

United Health Products, Inc.
Form 10-Q
August 23, 2016

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 **June 30, 2016**

“ 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., Suite A209

89052

Henderson, NV

(Address of Company's principal executive
offices)

(Zip Code)

(877) 358-3444

(Company's telephone number, including area code)

Not Applicable

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for 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 June 30, 2016 was 151,727,462.

UNITED HEALTH PRODUCTS, INC.

FORM 10-Q QUARTERLY REPORT

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PART I – FINANCIAL INFORMATION

UNITED HEALTH PRODUCTS, INC
Condensed Balance Sheets
(Unaudited)

	June 30,	December 31,
	2016	2015
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 982	\$ 1,481
Accounts receivable	-	8,854
Inventory	336,406	41,918
Prepaid expenses	216	216
Total current assets	337,604	52,469
TOTAL ASSETS	\$ 337,604	\$ 52,469
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable and accrued expenses	\$ 719,262	\$ 417,431
Liability for unissued shares	145,543	145,543
Notes payable - related parties	130,190	112,190
Other current liabilities	186,518	177,370
Total current liabilities	1,181,513	852,534
Commitments and Contingencies		
Stockholders' Deficiency		
Common Stock - \$.001 par value, 300,000,000 Shares Authorized, 151,727,462 and 148,003,140 Shares Issued and Outstanding at June 30, 2016 and December 31, 2015, respectively	151,727	148,003
Additional Paid-In Capital	11,427,057	11,172,455
Stock subscriptions	16,875	139,625
Accumulated deficit	(12,439,568)	(12,260,148)
Total Stockholders' Deficiency	(843,909)	(800,065)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	\$ 337,604	\$ 52,469

See notes to financial statements.

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UNITED HEALTH PRODUCTS, INC
Statements of Operations
(Unaudited)

	For the Three Months Ended			For the Six Months Ended		
	June 30,			June 30,		
	2016	2015		2016	2015	
Revenues	\$ 26,852	\$ 21,966	\$	\$ 62,680	\$ 31,858	
Cost of goods sold	14,185	12,445		35,324	17,489	
Gross profit	12,667	9,521		27,356	14,369	
Operating Costs and Expenses						
Selling, general and administrative expenses	(71,149)	(157,467)		(197,628)	(1,733,813)	
Total Operating Expenses	(71,149)	(157,467)		(197,628)	(1,733,813)	
Loss from Operations	(58,482)	(147,946)		(170,272)	(1,719,444)	
Other expenses						
Interest Expense, Net	(3,049)	(3,479)		(9,148)	(3,479)	
Total other expenses	(3,049)	(3,479)		(9,148)	(3,479)	
Net Loss	\$ (61,531)	\$ (151,425)	\$	\$ (179,420)	\$ (1,722,923)	
Net Loss per common share:						
Basic and diluted	\$ (0.00)	\$ (0.00)	\$	\$ (0.00)	\$ (0.01)	
Weighted average number of shares outstanding	151,683,019	138,115,862		150,942,944	131,271,069	

See notes to financial statements.

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UNITED HEALTH PRODUCTS, INC
Statements of Cash Flows
For the Six Months Ended June 30, 2016
(Unaudited)

	2016	2015
Cash Flows from Operating Activities:		
Net Loss	\$ (179,420)	\$ (1,722,923)
Adjustments to Reconcile Net loss to Net Cash provided by Operations:		
Stock Based Compensation	-	1,347,224
Changes in assets and liabilities:		
Accounts Receivable	8,854	-
Prepaid Expenses	-	436
Inventory	(294,488)	(14,325)
Accounts Payable and Accrued Expenses	301,831	(167,419)
Other current liabilities	9,148	150,481
Net Cash Used In Operating Activities	(154,075)	(406,526)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of intangible property	-	(2,300)
Net Cash (Used in) Investing Activities	-	(2,300)
Cash Flows from Financing Activities:		
Proceeds from Related Party Loans	18,000	39,175
Proceeds from sale of common stock	135,576	362,559
Net Cash Provided By Financing Activities	153,576	401,734
(Decrease) Increase in Cash and Cash Equivalents	(499)	(7,092)
Cash and Cash Equivalents - Beginning of period	1,481	8,272
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 982	\$ 1,180
Schedule of Non-Cash Financing Activities:		
Issuance of Common Stock in connection with settlement of note Payable	\$ -	\$ 542,776
Reduction in liability for unissued shares	\$ -	\$ 421,500

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 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 dependent on achieving sales and 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.

