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

FORM 10-Q

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

For the quarterly period ended March 31, 2021

OR

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

For the transition period from __________ to __________

Commission file number: 000-54586

BOSTON THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**27-0801073**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
354 Merrimack Street #4, Lawrence, MA	**01843**
(Address of principal executive offices)	(Zip Code)

603-935-9799
(Registrant's telephone number, including area code)

(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 ☒ No ☐

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller Reporting Company	☒
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEEDING FIVE YEARS;

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Class	Outstanding at June 4, 2021
Common Stock, $0.001 par value per share	916,914,554 shares

BOSTON THERAPEUTICS, INC.

FORM 10-Q

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Except as otherwise required by the context, all references in this report to "we", "us", "our", "BTI" or "Company" refer to the operations of Boston Therapeutics, Inc., a Delaware corporation, formerly called Avanyx Therapeutics, Inc.

Boston Therapeutics, Inc.
FINANCIAL STATEMENTS

PART I - FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

Boston Therapeutics, Inc.
Condensed Consolidated Balance Sheets

	March 31, 2021 (Unaudited)	December 31, 2020
ASSETS		
Current assets:		
Cash	$ 46,964	$ 7,402
Prepaid expenses and other current assets	3,500	10,273
Inventory, net	—	2,225
Total current assets	50,464	19,900
Total assets	$ 50,464	$ 19,900
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 312,580	$ 530,907
Accounts payable – related party	84,262	282,302
Accrued expenses and other current liabilities	830,983	1,286,119
Accrued expenses – related party	114,297	1,397,409
Deferred revenue – related party	104,782	104,782
Convertible note payable – related party, net of discount, current portion – in default	—	1,402,000
Convertible notes payable, current portion – in default	200,000	200,000
Notes payable – related parties, current portion – portions in default	497,821	2,783,429
Note payable marketing agreement	450,000	450,000
Derivative liability, current portion	15,282	2,763
Warrant liability	438,972	160,342
Total current liabilities	3,048,979	8,600,053
COMMITMENTS AND CONTINGENCIES (See Note 14)	—	—
Series B Preferred stock, 1,000,000 shares designated, 963,964 and 0 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively	963,964	—
Stockholders' deficit:		
Preferred stock, $0.001 par value, 5,000,000 shares authorized:		
Series A Preferred stock, 150,000 shares designated, 0 and 82,500 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively	—	83
Common stock, $0.001 par value, 2,000,000,000 shares authorized, 916,914,554 and 111,131,373 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively	916,915	111,131
Additional paid-in capital	37,165,114	19,322,864
Accumulated deficit	(42,044,508)	(28,014,231)
Total stockholders' deficit	(3,962,479)	(8,580,153)
Total liabilities and stockholders' deficit	$ 50,464	$ 19,900

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

Boston Therapeutics, Inc.
Condensed Consolidated Statements of Operations (Unaudited)

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Revenue	$ —	$ 3,093
Operating expenses:		
Direct expenses	8,766	4,902
Research and development	2,500	—
Sales and marketing	308	541
General and administrative	574,955	131,361
Total operating expenses	586,529	136,804
Operating loss	(586,529)	(133,711)
Other (expenses) income:		
Interest expense	(21,740)	(98,192)
Change in fair value of derivative liability	(21,143)	3,549
Change in fair value of warrant liability	(278,630)	101,993
Loss on conversion of related party debt into common stock	(10,604,620)	—
Loss on conversion of trade payables into common stock	(993,715)	—
Loss on conversion of Series A preferred stock into common stock	(1,735,500)	—
Gain on settlement of accounts payable for Series B preferred stock	211,600	—
Total other (expenses) income	(13,443,748)	7,350
Loss before provision for income taxes	(14,030,277)	(126,361)
Net loss	$ (14,030,277)	$ (126,361)
Net loss per share- basic and diluted	$ (0.02)	$ (0.00)
Weighted average shares outstanding basic and diluted	690,048,665	111,131,373

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

Boston Therapeutics, Inc.
Condensed Consolidated Statement of Stockholders' Deficit
For the Three Months Ended March 31, 2021

	Series B Preferred Stock Shares	Series B Preferred Stock Amount	Series A Preferred Stock Shares	Series A Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated (Deficit)	Total
Balance, December 31, 2020	—	$ —	82,500	$ 83	111,131,373	$ 111,131	$ 19,322,864	$ (28,014,231)	$ (8,580,153)
Conversion of Series A preferred stock into Common Stock			(82,500)	$ (83)	75,000,000	75,000	1,660,583		1,735,500
Conversion of related party debt into common stock					677,903,545	677,904	14,787,149		15,465,053
Conversion of trade accounts payable into common stock					52,879,636	52,880	1,321,991		1,374,871
Conversion of trade accounts payable into Series B preferred stock	397,964	397,964					63,903		63,903
Issuance of Series B stock for consulting services	566,000	566,000					—		—
Settlement of derivative liabilities due to conversion							8,624		8,624
Net loss for the three months ended March 31, 2021	-	-	-	-	-	-	-	(14,030,277)	(14,030,277)
Balance, March 31, 2021	963,964	$ 963,964	-	$ -	916,914,554	$ 916,915	$ 37,165,114	$ (42,044,508)	$ (3,962,479)

Boston Therapeutics, Inc.
Condensed Consolidated Statement of Stockholders' Deficit
For the Three Months Ended March 31, 2020

	Series A Preferred Stock Shares	Series A Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance, December 31, 2019	82,500	$ 83	111,131,373	$ 111,131	$ 19,322,864	$ (27,106,348)	$ (7,672,270)
Net loss for the three months ended March 31, 2020	—	—	—	—	—	(126,361)	(126,361)
Balance, March 31, 2020 (unaudited)	82,500	$ 83	111,131,373	$ 111,131	$ 19,322,864	$ (27,232,709)	$ (7,798,631)

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

Boston Therapeutics, Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)

