted. Management has reviewed the ASU and believes that they currently account for these awards in a manner consistent with the new guidance, therefore there is no anticipation of any effect to the consolidated financial statements.

The Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-15 on August 27, 2014, providing guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued.<sup>2</sup> An entity must provide certain disclosures if "conditions or events raise substantial doubt about [the] entity's ability to continue as a going concern." The ASU applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted.

We have reviewed the FASB issued Accounting Standards Update ("ASU") accounting pronouncements and interpretations thereof that have effectiveness dates during the periods reported and in future periods. The Company has carefully considered the new pronouncements that alter previous generally accepted accounting principles and does not believe that any new or modified principles will have a material impact on the corporation's reported financial position or operations in the near term. The applicability of any standard is subject to the formal review of our financial management and certain standards are under consideration.

The Company has determined that there have been no recently adopted or issued accounting standards that had or will have a material impact on its Consolidated Financial Statements.

### **Note 3. Related Party Transactions**

At January 1, 2013, the Company owed LeadDog Capital LP \$448,099. In the nine months ended September 30, 2013, accrued interest was \$42,378 for a total outstanding balance at September 30, 2013 of \$490,477. At January 1, 2014, the beginning balance owed to LeadDog Capital as \$504,603. The interest for the six months ended June 30, 2014 was \$28,252, bringing the total amount owed at June 30, 2014 to \$532,855. As described under Note 6 titled "Litigation," a settlement agreement was reached effective August 18, 2014 pursuant to which all monies owed by the Company to LeadDog Capital LP were forgiven. At August 18, 2014, the amount owed to LeadDog Capital, inclusive of interest, was approximately \$541,000. The aforementioned settlement agreement was confirmed by the Nevada

Court on October 2, 2014. See “Note 6.”

For the nine months ended September 30, 2014, notes payable to related parties totaled \$923,508. Of the \$923,508, \$296,118 is owed to an executive officer of the Company, which loan is repayable to the Company on demand. Approximately \$541,000 of the \$923,508 was owed to LeadDog as described in the preceding paragraph.

#### **Note 4. Issuances of Securities**

On January 18, 2014, the Company entered into a consulting agreement with Steven Z. Safran to assist the Company in the areas of corporate networking, sales, marketing and strategic planning. Pursuant to said agreement, the Company issued 200,000 shares of restricted stock and immediately upon executing the agreement granted an option to purchase an additional 300,000 shares of stock at \$0.12 per share from an outside investor.



## **Note 5. Fair Value Measurements**

Accounting principles generally accepted in the United States define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities. The Company's investment in securities held for sale is fair valued by this method.

Level 2 — Observable inputs other than quoted prices included in Level 1. We value assets and liabilities included in this level are valued using dealer and broker quotations, bid prices, quoted prices for similar assets and liabilities in active markets, or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

## **Note 6. Litigation**

There are no legal proceedings pending or threatened against us, and we are unaware of any governmental authority initiating a proceeding against us, except as described below. On November 8, 2013, the Company filed a Complaint in the Second Judicial District Court, State of Nevada, County of Washoe, against a former officer and director of the Company, LeadDog Capital LP, a corporation which in the past has loaned money to the Company, and certain other defendants. The Company sought among other things to have LeadDog Capital LP cancel its indebtedness owed by the Company.

In August 2014, the Company, a former officer and director of the Company, LeadDog Capital LP and other defendants in the litigation referenced above, agreed to settle the litigation in order to avoid the inconvenience and expense of continued litigation. The settlement made by the parties does not constitute an admission of liability. Pursuant to the Settlement Agreement, LeadDog Capital LP agreed to cancel all principal and accrued interest thereon. The former officer and director agreed as part of the settlement to sell 1.5 million shares owned by him with one-third of the proceeds to be retained by him, including an expected minimum of \$55,000, and two-thirds of the

proceeds to be paid to the Company. The Nevada Court confirmed the settlement agreement on October 2, 2014.

**Note 7. Material Agreements and Other Matters**

As discussed in Note 4, the Company entered into an agreement with Steven Z. Safran as a consultant. Pursuant to said agreement, the Company issued 200,000 shares of restricted stock and immediately upon executing the agreement granted an option to purchase an additional 300,000 shares of stock at \$0.12 per share from an outside investor. This agreement commenced January 18, 2014 and expired on July 17, 2014. See “Subsequent Events” below regarding an employment agreement entered into with Mr. Safran on November 10, 2014.