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, 2015 filed with the Securities and Exchange Commission on Form 10-K in May 2016. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been

condensed or omitted, as permitted by the SEC, although we believe the disclosures which are made are adequate to make the information presented not misleading.

Note 2. Significant Accounting Policies

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred net losses of \$61,531 and \$151,425 for the three month periods ended June 30, 2016 and 2015, respectively. The Company has incurred net losses of \$179,420 and \$1,722,923 for the six month periods ended June 30, 2016 and 2015, respectively. The Company's history of recurring losses has resulted in an accumulated deficit of \$12,439,568. The Company has negative working capital and operations have not provided cash flows. Additionally, the Company does not currently have sufficient revenue to cover its operating expenses and meet its current obligations. In view of these matters, the Company's ability to continue as a going concern is dependent upon the Company's ability to expand operations and to achieve a level of profitability. The Company intends on financing its future development activities and its working capital needs largely from the sale of public equity securities with some additional funding from other traditional financing sources, including term notes until such time that funds provided by operations are sufficient to fund working capital requirements. The financial statements of the Company do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Chief Executive Officer has agreed to advance funds or make payments of the Company's obligations at his discretion. There is no written agreement to continue this support.

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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.

Revenue Recognition

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 distributor 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 defers all amounts received in advance of shipment and recognizes as revenue the aggregate of amounts invoiced in advance and an estimate of the Company's portion of distributor's profit at the time of shipment.

Trade Accounts Receivable

We record accounts receivable at the invoiced amount and we do not charge interest. We review the accounts receivable by amounts due from customers which are past due, to identify specific customers with known disputes or collectability issues. In determining the amount of the reserve, we make judgments about the creditworthiness of significant customers based on ongoing credit evaluations. We will also maintain a sales allowance to reserve for potential credits issued to customers. We will determine the amount of the reserve based on historical credits issued.

There was no provision for doubtful accounts recorded at June 30, 2016 and December 31, 2015, as we have not experienced any bad debts from any of our customers.

Inventory

Inventory is valued at the lower of cost or market using the first-in, first-out (FIFO) method. Inventory on the balance sheet consists of raw materials purchased by the Company. Per the Company's operating agreement with Hemo Manufacturing LLC, the lowest price to produce and distribute a four square inch of inventory is \$0.86, which will be recorded upon completion of the manufacturing process.

Stock Based Compensation

The Company issues restricted stock to consultants and employees for various services. Cost for these transactions are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The value of the common stock for non-employees is measured at the date at which a firm commitment for performance by the counterparty to earn the equity instruments is reached and expense is recognized during the term at which the counterparty's performance is earned or at the date the shares are considered non-forfeitable. The Company recognized consulting expenses and a corresponding increase to additional paid-in-capital related to stock issued for services. Compensation for employee stock grants are recognized at the fair market value of the shares at the date of grant and recognized at the grant date, as it is considered that the shares issued are considered non-forfeitable at the date of grant. Stock compensation for the periods presented were issued for past services provided, accordingly, all shares issued are fully vested, and there is no unrecognized compensation associated with these transactions.

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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 (-0- options and -0- warrants at June 30, 2016 and June 30, 2015) is anti-dilutive.

New Accounting Pronouncements; Recently Adopted Accounting Pronouncements

In March 2016, the FASB issued Accounting Standards Update (ASU) No. ASU 2016-09, *Compensation - Stock Compensation, Improvements to Employee Share-Based payment Accounting (Topic 718)*. This update is intended to provide simplification of the accounting for share based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. This update is effective for our fiscal year beginning January 1, 2017. We are currently evaluating the impact of the adoption of ASU 2016-09 on our financial statements.

In February 2016, the FASB issued Accounting Standards Update (ASU) No. ASU 2016-02, *Leases*, which amends existing lease accounting guidance, including the requirement to recognize most lease arrangements on the balance sheet. The adoption of this standard will result in the Company recognizing a right-of-use asset representing its rights to use the underlying asset for the lease term with an offsetting lease liability. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the potential impact of the adoption of this accounting pronouncement to its financial statements.