	For the three months ended March 31, 2021	2020
Cash flows from operating activities:		
Net (Loss)	$ (14,030,277)	$ (126,361)
Adjustments to reconcile net loss to net cash used in operating activities		
Loss on conversion of related party debt into common stock	10,604,620	—
Loss on conversion of trade payables into common stock	993,715	—
Loss on conversion of Series A preferred stock into common stock	1,735,500	—
Gain on settlement of accounts payable for Series B preferred stock	(211,600)	—
Issuance of Series B preferred stock for consulting services	566,000	—
Depreciation and amortization	—	509
Provision for excess inventory	2,225	—
Change in fair value of warrant liabilities	278,630	(101,993)
Change in fair value of derivative liabilities	21,143	(3,549)
Changes in operating assets and liabilities		
Inventory	—	135
Prepaid expenses and other current assets	6,773	8,194
Accounts payable	(218,327)	(7,578)
Accrued expenses	61,446	(193,604)
Accounts payable - related party	(198,040)	150,000
Accrued expenses - related party	207,754	119,659
Net cash (used in) operating activities	(180,438)	(154,588)
Cash flows from investing activities		
Net cash from investing activities	—	—
Cash flows from financing activities		
Proceeds from issuance of notes payable to related parties	220,000	250,000
Repayment of convertible notes payable	—	(50,000)
Net cash provided by financing activities	220,000	200,000
Net increase (decrease) in cash	39,562	45,412
Cash, beginning of year	7,402	6,701
Cash, end of year	$ 46,964	$ 52,113
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Interest	$ —	$ 7,627
Income taxes	$ —	$ —
Non-cash financing activities:		
Conversion of related party debt and accrued interest into common stock	$ 2,012,447	$ —
Settlement of restated party debt and accrued interest into common stock version of related party debt and accrued interest into common stock	$ 2,848,078	$ —
Conversion of related party amounts payable into common stock	$ 381,155	$ —
Conversion of series A preferred stock into common stock	$ 75,000	$ —
Conversion of related party and other amounts payable into series B preferred stock	$ 461,867	$ —
Settlement of derivative liability due to conversion	$ 8,624	$ —

The accompanying notes are an integral part of these financial statements.

1. GENERAL ORGANIZATION AND BUSINESS

Boston Therapeutics, Inc. (the "Company") was formed as a Delaware corporation on August 24, 2009 under the name Avanyx Therapeutics, Inc. On November 10, 2010, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Boston Therapeutics, Inc., a New Hampshire corporation ("BTI") providing for the merger of BTI into the Company with the Company being the surviving entity (the "Merger"), the issuance by the Company of 4,000,000 shares of common stock to the stockholders of BTI in exchange for 100% of the outstanding common stock of BTI, and the change of the Company's name to Boston Therapeutics, Inc. On February 12, 2018, the Company acquired CureDM Group Holdings LLC ("CureDM"), for 47,741,140 shares of common stock of which 25,000,000 were delivered at closing and 22,741,140 were to be delivered in four equal tranches of 5,685,285 each upon the achievement of specific milestones. See Note 13.

The Company's primary business is the development, manufacture and commercialization of therapeutic drugs with a focus on complex carbohydrate chemistry to address unmet medical needs in diabetes and inflammatory diseases. We have brought one product, SUGARDOWN®, to market and have begun to make initial sales. We are currently focused on the development of two additional drug products: BTI-320, a non-systemic, non-toxic, tablet for reduction of post-meal blood glucose in people living with diabetes that is fully developed, and IPOXYN, an injectable anti-necrosis, anti-hypoxia drug that we are currently developing. Due to the lack of adequate funding, the Company has not done any work with respect to IPOXYN to date.

Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company has limited cash resources, recurring cash used in operations and operating losses history. As shown in the accompanying consolidated financial statements, the Company has an accumulated deficit of approximately $42.0 million as of March 31, 2021 and used cash in operations of $180,438 during the three months ended March 31, 2021. These factors among others, raise substantial doubt about the Company's ability to continue as a going concern.

The Company has incurred recurring operating losses since inception as it has worked to bring its SUGARDOWN® product to market and develop BTI-320 and IPOXYN. Management expects such operating losses will continue until such time that substantial revenues are received from SUGARDOWN® or the regulatory and clinical development of BTI-320 or IPOXYN is completed. The Company has approximately $47,000 cash on hand at March 31, 2020. Management is currently seeking additional capital through private placements and public offerings of its common stock. In addition, the Company may seek to raise additional capital through public or private debt or equity financings as well as collaboration activities in order to fund our operations. The Company was advanced $835,000 through the issuance of 10% notes payable to a related party during 2020. The Company was advanced $220,000 through the issuance of 10% notes payable to a related party during the first quarter of 2021. In addition, the Company was advanced $50,000 through the issuance of 10% notes payable to a related party thus far during the second quarter of 2021. Management anticipates that cash resources will be sufficient to fund our planned operations into the second quarter of 2021. The future of the Company is dependent upon its ability to obtain continued financing and upon future profitable operations from the partnering, development and clarity of its new business opportunities.

There can be no assurance that we will be successful in accomplishing our objectives. Without such additional capital, we may be required to cease operations. The accompanying financial statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepting in the United States of America ("US GAAP").

Principles of Consolidation

The consolidated financial statements include the Company and its wholly owned subsidiary, CureDM, from the date of acquisition. All significant intercompany transactions are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of 90 days or less at the time of acquisition to be cash equivalents. The Company maintains its cash in institutions insured by the Federal Deposit Insurance Corporation. The Company had no cash equivalents at March 31, 2021 and December 31, 2020.

Revenue Recognition

For revenue from product sales, the Company recognizes revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606 ("ASC 606"). A five-step analysis must be met as outlined in ASC 606: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations, and (v) recognize revenue when (or as) performance obligations are satisfied. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company defers any revenue for which the product has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or no refund will be required.

The Company generates revenues from sales of SUGARDOWN®. In practice, the Company has not experienced or granted significant returns of product. Shipping fees charged to customers are included in revenue and shipping costs are included in costs of sales.

The Company generates revenue from royalties pursuant to a licensing and manufacturing agreement with Advance Pharmaceutical Company Limited ("APC"), whereby the licensee sells and distributes territory licensed products, excluding those manufactured and supplied by the Company in the territory. APC is a related party as a director and significant stockholder of the Company is an owner and director of APC. The Company did not recognize any revenue from royalties from APC during the three months ended March 31, 2021 and 2020 respectively.

Accounts Receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management establishes a reserve for doubtful accounts based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off against the allowance. There were no accounts receivable as of March 31, 2021 or December 31, 2020. There were no allowances for doubtful accounts as of March 31, 2021 and December 31, 2020.