**Note 8. Other Current Liabilities**

As of September 30, 2014, included in other current liabilities are four outstanding notes to various individuals aggregating approximately \$142,204 in principal and accrued interest. Interest accrues at the rate of 9% - 14% per annum.

**Note 9. Stock Option Plan**

On August 8, 2013, the Board of Directors approved the 2013 Employee Benefit and Consulting Services Compensation Plan which has 15,000,000 shares that may be issued under said Plan. The Plan provides for the direct issuance of shares of common stock under the Plan and for the grant of non-statutory stock options on terms established by the Board of Directors or committee thereof. While the Plan does not require stockholder approval to be implemented, in the event stockholder approval is obtained on or before August 8, 2014, then incentive stock options could be granted under the Plan. In September 2013, the Company issued 6,000,000 shares of stock under said Plan to Douglas Beplate pursuant to his consulting contract.

In the past, the Company has granted options to officers, directors, employees and/or consultants outside of a stock option plan. The following is a summary of changes to the Company's outstanding stock options which were not granted under the aforementioned 2013 Plan:

**Options**

Outstanding at January 1, 2014	2,150,000
Granted	-
Outstanding at September 30, 2014	2,150,000

**Note 10. Subsequent Events**

The Company's Management has evaluated subsequent events through November 19, 2014 and there are none except as described herein. The Company has raised approximately \$225,000 from the sale of approximately 2.71 million shares of its Common Stock between October through November 19, 2014. Exemption from registration is claimed under Rule 506 and/or Section 4(2) of the Securities Act of 1933, as amended.

On November 10, 2014, Dr. Phillip Forman, formerly Chief Executive Officer of the Registrant, became Chairman of the Board of the Registrant and Chief Medical Advisor. The Registrant simultaneously entered into an employment agreement with Dr. Forman. On November 10, 2014, Nate Knight, Chief Financial officer of the Registrant, entered into an employment agreement.

On November 10, 2014, the Board of Directors approved issuing an aggregate of 9.6 million shares of restricted Common Stock to certain board members, key employees and legal counsel.

On November 10, 2014, the Board of Directors of the Registrant filled a vacancy on its Board of Directors with the appointment of Robert J. Denser to the Board. On November 10, 2014, Dr. Phillip Forman, formerly Chief Executive Officer of the Registrant, became Chairman of the Board of the Registrant and Chief Medical Advisor. Douglas Beplate, Chief Operating Officer of the Registrant, became Chief Executive Officer and President of the Registrant in addition to his responsibilities as Chief Operating Officer.

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

*You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and related notes appearing elsewhere in this quarterly report on Form 10-Q. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under 'Risk Factors' in our annual report on Form 10-K for the fiscal year ended December 31, 2013, filed with SEC on April 15, 2014.*

### ***OVERVIEW***

The Company develops, manufactures, and markets a patented hemostatic gauze for the healthcare and wound care sectors. The product HemoStyp™, is derived from regenerated oxidized cellulose, which is all natural, and designed to absorb exudate/drainage from superficial wounds and helps control bleeding. The Company is focused on identifying new markets and applications for its product as well as ramping up sales in its current markets. The Company has received orders from the dental and medical markets and is pursuing multiple markets for HemoStyp™, including the medical, sports, dental, military and veterinary sectors, each of which represents a multi-million dollar market.

### ***Manufacturing and Packaging of our Products***

On October 1, 2013, the Company entered into an Operating Agreement with Hemo Manufacturing LLC. Hemo Manufacturing is to act as the exclusive supplier of manufactured products for the Company's products. Hemo Manufacturing is responsible for overseeing quality control of products at our overseas (non-exclusive) manufacturer in China as well as the packaging and labeling of our products for distribution. Pursuant to said agreement, 2,000,000 restricted shares of the Company's Common Stock were issued upon execution of the agreement. Under certain conditions, an additional 2,000,000 shares of the Company's Common Stock would be issued in the event the Company is bought out by a third party. The Company anticipates recording all sales directly to customers and making payment for goods directly to Hemo Manufacturing. The managing member of Hemo Manufacturing will retain 100% of the profits earned by Hemo Manufacturing unless the Company is sold to a third party. In the event of such a sale, the managing member of Hemo Manufacturing and the Company would have equal share in the gross profits. While the managing member of Hemo Manufacturing LLC owns 51% of this entity and the Company owns 49% of this entity, in practicality these ownership percentages only relate to control of the entity and not to our profits and losses of being split.