In July 2015, the FASB issued Accounting Standards Update (ASU) No. ASU 2015-11, *Simplifying the Subsequent Measurement of Inventory*, which simplifies the subsequent accounting for inventory. This standard does not apply to inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost. An entity should measure inventory within the scope of this Update at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments in this Update more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards (IFRS). ASU 2015-11 will be effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the potential impact of the adoption of this accounting pronouncement to its financial statements.

In August 2014, FASB issued Accounting Standards Update (ASU) No. 2014-15 *Preparation of Financial Statements – Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. Under generally accepted accounting principles (GAAP), continuation of a reporting entity as a going concern is presumed as the basis for preparing financial statements unless and until the entity's liquidation becomes imminent. Preparation of financial statements under this presumption is commonly referred to as the going concern basis of accounting. If and when an entity's liquidation becomes imminent, financial statements should be prepared under the liquidation basis of accounting in accordance with Subtopic 205-30, *Presentation of Financial Statements—Liquidation Basis of Accounting*. Even when an entity's liquidation is not imminent, there may be conditions or events that raise substantial doubt about the entity's ability to continue as a going concern. In those situations, financial statements should continue to be prepared under the going concern basis of accounting, but the amendments in this Update should be followed to determine whether to disclose information about the relevant conditions and events. The amendments in this Update are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company will evaluate the going concern considerations in this ASU, however, at the current period, management does not believe that it has met conditions which would subject these financial statements for additional disclosure.

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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 it believes that there will be no material effect on the financial statements.

The Company considers all new pronouncements and management has determined that there have been no other recently adopted or issued accounting standards that had or will have a material impact on its Financial Statements.

Note 3. Related Party Transactions

As of June 30, 2016 and December 31, 2015, notes payable to related parties totaled \$130,192 and \$112,190, respectively. These monies were owed to Doug Beplate, our Chief Executive Officer. These loans were for operating expenses of the Company, are due on demand and have no interest rate.

In January 2015, the Company entered into an employment agreement with Douglas Beplate pursuant to which he received a signing bonus of 11.1 million shares of restricted common stock and a monthly salary of \$8,333. The common shares issued, at fair market value of \$999,000, were recognized as expense in the first quarter of 2015. Mr. Beplate is entitled to an annual restricted stock bonus equal to 2 ½% of gross sales with the number of shares computed based upon the average closing sales price of the Company's common stock in the month of December of each year. No stock bonus related to gross sales was accrued for 2016 or 2015. Upon the sale of all or substantially all of the assets of the Company or other change in control or merger transaction in which the Company is involved, Mr. Beplate will be rewarded with a number of shares of restricted common stock of the Company which equals 5% of the then outstanding shares of the Company's common stock on a fully diluted basis.

Note 4. Issuances of Securities

In the first quarter of 2015, the Company sold 4,536,909 shares of its Common Stock in a private placement offering at offering prices ranging from \$.07 per share to \$.083 per share, for gross proceeds of \$339,160. These shares were issued subsequent to the year end. Exemption from registration is claimed under Rule 506 of Regulation D of the Securities Act of 1933, as amended.

In January 2015, Douglas Beplate converted \$542,776 of indebtedness and a stock bonus of \$348,224 for a total of \$891,000 into 9.9 million shares of restricted Common Stock. Contemporaneously, the Company entered into an employment agreement with Douglas Beplate pursuant to which he received as a bonus 11.1 million shares of restricted Common Stock. The common shares issued, at fair market value of \$999,000, was recognized as expense in the first quarter of 2015.

In the first quarter of 2016, the Company sold 1,499,656 shares of common stock for total proceeds of \$108,700 and received \$26,876 in stock subscriptions. In the second quarter of 2016, the Company did not sell any shares of common stock. Exemption from registration is claimed under Rule 506 of Regulation D of the Securities Act of 1933, as amended.

In the first quarter of 2016, the Company issued 2,000,000 shares of common stock in satisfaction of \$133,125 of previously recorded stock subscriptions recorded on the balance sheet. In the second quarter of 2016, the Company issued 224,666 shares of common stock in satisfaction of common stock of \$16,500 of previously recorded subscriptions on the balance sheet, of which \$10,000 was from the first quarter of 2016.

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Note 5. Litigation

There are no legal proceedings pending or threatened against us, and we are unaware of any governmental authority initiating a proceeding against us.

Note 6. Material Agreements and Other Matters

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. Pursuant to said agreement, 2,000,000, valued at \$231,270, restricted shares of the Company's Common Stock were issued. 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 booking 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.