Inventory

Inventory consists of raw materials, work-in-process and finished goods of SUGARDOWN®. Inventories are stated at the lower of cost (weighted average cost method) or market, not in excess of net realizable value. The Company adjusts the carrying value of its inventory for excess and obsolete inventory. The Company continues to monitor the valuation of its inventory.

Property and Equipment

Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

Asset Category	**Estimated Useful Life**
Office Furniture and Equipment	5 years
Computer Equipment and Software	3 years

The Company begins to depreciate assets when they are placed in service. The costs of repairs and maintenance are expensed as incurred; major renewals and betterments are capitalized. Upon sale or retirement, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statement of operations. For the three months ended March 31, 2021 and 2020, the Company recorded depreciation expense of $0 and $509, respectively.

Intangible Assets

Intangible assets consist of identifiable finite-lived assets acquired in business acquisitions. Acquired intangible assets are recorded at fair value on the date of acquisition and are amortized over their economic useful lives on a straight line basis.

Impairment of Long-lived Assets

The Company reviews long-lived assets, which include the Company's intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amounts of the assets may not be fully recoverable. Future undiscounted cash flows of the underlying assets are compared to the assets' carrying values. Adjustments to fair value are made if the sum of expected future undiscounted cash flows is less than book value. No intangible assets exist at March 31, 2021 or December 31, 2020.

Loss per Share

Basic net loss per share is computed based on the net loss for the period divided by the weighted average actual shares outstanding during the period. Diluted net loss per share is computed based on the net loss for the period divided by the weighted average number of common shares and common equivalent shares outstanding during each period unless the effect of such common equivalent shares would be anti-dilutive. Common stock equivalents represent the dilutive effect of the assumed exercise of certain outstanding stock options using the treasury stock method. The weighted average number of common shares for the year ended March 31, 2021 did not include 9,121,000, 38,208,320, 3,280,107, and 963,964,000 for options, warrants and shares to be issued upon conversion of notes payable and Series B Preferred Stock, respectively, because of their anti-dilutive effect. The weighted average number of common shares for the three months ended March 31, 2020 did not include 9,184,000, 38,458,320, 3,280,107 and 8,250,000 for options, warrants and shares to be issued upon conversion of notes payable and Series A Preferred Stock, respectively, because of their anti-dilutive effect.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or be settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided when it is more likely than not that some portion of the gross deferred tax asset will not be realized. The Company records interest and penalties related to income taxes as a component of provision for income taxes. The Company did not recognize any interest and penalty expense for the three months ended March 31, 2021 and 2020.

Advertising Costs

Advertising costs are expensed as incurred and are reported as a component of operating expenses in the sales and marketing expenses in the statements of operations. The Company did not incur any advertising costs for the three months ended March 31, 2021 and 2020, respectively.

Research and Development Costs

Research and development expenditures are charged to the statement of operations as incurred. Such costs include proprietary research and development activities, purchased research and development, and expenses associated with research and development contracts, whether performed by the Company or contracted with independent third parties.

Fair Value of Financial Instruments

Fair values determined by Level 1 inputs utilize observable data such as quoted prices in active markets. Fair values determined by Level 2 inputs utilize data points other than quoted prices in active markets that are observable either directly or indirectly. Fair values determined by Level 3 inputs utilize unobservable data points in which there is little or no market data, which require the reporting entity to develop its own assumptions. The Company's financial instruments consist of cash, accounts receivable, prepaid expenses, accounts payable, accrued expenses, and notes payable. The carrying value of cash, accounts receivable, prepaid expenses, accounts payable and accrued expenses approximates fair value due to their short-term nature using level 3 inputs as defined above. The carrying value of the notes payable as of March 31, 2021 and December 31, 2020, evaluated using level 3 inputs defined above based on quoted market prices on rates available to the Company for debt with similar terms and maturities, approximates the fair value.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are principally cash. The Company places its cash and cash equivalents in highly rated financial institutions. The Company maintains cash balances with financial institutions that occasionally exceed federally insured limits. The Company has not experienced any losses related to these balances, and management believes its credit risk to be minimal.

Convertible Instruments

U.S. GAAP requires companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. An exception to this rule is when the host instrument is deemed to be conventional, as that term is described under applicable ASC 480-10.

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

Common Stock Purchase Warrants and Other Derivative Financial Instruments

The Company classifies as equity any contracts that (i) require physical settlement or net-share settlement or (ii) provide the Company with a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement) providing that such contracts are indexed to the Company's own stock. The Company classifies as assets or liabilities any contracts that (i) require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside the Company's control) or (ii) gives the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). The Company assesses classification of its common stock purchase warrants and other free standing derivatives at each reporting date to determine whether a change in classification between assets and liabilities is required.

The Company's free standing derivatives consisted of warrants to purchase common stock that were issued in connection with the issuance of debt and of embedded conversion options with senior convertible debentures. The Company evaluated these derivatives to assess their proper classification in the balance sheet as of March 31, 2021 and December 31, 2020 using the applicable classification criteria enumerated under ASC 815-Derivatives and Hedging. The Company determined that certain embedded conversion and/or exercise features do not contain fixed settlement provisions. The convertible debentures contain a conversion feature such that the Company could not ensure it would have adequate authorized shares to meet all possible conversion demands.

As such, the Company was required to record the debt and warrant derivatives which do not have fixed settlement provisions as liabilities and mark to market all such derivatives to fair value at the end of each reporting period.

Stock-Based Compensation

Stock–based compensation, including grants of employee and non-employee stock options and modifications to existing stock options, is recognized in the income statement based on the estimated fair value of the awards. The Company recognizes the compensation cost of share-based awards on a straight-line basis over the requisite service period, which is generally the vesting period of the award.

The determination of the fair value of share-based payment awards utilizing the Black-Scholes model is affected by the stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. The expected life of the awards is estimated based on the simplified method. The risk-free interest rate assumption is based on observed interest rates appropriate for the terms of our awards. The dividend yield assumption is based on history and expectation of paying no dividends. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Stock-based compensation expense is recognized in the financial statements on a straight-line basis over the requisite service period, based on awards that are ultimately expected to vest.

The Company grants stock options to non-employee consultants from time to time in exchange for services performed for the Company. Equity instruments granted to non-employees are subject to periodic revaluation over their vesting terms. In general, the options vest over the contractual period of the respective consulting arrangement and, therefore, the Company revalues the options periodically and records additional compensation expense related to these options over the remaining vesting period.