### **Primary Strategy**

The Company's gauze products are designed for the wound care market and manufactured to our specifications by a manufacturing agent in China. The gauze can be used on any wound where bleeding is present. Upon contact with moisture, the gauze forms a gel-like substance that acts as a hemostatic agent to address bleeding quickly. The hemostatic gauze derived from regenerated oxidized/cellulose, which is all natural and designed to absorb exudate/drainage from superficial wounds and helps to control bleeding. Once bleeding has ceased and coagulation has occurred, the product can be rinsed away with saline solution or lukewarm water. After acquiring the intellectual property rights, in 2009, we have devoted our time to obtaining necessary approvals to enable the hemostatic gauze product to be sold worldwide as well as establishing an international distribution network.

In August 2012, the Company's manufacturing agent in China of its gauze products which is registered and branded in the United States under the trademark HemoStyp™, received 510(k) approval from the U.S. Food and Drug Administration ("FDA") to be sold as a Class I device. The Company has the ability to represent to distributors and customers that its gauze products meet all FDA requirements as a Class I device. This approval now allows us to expand our potential customer base and pursue accounts that requested a current 510(k) FDA approval, including the prescription based medical arena, retail, hospital, EMS, military, state and national governmental agencies and veterinary markets. Our gauze products can be used to stop nose bleeds and for post dialysis treatment and venipuncture.

The Company's strategy is to engage distributors to market the Company's gauze products to the various worldwide markets. In 2013, the Company laid an initial foundation for the distribution of its hemostatic gauze products by entering into agreements with our first three distributors/partners (covering the dental, U.S. military and worldwide equestrian markets and Australasia). In 2014, the Company is seeking to expand on this base and is seeking to enter the international dialysis market. No assurances can be given that the Company will be successful in expanding its distribution market on terms satisfactory to us, if at all.

### **Current Economic Environment**

The U.S. economy is currently in a recession. The general economic situation, together with the limited availability of debt and equity capital, including through bank financing, will likely have a disproportionate impact on the Company. As a result, we may not be able to execute our business plan as a result of inability to raise sufficient capital and/or be able to develop a customer base for our hemostatic gauze products.

### **Going Concern**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate the continuation of the Company as a going concern. This basis of accounting contemplates the recovery of our assets and the satisfaction of liabilities in the normal course of business. Since our formation, we have not generated any significant revenues. We have not as yet attained a level of operations that allows us to meet our current overhead and may not attain profitable operations within our first few business operating cycles, nor is there any assurance that such an operating level can ever be achieved. In August 2010, the FDA found that the Company's application for the designation of the Epic product as a Class III device was insufficient, which resulted in the temporary halt to sales by our distributor. In August 2012, our Chinese manufacturing agent received 510(k) approval from the FDA for our hemostatic gauze products to be sold as a Class I product.

We are dependent upon obtaining additional financing adequate to fund our operations. While we funded our initial operations with private placements and secured loans from a related party, there can be no assurance that adequate financing will continue to be available to us and, if available, on terms that are favorable to us. The report of our auditors on our financial statements for the year ended December 31, 2013 includes a reference to going concern risks. Our ability to continue as a going concern is also dependent on many events outside of our direct control, including, among other things, improvement in the economic climate. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of these uncertainties.

### **Results of Operations**

***Three and Nine Months ended September 30, 2014 versus Three and Nine Months ended September 30, 2013***

During the third quarter of 2014 and 2013, the Company had \$0 and \$1,620 of revenues, respectively. During the nine months ended September 30, 2014, the Company had \$146,773 and \$3,060 of revenues, respectively. The increase in revenues for the nine months ended September 30, 2014 was due to two new distribution agreements and sales activities which occurred in the first quarter of 2014. Total operating expenses for the third quarter of 2014 and 2013 were \$72,729 and \$831,197, respectively, and for the nine months ended September 30, 2014 were \$524,007 and \$958,601, respectively. The decrease in operating expenses for the three months and nine months ended September 30, 2014 was due to a substantial amount of non-cash compensation issued in the quarter ended September 30, 2013 to a consultant, who subsequently became an executive officer of the Company. Our third quarter of 2014 and 2013 net loss was \$(91,286) and \$(587,710), respectively. Our nine months ended September 30, 2014 and 2013 net loss was \$(473,329) and \$(748,025), respectively. The change in net loss for the three months and nine months ended September 30, 2014 versus the comparable period of the prior year was primarily due to the changes in operating expenses for the reasons described above.