Note 7. Other Current Liabilities

As of June 30, 2016 and December 31, 2015, included in other current liabilities are four outstanding notes to various individuals aggregating approximately \$186,518 and \$177,370, respectively, in principal and accrued interest. Interest accrues at the rate of 9% - 14% per annum. These loans are currently in default.

The Company has recognized a "Liability for unissued shares" for shares granted to employees and consultants, but unissued as of the balance sheet date. The granted shares are recorded at the fair market value of the shares to be issued at the grant date and a corresponding current liability is recorded for these unissued shares. The activity in this account and balances, classified as Liabilities for unissued shares, as of June 30, 2016 and December 31, 2015 was as follows:

	June 30,		December 31,	
	2016		2015	
Balance, beginning	\$	145,543	\$	567,043

Stock based compensation recognized	-	-
Issuance of shares in satisfaction of liability	-	(421,500)
Balance, ending	\$ 145,543	\$ 145,543

The total number of shares unissued was 1,579,044 shares as of June 30, 2016 and 1,579,044 shares as of December 31, 2015.

Note 8. Subsequent Events

The Company's Management has evaluated subsequent events through the date these financial statements were issued and determined no transactions have occurred.

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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 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, 2015, filed with SEC on May 12, 2016.

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 identified as 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.

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The Company's strategy is to engage distributors to market the Company's gauze products to the various worldwide markets. The Company has laid an initial foundation for the distribution of its hemostatic gauze products by entering into agreements with distributors/partners (covering the dental, U.S. military and worldwide equestrian markets and Australasia). In 2016, 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.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred net losses of \$61,531 and \$151,425 for the three month periods ended June 30, 2016 and 2015, respectively. The Company has incurred net losses of \$179,420 and \$1,722,923 for the six month periods ended June 30, 2016 and 2015, respectively. The Company's history of recurring losses has resulted in a retained deficit of \$12,439,568. The Company has negative working capital and operations have not provided cash flows. Additionally, the Company does not currently have sufficient revenue producing operations to cover its operating expenses and meet its current obligations. In view of these matters, the Company's ability to continue as a going concern is dependent upon the Company's ability to expand operations and to achieve a level of profitability. The Company intends on financing its future development activities and its working capital needs largely from the sale of public equity securities with some additional funding from other traditional financing sources, including term notes until such time that funds provided by operations are sufficient to fund working capital requirements. The financial statements of the Company do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Chief Executive Officer has agreed to advance funds or make payments of the Company's obligations at his discretion. There is no written agreement to continue this support. We are dependent upon obtaining additional financing adequate to fund our operations.

Results of Operations

During the second quarter of 2016, the Company had \$26,852 of revenues as compared to \$21,966 of revenues for the comparable period of the prior year. During the six months ended June 30, 2016, the Company had \$62,680 of revenues as compared to \$31,858 of the comparable period of the prior year. These revenues are attributable to our distribution agreements. Management believes that the last two quarters of 2016 will show increased sales as a result of our distribution agreements.

Total operating expenses for the second quarter of 2016 and 2015 were \$71,149 and \$157,467, respectively. Total operating expenses for the six months ended June 30, 2016 and June 30, 2015 were \$197,628 and \$1,733,813, respectively. The 2015 operating expenses include a \$1,347,224 charge against operating expenses relating to a signing bonus of 11.1 million shares of our common stock which was issued to our Chief Executive Officer in connection with his employment agreement and an additional stock bonus of \$348,224.

Our net loss for the second quarter of 2016 was \$61,531 as compared to a net loss of \$151,425 for the comparable period of the prior year. The approximate \$89,894 decrease in net loss was due to minimal increase in sales which lead to a gross profit from sales of \$12,667, and a reduction in selling, general and administrative expenses of \$86,318. Our net loss for the six months ended June 30, 2016 was \$179,420 as compared to \$1,722,923 for the comparable period of the prior year. The decrease was due to the Company having lower consulting expenses and legal fees of approximately \$79,000 and \$69,000, respectively, along with the issuance of stock to the Chief Executive Officer in 2015 as mentioned above.

Financial Condition, Liquidity and Capital Resources

As of June 30, 2016, the Company had a negative working capital of \$843,909 and stockholders' deficiency of \$843,909. Since inception, we generated net cash proceeds in excess of \$2.4 million from equity placements and borrowed funds 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 independent registered public accounting firm on our 2016 financial statements includes a reference to going concern risks. While the Company has in the past funded its initial operations with private placements, and 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.