Recent Accounting Pronouncements

There are various updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

3. INVENTORY

Inventory consist of material, labor and manufacturing overhead and are recorded at the lower of cost, using the weighted average cost method, or net realizable value. The components of inventory at March 31, 2021 and 2020 net of inventory reserves, were as follows:

	2021	2020
Raw materials	$ —	$ —
Finished goods	—	2,225
Total	$ —	$ 2,225

The Company periodically reviews quantities of inventory on hand and compares these amounts to expected usage of each particular product or product line. The Company records, as a charge to cost of sales, any amounts required to reduce the carrying value to net realizable value. The Company stopped selling its remaining bottles of Sugardown during the first quarter of 2021 while it evaluates its strategy for the product going forward. As a result, the company has taken a charge to the provision for inventory obsolescence totaling $2,225 in the first quarter of 2021. No charges to the provision for inventory obsolescence were recorded for the three months ended March 31, 2020.

4. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

The following table represents the major components of accrued expenses and other current liabilities at March 31, 2021 and December 31, 2020:

	2021	2020
Accrued payroll	$ 188,716	$ 188,716
Professional fees	84,033	131,974
Accrued consulting fees	400,000	741,600
Interest	145,501	133,501
Accrued expense reimbursement and other	12,733	90,328
Total	$ 830,983	$ 1,286,119

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company measures the fair value of financial assets and liabilities based on the guidance of ASC 820 “Fair Value Measurements and Disclosures” which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 defines 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 on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1 - quoted prices in active markets for identical assets or liabilities

Level 2 - quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 - inputs that are unobservable based on an entity’s own assumptions, as there is little, if any, related market activity (for example, cash flow modeling inputs based on assumptions)

Financial liabilities as of March 31, 2021 and December 31, 2020 measured at fair value on a recurring basis are summarized below:

	March 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative liability	$ 15,282	$ —	$ —	$ 15,282
Warrant liability	438,972	—	—	438,972
Total	$ 454,254	$ —	$ —	$ 454,254

	December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative liability	$ 2,763	$ —	$ —	$ 2,763
Warrant liability	160,342	—	—	160,342
Total	$ 163,105	$ —	$ —	$ 163,105

The Company determined that certain conversion/exercise option related to a convertible note and issued warrants did not have fixed settlement provisions and are deemed to be derivative financial instruments, since the conversion/exercise prices was subject to reset adjustment should the Company issue any option to acquire the Company's common stock lower than the conversion /exercise price. Accordingly, the Company was required to record such conversion/exercise options as a liability and mark such derivative to fair value each reporting period. Such instrument was classified within Level 3 of the valuation hierarchy.

The fair value of the conversion/exercise options were calculated using a Black-Scholes formula with the following weighted average assumptions during the three months ended March 31, 2021 and year ended December 31, 2020. No options were converted or exercised during the three months ended March 31, 2021 or the year ended December 31, 2020.

The risk-free interest rate is the United States Treasury rate on the measurement date having a term equal to the remaining contractual life of the instrument. The volatility is a measure of the amount by which the Company's share price has fluctuated or is expected to fluctuate. The dividend yield is 0% as the Company has not made any dividend payment and has no plans to pay dividends in the foreseeable future. Level 3 liabilities are valued using unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the derivative liabilities. For fair value measurements categorized within Level 3 of the fair value hierarchy, the Company's Chief Financial Officer, who reports to the Chief Executive Officer, determine its valuation policies and procedures. The development and determination of the unobservable inputs for Level 3 fair value measurements and fair value calculations are the responsibility of the Company's Chief Financial Officer and are approved by the Chief Executive Officer. Level 3 financial liabilities consist of the derivative liabilities for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate. Significant observable and unobservable inputs include stock price, exercise price, annual risk free rate, term, and expected volatility, and are classified within Level 3 of the valuation hierarchy. An increase or decrease in volatility or interest free rate, in isolation, can significantly increase or decrease the fair value of the derivative liabilities. Changes in the values of the derivative liabilities are recorded as a component of other income (expense) on the Company's statements of operations.

The following table sets forth a summary of the changes in the fair value of the Company's Level 3 financial liabilities that are measured at fair value on a recurring basis using significant unobservable input for the three months ended March 31, 2021 and 2020:

	Debt Derivative	**Warrant Liability**
Balance, December 31, 2020	2,763	160,342
Aggregate amount of derivative instruments issued	—	—
Settled due to conversions	(8,624)	—
Change in fair value of derivative liabilities	21,143	278,630
Balance, March 31, 2021	$ 15,282	$ 438,972

	Debt Derivative	**Warrant Liability**
Balance, December 31, 2019	9,451	461,744
Aggregate amount of derivative instruments issued	—	—
Settled due to conversions	—	—
Change in fair value of derivative liabilities	(3,549)	(101,993)
Balance, March 31, 2020	$ 5,902	$ 359,751

6. CONVERTIBLE NOTES PAYABLE

In August and September 2016, the Company issued senior convertible debentures for an aggregate of $1,600,000 (the "Convertible Debentures") in exchange for an aggregate net cash proceeds of $1,327,300, net of financing costs. The Convertible Debentures have a stated interest rate of 6% per annum payable quarterly beginning June 30, 2017 and were due two years from the date of issuance, the latest due September 15, 2018 and are convertible into shares of the Company's common stock at the option of the holder at a conversion price of $0.075 with certain anti-dilutive (reset) provisions and are subject to forced conversion if either i) the volume weighted average common stock price for each of any 10 consecutive trading days equals or exceeds $0.50, or (ii) the Company's elects to lists a class of securities on a national securities exchange.

As long as the convertible notes remain outstanding, the Company is restricted from incurring any indebtedness or liens, except as permitted (as defined), amend its charter in any matter that materially effects rights of noteholders, repay or repurchase more than de minimis number of shares of common stock other than conversion or warrant shares, repay or repurchase all or any portion of any indebtedness or pay cash dividends.

In connection with the issuance of the Convertible Debentures, the Company issued an aggregate of 16,000,000 warrants to purchase the Company's common stock at $0.10 per share, expiring five years from the date of issuance, the latest being September 15, 2021. These warrants contain a cashless exercise and certain anti-dilutive (reset) provisions.