In August 2012, our Chinese manufacturing agent received 510(k) approval from the FDA to our hemostatic gauze products as a Class I device. Since then, products have been showcased in dental publications. We have obtained interest from distributors to sell our hemostatic gauze products to the U.S. Military, dental and equestrian markets and Australasia. Management believes that future operating periods following the filing of this Form 10-Q should begin to see additional sales.

Backlog - At September 30, 2014, the Company had a backlog of sales believed to be firm of approximately \$190,000 which the Company would complete delivery of products during the fourth quarter. The Company's operations were at a standstill until the Nevada Court confirmed the settlement of our outstanding litigation on October 2, 2014.

### ***Financial Condition, Liquidity and Capital Resources***

As of September 30, 2014, the Company had a negative working capital of approximately \$1.525 million and stockholders' deficiency of approximately \$1.525 million. Since inception, we generated net cash proceeds of over \$2.0 million from equity placements and we borrowed monies from related parties. The Company has not as yet attained a level of operations which allows it to meet its current overhead and may not attain profitable operations within the next few business operating cycles, nor is there any assurance that such an operating level can ever be achieved. The report of our auditors on our 2013 financial statements includes a reference to going concern risks. While the Company has in the past funded its initial operations with private placements, and secured loans from related parties, there can be no assurance that adequate financing will continue to be available to the Company and, if available, on terms that are favorable to the Company. Our ability to continue as a going concern is also dependent on many events outside of our direct control, including, among other things, our ability to achieve our business goals and objectives, as well as improvement in the economic climate.

### ***Cash Flows***

The Company's cash on hand at September 30, 2014 and December 31, 2013 was \$1,480 and \$1,855, respectively.

*Operating cash flows:* The sales process for our gauze product, which began late in 2009 with limited sales to our sales distributor, was halted in August 2010 as we develop a new marketing strategy and further study the necessity of making application for FDA clearance, which the Company received in August 2012.

Net cash was used in operating activities for the nine months ended September 30, 2014 was \$(288,964). During the nine months ended September 30, 2014, we had a net loss of \$(473,329), which was partially offset by non-cash expense of depreciation and amortization of \$50,000, an increase in interest accrued of \$34,350, issuance of stock for

services of \$34,000, a stock option expense of \$19,919 and changes in assets and liabilities of approximately \$46,000. During the nine months ended September 30, 2013, net cash was used in operating activities of \$(38,123). During the nine months ended September 30, 2013, our net loss of \$(748,025) was partially offset by non-cash expense of depreciation and amortization of \$75,000, an increase in interest accrued of \$51,125 and issuances of stock for services of \$744,000.

*Financing cash flows:* Net cash was generated from financing activities of \$288,589 and \$40,000 in the nine months ended September 30, 2014 and 2013, respectively. Cash generated in 2014 and 2013 were the result of proceeds from related parties and notes payable, respectively.

### ***Off-Balance Sheet Arrangements***

As of September 30, 2014, we have no off-balance sheet arrangements.

### ***Related Parties***

Information concerning related party transactions is included in the financial statements and related notes, appearing elsewhere in this quarterly report on Form 10-Q.

### *Critical Accounting Policies*

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles in the United States 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 revenues and expenses during the periods reported. Actual results could materially differ from those estimates. We have identified the following items as critical accounting policies.

The Company recognizes revenues when persuasive evidence of an arrangement exists, product has been delivered or services have been rendered, the price is fixed or determinable and collectability is reasonably assured. Revenue is recognized net of estimated sales returns and allowances.

Revenues are attributable to the sale of medical products through distributor agreements. The principal terms of the agreements provide that the distributor orders be accompanied by partial payment in advance, which at least equals 50% of total manufactured cost, as defined, for orders for distributor inventory and, in addition, an agreed portion of the distributor's gross profit on special orders. The balance of the manufactured cost is due from the distributor at the time of shipment. The Company is also entitled to an agreed percentage of the distributor's profit on receipt by the distributor.

The Company has recorded as intangibles amounts representing the rights we have obtained to technology, know-how, trademarks and etc. based upon an appraisal of the rights obtained. In the opinion of management there has been no diminution in their value.

The Company used the Black-Scholes option pricing model to determine the fair value of stock options in connection with stock based compensation charges as well as certain finance cost charges when we issued warrants in connection with the issuance of indebtedness. The determination of the fair value of stock-based payment awards or warrants on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include our expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rate and expected dividends.

Due to our limited history as a public company, we have estimated expected volatility based on the historical volatility of certain companies as determined by management. The risk-free rate for the expected term of each option is based on the U.S. Treasury yield curve in effect at the time of grant. The dividend yield assumption is based on our intent not to issue a dividend as a dividend policy. Due to our limited operating history, management estimated the term to equal the contractual term.