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Cash Flows

The Company's cash on hand at June 30, 2016 and December 31, 2015 was \$982 and \$1,481, 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 developed a new marketing strategy and further studied the necessity of making application for FDA clearance, which the Company received in August 2012.

Net cash used in operating activities for the six months ended June 30, 2016 was \$154,075. For the first six months of 2016, the Company incurred a net loss of \$179,420 and an increase in inventory of \$294,488, partially offset by a decrease in accounts receivable of \$8,854, an increase of payables and accrued expenses of \$301,831, an increase in other notes payable of \$9,148. Net cash provided from financing activities for the six months ended June 30, 2016 was \$153,576. This was the result of sales of our common stock totaling \$135,576 and receiving \$18,000 in proceeds for from related party loans.

Net cash used in operating activities for the six months ended June 30, 2015 was \$406,526. For the first six months of 2015, the Company incurred a net loss of \$1,722,923. Most of the net loss was attributable to stock based compensation of \$1,347,224. For the six months ended June 30, 2015, \$2,300 was used in investing activities to acquire an intangible property. Net cash provided from financing activities for the six months ended June 30, 2015 was \$401,734. This was primarily the result of sales of our common stock in the first six months of 2015 totaling \$362,559 and loans from related parties of \$39,175. During the first six months of 2015, our Chief Executive Officer converted \$542,776 of debt and paid a stock bonus of \$348,244 for 9.9 million shares of restricted common stock.

Off-Balance Sheet Arrangements

As of June 30, 2016, we have no off-balance sheet arrangements.

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.

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.

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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 June 30, 2016, 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 March 31, 2016, 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 June 30, 2016, there were no changes in our system of internal controls over financial reporting.

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings

There are no legal proceedings pending or threatened against us, and we are unaware of any governmental authority initiating a proceeding against us.

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, 2015, 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

(a) From January 1, 2016 through June 30, 2016, we had no sales or issuances of unregistered common stock, except we made sales or issuances of unregistered securities listed in the table below:

Date of Sale	Title of Security	Number Sold	Consideration Received	Exemption from Registration	If Option, Warrant
			and Description of	Claimed	or Convertible
			Underwriting or Other		Security, terms of
			Discounts to Market		exercise or conversion

**Price or
Convertible**

**Security,
Afforded to**

Purchasers

Jan. – June 2016	Common Stock	1,499,656 common shares subscription receivable	\$50,000 received; no commissions paid	Rule 506	Not applicable
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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, dated February 28, 1997. (1)
3(ii)	Amendment to Articles of Incorporation. (1)
3(iii)	By-laws of the Company. (2)
3(iv)	August 2015 Amendment to Articles of Incorporation. (3)
10.1	Employment Agreement – Dr. Phillip Forman (4)
10.2	June 25, 2015 Amendment to Dr. Phillip Forman's Employment Agreement (5)
10.3	Employment Agreement – Nate Knight (4)
10.4	Employment Agreement with Douglas Beplate (6)
21	Subsidiaries of the Registrant – none
<u>31.1</u>	<u>Certification of Principal Executive Officer*</u>
<u>31.2</u>	<u>Certification of Principal Financial Officer*</u>
<u>32.1</u>	<u>Section 1350 Certificate by Principal Executive Officer*</u>
<u>32.2</u>	<u>Section 1350 Certificate by Principal Financial Officer*</u>
99.1	2013 Employee Benefit and Consulting Services Compensation Plan (7)

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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 (*)

* Filed herewith.

- (1) Incorporated by reference to the Company's Form 10-Q for the quarter ended September 30, 2014.
- (2) Incorporated by reference to the Company's Form 10-K for the year ended December 31, 2005.
- (3) Incorporated by reference to Form 8-K dated August 7, 2015 – date of earliest event filed on August 10, 2015.
- (4) Incorporated by reference to Form 8-K dated November 23, 2014.
- (5) Incorporated by reference to Form 10-Q for the quarter ended June 30, 2015.
- (6) Incorporated by reference to the Form 8-K dated January 16, 2015.
- (7) Incorporated by reference to Form 10-Q for the quarter ended June 30, 2015.

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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 August 23, 2016.

United Health Products, Inc.

By: */s/ Douglas Beplate*
Douglas Beplate
Principal Executive Officer

By: */s/ Nate Knight*
Nate Knight