The Company determined that certain conversion/exercise option related to a convertible note and issued warrants did not have fixed settlement provisions and are deemed to be derivative financial instruments due to price protection features present in the conversion/ exercise price that are not consistent with a fixed for fixed model.

The accounting treatment of derivative financial instruments requires that the Company record the fair value of the derivative as of the issuance date of the debenture and warrants and to re-measure the derivatives at fair value as of each subsequent reporting date.

The Company recognized the value attributable to the conversion feature of the convertible debenture and issued warrants of $2,203,336 and together with financing costs of $272,700 (aggregate of $2,476,036) as a discount against the notes up to $1,600,000 with the excess of $876,036 charged to current period interest. The Company valued the conversion option and the warrants using the Binomial Lattice pricing model as described in Note 6. The debt discount was amortized over the note's maturity period as interest expense. The debt discount was fully amortized during 2019.

Convertible notes payable consist of the following at March 31, 2021 and December 31, 2020:

	2021	2020
Principal balance	$ 200,000	$ 200,000
Outstanding	$ 200,000	$ 200,000

7. MARKETING AGREEMENT

On June 26, 2018, the Company entered into a License Agreement with Level Brands, Inc. (NYSE: LEVB), an innovative licensing, marketing and brand management company with a focus on lifestyle-based products which includes an exclusive license to the *kathy ireland*® Health & Wellness™ brand. Under the terms of the License Agreement, the Company received a non-exclusive, non-transferrable license to use the *kathy ireland* Health & Wellness™ trademark in the marketing, development, manufacture, sale and distribution of the Sugardown® product domestically and internationally. The initial term of the License Agreement is seven years, with an automatic two-year extension unless either party notifies the other of non-renewal at least 90 days prior to the end of the then current term. Level Brands has agreed to use its commercially reasonable efforts to perform certain promotional obligations, including: (i) producing four branded videos to promote the licensed product and/or the Company; (ii) creation of an electronic press kit; (iii) making their media and marketing teams available for use in creating the video content for which the Company will separately compensate; and (iv) curate social media posts in multiple social media channels.

As compensation, the Company will provide Level Brands with the following:

- A marketing fee of $850,000, for development of video content and an electronic press kit which will be used ongoing to support product marketing. This fee is paid with a promissory note of $450,000 and a number of shares of stock of the Company valued at $400,000, based on the closing price on the day prior to the effective date;

- Quarterly fees for the first two years of up to $100,000 and issuance of 100,000 shares each quarter, based on sales volumes. The Company has the right to make all the stock payments in cash; and

- a royalty of 5% of the gross licensed marks sales up to $10,000,000, 7.5% royalty on sales from $10,000,000 to $50,000,0000 and 10% on sales over $50,000,000, payable monthly as well as a 1% of all revenue for all Company products as of the date hereof.

The Note Payable of $450,000 bears interest at 8% and matures December 31, 2019, unless the Company raises $750,000 through Level Brands prior to that date in which case the Note is to be repaid in full including accrued interest. Accrued interest at March 31, 2021 and December 31, 2020 totaled $99,493 and $90,493, respectively.

As of March 31, 2021, the Company has not issued the $400,000 of common stock which was due upon execution of the agreement or any of the shares pursuant to the quarterly fee. The $400,000 is included in accrued expenses at December 31, 2020. Due to the Company's low sales volume, no accrual for royalties is included in the financial statements as the amounts would not be material.

Level Brands sued the Company for non-performance under the contract. The matter was taken to arbitration with both parties claiming non performance under the contract. In October 2019, the arbitration was dismissed without prejudice.

8. SERIES B PREFERRED STOCK

Series B Preferred Stock

The Company has designated 1,000,000 shares of its preferred stock as Series B Preferred Stock. Each share of Series B Preferred Stock has a stated value of $1. Each share of the Series B Preferred Stock is convertible into 1,000 shares of the Company's common stock. The Series B Preferred Stock shall have no voting rights until January 1, 2022 when it will be on an as converted basis (subject to limitations) and liquidation preference for each share of Series B Preferred Stock at an amount equal to the stated value per share.

During January 2021, the Company issued 132,000 shares of its Series B Preferred Stock in full payment of consulting service accounts payable totaling $343,600. As a result of this transaction, the Company recorded a non-cash gain of $211,600.

During January 2021, the Company issued 92,982 shares of its Series B Preferred Stock in full payment of consulting service accounts payable totaling $156,885.

During January 2021, the Company issued 172,982 shares of its Series B Preferred Stock in full payment of trade accounts payable totaling $172,982.

During January 2021, the Company issued 566,000 shares of its Series B Preferred Stock to five parties for consulting services to be performed during the first and second quarters of 2021 related to the potential merger transaction discussed in Note 1.

As of March 31, 2021 and December 31, 2020, the Company has 963,964 shares of Series B Preferred Stock outstanding.

The Series B Preferred Stock has been classified outside of permanent equity and liabilities since it embodies a conditional obligation that the Company may settle by paying the monetary value in cash upon a liquidation event due to the liquidation preferences of the Series B Preferred Stock based upon its designation.

9. STOCKHOLDERS' EQUITY

Series A Preferred Stock

The Company has designated 150,000 shares of its preferred stock as Series A Preferred Stock. Each share of Series A Preferred Stock has a stated value of $10. The Series A Preferred Stock is convertible into shares of the Company's common stock by dividing the stated value by a conversion price of $0.10 per share. The Series A Preferred Stock shall have voting rights on an as converted basis (subject to limitations) and liquidation preference for each share of Series A Preferred Stock at an amount equal to the stated value per share.

On August 14, 2017, the Company entered into Securities Purchase Agreements with two accredited investors. In connection with these agreements, the Company issued 45,000 shares of Series A Preferred Stock and warrants to acquire 9,000,000 shares of common stock. The shares of Series A Preferred Stock are convertible, at any time at the option of the holder, into an aggregate of 4,500,000 shares of the Company's common stock. The Warrants shall be exercisable for a period of five years at an exercise price of $0.15 per share.

The Company recognized the value attributable to the conversion feature of the issued warrants of $650,421 as a charge against additional paid in capital up to $450,000 with the excess of $200,421 charged to change in fair value of warrant liability during the year ended December 31, 2017. The Company valued the warrants using the Black-Scholes pricing model as described in Note 5.