If factors change and we employ different assumptions for estimating stock-based compensation expense in future periods or if we decide to use a different valuation model, the future periods may differ significantly from what we have recorded in the current period and could materially affect our operating income, net income and net income per share.

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that are fully transferable. In addition, option-pricing models require the input of highly subjective assumptions including the expected stock price volatility. Because our stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion the existing models may not necessarily provide a reliable single measure of the fair value of its employee stock options.

Because federal income tax regulations differ from accounting principles generally accepted in the United States, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

The Company evaluates its tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the "more-likely-than-not" threshold are recorded as an expense in the applicable year. The Company does not have a liability for any unrecognized tax benefits. Management's evaluation of uncertain tax positions may be subject to review and adjustment at a later date based upon factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof.

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

Not applicable

### **Item 4. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

The Company is in the process of implementing disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports are recorded, processed, summarized, and reported within the time periods specified in rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to our Chief Executive Officer to allow timely decisions regarding required disclosure.

As of September 30, 2014, the Chief Executive Officer and Chief Financial Officer carried out an assessment of the effectiveness of the design and operation of our disclosure controls and procedure and concluded that the Company's disclosure controls and procedures were not effective as of September 30, 2014, because of the material weakness described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness identified during management's assessment was the lack of sufficient resources with SEC, generally accepted accounting principles (GAAP) and tax accounting expertise. This control deficiency did not result in adjustments to the Company's interim financial statements. However, this control deficiency could result in a material misstatement of significant accounts or disclosures that would result in a material misstatement to the Company's interim or annual financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness.

The Chief Executive Officer and Chief Financial Officer performed additional accounting and financial analyses and other post-closing procedures including detailed validation work with regard to balance sheet account balances, additional analysis on income statement amounts and managerial review of all significant account balances and disclosures in the Quarterly Report on Form 10-Q, to ensure that the Company's Quarterly Report and the financial statements forming part thereof are in accordance with accounting principles generally accepted in the United States of America. Accordingly, management believes that the financial statements included in this Quarterly Report fairly present, in all material respects, the Company's financial condition, results of operations, and cash flows for the periods presented.

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

During the three months ended September 30, 2014, there were no changes in our system of internal controls over financial reporting.

## **PART II – OTHER INFORMATION**

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

Reference is made to Notes 6 and 10 in the Notes to the Financial Statements regarding the settlement of a legal proceeding in August 2014.

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

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which could materially affect our business, financial condition and/or operating results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

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

For the nine months ended September 30, 2014, there were no sales of unregistered securities, except on January 18, 2014, the Company entered into a consulting agreement with Steven Z. Safran to assist the Company in the areas of corporate networking, sales, marketing and strategic planning. Pursuant to said agreement, the Company issued 200,000 shares of restricted stock. Exemption from registration for the aforementioned securities is under Section 4(2) of the Securities Act of 1933, as amended.

During the period January 1, 2014 through September 30, 2014, there were no repurchases of the Company’s unregistered securities.

### **Item 3. Defaults Upon Senior Securities**

None.



**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

Not applicable.

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**Item 6. Exhibits**

(a) Exhibits

The following exhibits are filed with this report, or incorporated by reference as noted:

- 3(i) Articles of Incorporation of the Company \*
- 3(ii) Amendments to Articles of Incorporation \*
- 3(iii) By-laws of the Company (1)
- 21 Subsidiaries of the Registrant (1)
- 31.1 Certification of Principal Executive Officer\*
- 31.2 Certification of Principal Financial Officer\*
- 32.1 Section 1350 Certificate by Chief Executive Officer\*
- 32.2 Section 1350 Certificate by Chief Financial Officer\*
  
- 101.SCH Document, XBRL Taxonomy Extension (\*)
- 101.CAL Calculation Linkbase, XBRL Taxonomy Extension Definition (\*)
- 101.DEF Linkbase, XBRL Taxonomy Extension Labels (\*)
- 101.LAB Linkbase, XBRL Taxonomy Extension (\*)
- 101.PRE Presentation Linkbase (\*)

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\* Filed herewith.

(1) Previously filed.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized on November 18, 2014.

**United Health Products, Inc.**

By: */s/ Douglas Beplate*  
Douglas Beplate

Principal Executive Officer

By: */s/ Nate Knight*

Nate Knight  
Principal Financial Officer