On October 24, 2017, the Company entered into Securities Purchase Agreements with an accredited investor. In connection with the agreement, the Company issued 10,000 shares of Series A Preferred Stock and warrants to acquire 2,000,000 shares of common stock. The shares of Series A Preferred Stock are convertible, at any time at the option of the holder, into an aggregate of 1,000,000 shares of the Company's common stock. The Warrants shall be exercisable for a period of five years at an exercise price of $0.15 per share.

During 2017, the Company recognized the value attributable to the conversion feature of the issued warrants of $93,312 as a charge against additional paid in capital. The Company valued the warrants using the Black-Scholes pricing model as described in Note 5.

On February 2, 2018, the Company entered into Securities Purchase Agreements with four accredited investors. In connection with these agreements, the Company issued 27,500 shares of Series A Preferred Stock and warrants to acquire 5,500,000 shares of common stock in consideration of $275,000. The shares of Series A Preferred Stock are convertible, at any time at the option of the holder, into an aggregate of 2,750,000 shares of the Company's common stock. The Warrants shall be exercisable for a period of five years at an exercise price of $0.15 per share.

During 2018, the Company recognized the value attributable to the conversion feature of the issued warrants of $226,833 as a charge against additional paid in capital. The Company valued the warrants using the Black-Scholes pricing model as described in Note 5.

As of December 31, 2020, the Company had 82,500 shares of Series A Preferred Stock outstanding. During January 2021, the holders of the Series A Preferred Stock exchanged 100% of the outstanding shares into 75,000,000 shares of the Company's common shares. The terms of the exchange were different than the original terms of the Series A Preferred stock resulting in a non-cash loss to the Company of $1,735,500.

Common Stock

During January 2021, the Company issued 75,000,000 shares of its common stocks in exchange for 100% of the outstanding shares of its Series A Preferred Stock. The terms of the exchange were different than the original terms of the Series A Preferred stock resulting in a non-cash loss to the Company of $1,735,500.

During January 2021, the Company issued 20,052,000 shares of its common stock to a related party in full payment of a trade accounts payable totaling $20,052. As a result of this settlement, the Company recorded a non-cash loss of $501,300.

During January 2021, the Company issued 32,827,636 shares of its common stock to a related party in full payment for past CEO and other consulting services rendered totaling $361,104. As a result of this settlement, the Company recorded a non-cash loss of $492,415.

During January 2021, the Company issued 43,860,545 shares of its common stock to a related party in full payment of a loans totaling $404,500 and related accrued interest totaling $77,966.

During January 2021, the Company issued 320,855,533 shares of its common stock to a related party in full payment of loans totaling $2,101,000 and related accrued interest totaling $264,523.

During January 2021, the Company issued 39,836,667 shares of its common stock to a related party in full payment of a loan totaling $200,000 and related accrued interest totaling $42,044.

During January 2021, the Company issued 273,350,500 shares of its common stock to a related party in full payment of convertible loans totaling $1,202,000 and related accrued interest totaling $568,400.

Common Stock Warrants

The Company accounts for warrants as either equity instruments or liabilities depending on the specific terms of the warrant agreement. As of March 31, 2021, the Company had 38,208,320 warrants outstanding which are all classified as equity instruments and are fully exercisable.

The following tables summarize the Company's common stock warrants activity for the three months ended March 31, 2021 and 2020:

	Warrants	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value**
Outstanding as of December 31, 2020	38,208,320	$ 0.16	$ —
Granted	—	—	—
Exercised	—	—	—
Forfeited/Canceled	—	—	—
Outstanding as of March 31, 2021	38,208,320	$ 0.16	$ —

	Warrants	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value**
Outstanding as of December 31, 2019	38,458,320	$ 0.16	$ —
Granted	—	—	—
Exercised	—	—	—
Forfeited/Canceled	—	—	—
Outstanding as of March 31, 2020	38,458,320	$ 0.16	$ —

The aggregate intrinsic value represents the pretax intrinsic value, based on the warrants with an exercise price less than the Company's stock price of $0.03 as of March 31, 2021, which would have been received by the warrant holders had those warrant holders exercised their warrants as of that date.

10. STOCK OPTION PLAN AND STOCK-BASED COMPENSATION

During the year ended December 31, 2010, the Company adopted a stock option plan entitled "The 2010 Stock Plan" (2010 Plan) under which the Company may grant options to purchase up to 5,000,000 shares of common stock. On September 7, 2013, the 2010 plan was amended to increase the number of shares of common stock issuable under the 2010 Plan to 7,500,000. As of March 31, 2021 and December 31, 2020, there were 250,000 and 250,000 options outstanding under the 2010 Plan, respectively.

During the year ended December 31, 2011, the Company adopted a non-qualified stock option plan entitled "2011 Non-Qualified Stock Plan" (2011 Plan) under which the Company may grant options to purchase 2,100,000 shares of common stock. In December 2012, the 2011 Plan was amended to increase the number of shares of common stock issuable under the 2011 Plan to 12,000,000 shares. During the period ended March 31, 2013, the 2011 Plan was amended to increase the number of shares of common stock issuable under the 2011 Plan to 17,500,000. As of March 31, 2021 and December 31, 2020, there were 8,871,000 and 8,871,000 options outstanding under the 2011 Plan.

Under the terms of the stock plans, the Board of Directors shall specify the exercise price and vesting period of each stock option on the grant date. Vesting of the options is typically three to four years and the options typically expire in five to ten years.

On August 22, 2016, the Company granted 6,000,000 options to purchase its common shares to its new CEO as a part of his employment agreement. The options consist of 3 separate tranches with different exercise prices and vest upon reaching certain milestones. All 6 million options have a five year life. The first 2,000,000 shares have an exercise price of $0.20 per share and vest upon the Company raising at least $1 million in financing. The second 2,000,000 shares carry an exercise price of $0.40 per share and vest upon the Company raising $5 million in financing. The third 2,000,000 shares carry an exercise price of $0.60 per share and vest upon the Company entering into a significant corporate alliance for substantial marketing and selling of the Company's product portfolio. On March 1, 2018 the Board of Directors approved a reduction in the exercise price of 6,000,000 stock options issued to the Company's CEO on August 22, 2016. The First tranche of 2,000,000 will be exercisable at $0.10 per share and the second and third tranches of 2,000,000 will be exercisable at $0.15 per share. The remainder of the terms remain unchanged.

In addition, the Company amended 1,500,000 stock options previously granted to the new CEO to extend the expiration date to August 22, 2026. These options were all previously vested.

No stock options were issued under either plan during the three months ended March 31, 2021 or 2020.

The Company did not record any stock-based compensation expense for either three month period ending March 31, 2021 or 2020 in connection with share-based payment awards. As of March 31, 2021 and December 31, 2020, there was $0 and $0, respectively of unrecognized compensation expense related to non-vested stock option awards.

The following table summarizes the Company's stock option activity during the three months ended March 31, 2021 and 2020:

	Shares	**Exercise Price per Share**	**Weighted Average Exercise Price per Share**
Outstanding as of December 31, 2020	9,121,000	$ 0.10 – 1.21	$ 0.36
Granted	—	—	—
Exercised	—	—	—
Options forfeited/cancelled	—	—	—
Outstanding as of March 31, 2021	9,121,000	$ 0.10 – 1.21	$ 0.36

	Shares	**Exercise Price per Share**	**Weighted Average Exercise Price per Share**
Outstanding as of December 31, 2019	9,184,000	$ 0.10 – 1.21	$ 0.36
Granted	—	—	—
Exercised	—	—	—
Options forfeited/cancelled	—	—	—
Outstanding as of March 31, 2020	9,184,000	$ 0.10 – 1.21	$ 0.36

The following table summarizes information about stock options that are vested or expected to vest at March 31, 2021:

	Options Outstanding				Exercisable Options			
Exercise Price	Number of Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value	Number of Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
$ 0.10	3,500,000	$ 0.10	2.54	$ —	3,500,000	$ 0.10	2.54	$ —
0.15	4,000,000	0.15	0.40	—	—	0.15	0.40	—
0.18	934,000	0.18	2.23	—	934,000	0.18	2.23	—
0.20	150,000	0.20	3.99	—	150,000	0.20	3.99	—
0.37	58,000	0.37	1.43	—	58,000	0.37	1.43	—
0.69	100,000	0.69	2.95	—	100,000	0.69	2.95	—
1.21	379,000	1.21	2.75	—	379,000	1.21	2.75	—
$ 0.10-1.21	9,121,000	$ 0.20	1.62	$ —	5,121,000	$ 0.20	1.62	$ —

The following table sets forth the status of the Company's non-vested stock options as of March 31, 2021 and December 31, 2020:

	Number of Options	Weighted-Average Grant-Date Fair Value
Non-vested as of December 31, 2020	4,000,000	$ 0.15
Granted	—	—
Forfeited	—	—
Vested	—	—
Non-vested as of March 31, 2021	4,000,000	$ 0.15

The weighted-average remaining contractual life for options exercisable at March 31, 2021 is 1.62 years. At March 31, 2021 the Company has 8,871,000 and 7,250,000 options available for grant under the 2011 Plan and 2010 Plan, respectively.

The aggregate intrinsic value for fully vested, exercisable options was $0 at both March 31, 2021 and December 31, 2020, respectively. The aggregate intrinsic value of options exercised during the three months ended March 31, 2021 and 2020 was $0 for both periods as no options were exercised. The actual tax benefit realized from stock option exercises during the three months ended March 31, 2021 and 2020 were $0 for both periods as no options were exercised in either period.

11. RELATED PARTY TRANSACTIONS

On June 24, 2011, the Company entered into a definitive Licensing and Manufacturing Agreement (the "Agreement") with Advance Pharmaceutical Company Ltd. ("APC"), a Hong Kong-based privately-held company. Under terms of the Agreement, the Company manufactures and supplies product in bulk for APC. APC is responsible for the packaging, marketing and distribution of SUGARDOWN® in certain territories within Asia. In addition, APC is able to purchase the SUGARDOWN product directly from the US manufacturer and sell it within APC's distribution area. In these situations, the Company is entitled to royalty payments from APC of 10% of the total sales price paid upon shipment of the product. APC, through a wholly owned subsidiary, has purchased an aggregate 1,799,800 shares of the Company's common stock in conjunction with the Company's private placement offerings during the years ended December 31, 2012 and 2011. The shares were purchased on the same terms as the other participants acquiring shares in the respective offerings. Conroy Chi-Heng Cheng is a director of APC and joined the Company's Board in December 2013. No revenue was generated pursuant to the Agreement for the three months ended March 31, 2021 or 2020.

Through December 31, 2011, a founder of the company and significant shareholder, Dr. David Platt advanced $257,820 to the Company to fund start-up costs and operations. Advances by Dr. Platt carry an interest rate of 6.5% and were due on June 29, 2013. On May 7, 2012, Dr. Platt and the Company's former President and also a significant shareholder entered into promissory notes to advance to the Company $20,000 each for an aggregate of $40,000. The notes accrue interest at 6.5% per year and were due June 30, 2013. The outstanding notes of $297,820 were amended each year to extend the maturity dates. Effective June 30, 2015, the outstanding notes for Dr. Platt were amended to extend the maturity dates to June 30, 2017. During 2017, the Company made fully paid the note and all accrued interest to the former President of the Company. Dr. Platt's notes and accrued interest remain outstanding and are classified as current liabilities.

In December 2013, the Board of Directors agreed to indemnify Dr. Platt for legal costs incurred in connection with an arbitration (now concluded) initiated before the American Arbitration Association by Galectin Therapeutics, Inc. (formerly named Pro-Pharmaceuticals, Inc.) for which Dr. Platt previously served as CEO and Chairman. Galectin sought to rescind or reform the Separation Agreement entered into with Dr. Platt upon his resignation from Galectin to remove a $1.0 million milestone payment which Dr. Platt asserted he was entitled to receive and to be repaid all separation benefits paid to Dr. Platt. The Company initially capped the amount for which it would indemnify Dr. Platt at $150,000 in December 2013 and Dr. Platt agreed to reimburse the indemnification amounts paid by the Company should he prevail in the arbitration. The Board decided to indemnify Dr. Platt after considering a number of factors, including the scope of the Company's existing indemnification obligations to officers and directors and the potential impact of the arbitration on the Company. In May 2014, the Board approved a $50,000 increase in indemnification support, solely for the payment of outside legal expenses. The Company recorded a total of $182,697 in costs associated with Dr. Platt's indemnification, of which $119,401 was expensed in the year ended December 31, 2013 and of which $63,296 was expensed in the year ended December 31, 2014. In July 2014, the arbitration was concluded in favor of Dr. Platt, confirming the effectiveness of the separation agreement and payment was made to Dr. Platt in July 2014.

On March 2, 2015, the Board of Directors voted to reduce the amount that Dr. Platt was required to reimburse the Company to $82,355 and to offset this amount against interest accrued in respect of the outstanding note payable to Dr. Platt. In addition, the Board determined that Dr. Platt would be charged interest related to the $182,697 indemnification payment since funds were received by Dr. Platt in July 2014. The Board of Directors concluded the foregoing constituted complete satisfaction of Dr. Platt's indemnification by the Company. Accordingly, the Company recorded the reduction in accrued interest through equity during the year ended December 31, 2015. As of December 31, 2020 and December 31, 2019, the balance of the notes payable to Dr. Platt totaled $277,821 and are included Notes payable - related party on the accompanying balance sheet. As of March 31, 2021 and December 31, 2020, $110,415 and $104,476, respectively, of accrued interest in connection with the related party promissory notes, had been included in accrued expenses and other current liabilities – related party on the accompanying balance sheet.

During September 2015, the Company entered into a securities purchase agreement with CJY. Pursuant to this agreement, the Company issued to CJY a convertible promissory note in the principal amount of $750,000. The Note was amended during the fourth quarter of 2015 to $1,200,000. During 2016, the Note was amended to $1,752,000. This Note provided necessary bridge financing to the Company prior to a financing of $1,600,000 completed in the third quarter of 2016. Interest accrues at the rate of 10% per annum and is due upon maturity of the note in August 2018. The Company may prepay this Note and any accrued interest at any time. At any time amounts outstanding under the CJY Note are convertible into the Company's common stock, in whole or in part, at the option of the lender, at a conversion price of $0.05 per share. A beneficial conversion feature of $1,642,000 was calculated and capped at the value of the note pursuant to ASC 470 - 20. The beneficial conversion feature was fully amortized during 2018.

On October 6, 2017, in accordance with the terms of the Securities Purchase Agreement, CJY Holdings converted $500,000 of Notes in exchange for 10,000,000 shares of the Company's common stock. The cost basis for the shares issued was $0.05. Upon conversion, a loss on extinguishment of $15,354 was charged to additional paid in capital.

On October 16, 2017, CJY holdings converted an additional $50,000 of the Notes along with $150,000 of accrued interest into 4,000,000 shares of the Company's common stock. The cost basis for the shares issued was $0.05. Upon conversion, a loss on extinguishment of $155,459 was charged to additional paid in capital.

During January 2021 all of the remaining CJY Holdings Notes totaling $1,202,000 and related accrued interest totaling $568,400 were converted into 273,350,500 shares of the Company's common stock.

On April 26, 2017, Boston Therapeutics, Inc. (the "Company") entered into Securities Purchase Agreement with CJY Holdings Limited ("CJY") providing for the sale by the Company to CJY of 6% Subordinated Convertible Debenture in an amount of up to $1,000,000 (the "Debentures"). In addition to the Debentures, CJY will also receive stock purchase warrants (the "Warrants") to acquire 500,000 shares of common stock of the Company for every $50,000 in Debentures purchased. The Warrants are exercisable for five years at an exercise price of $0.10 and may be exercised on a cashless basis. The Company may only use the proceeds for the payment of services or materials associated with clinical trials. The Company closed on $200,000 in financing and issued the related Debentures and Warrants under this agreement on April 26, 2017.

The Debentures bear interest at 6% per annum and mature two years from issuance. CJY may elect to convert all or part of the Debentures, plus accrued interest, at any time into shares of common stock of the Company at a conversion price of $0.10 per share. Interest on the Debentures is payable in cash or shares of common stock at $0.10 per share quarterly commencing June 30, 2017. The conversion price is subject to adjustment for stock dividends and stock splits. In addition, if after the original issue date of the Debentures, either (i) the volume weighted average price equals or exceeds $0.50 for 10 consecutive trading days or (ii) the Company elects to list a class of securities on a national securities exchange, the Company may cause CJY to convert all or part of the then outstanding principal amount of the Debentures plus, accrued but unpaid interest, liquidated damages and other amounts owed.

CJY agreed to restrict its ability to convert the Debentures and exercise the Warrants and receive shares of common stock such that the number of shares of common stock held by CJY after such conversion or exercise does not exceed 4.99% of the then issued and outstanding shares of common stock.

A beneficial conversion feature of $186,939 was calculated and capped at the value of the note pursuant to ASC 470 - 20. The Company recorded amortization of the beneficial conversion feature as interest expense in the amount of $0 and $0 during the three months ended March 31, 2021 and 2020, respectively. In connection with this borrowing, the Company also issued warrants to purchase 2,000,000 shares of the Company's common stock at $0.10 per share.

During January 2021 all of the outstanding debentures totaling $200,000 and related accrued interest totaling $42.044 were converted into 39,836,667 shares of the Company's common stock.

Convertible notes payable – related party consist of the following at March 31, 2021 and December 31, 2020:

	2021	2020
Principal balance	$ —	$ 1,402,000
Debt discount	—	—
Outstanding, net of debt	$ —	$ 1,402,000

On June 12, 2018, the Company issued a note payable for $100,000 to World Technology East II Limited ("WTE2"). WTE2 is a Hong Kong company owned by Carl W. Rausch, the Company's former CEO. The WTE2 Note is an unsecured obligation of the Company. Principal and interest under the WTE2 Note is due and payable June 12, 2019, however, in the event that the Company raises in excess of $1,000,000 in equity financing, then the Company will use part of its proceeds to pay off the WTE2 Note. During the fourth quarter of 2018, the Company increased the amount of the note payable to $174,500 with borrowings of $44,500 on October 4, $15,000 on November 5 and $15,000 on December 7. During the first quarter of 2019, the Company increased the amount of the note payable to $224,500 with borrowings of $30,000 on January 17 and $20,000 on February 11. During the second quarter of 2019, the Company increased the amount of the note payable to $324,500 with borrowings of $50,000 on April 4 and $50,000 on May 31. On July 31, 2019, the Company borrowed $50,000 increasing the total amount of notes payable to $374,500. On November 18, 2019, the Company borrowed $30,000 increasing the total amount of notes payable to $404,500 which remain outstanding at December 31, 2020. The notes came due on various dates through November 18, 2020 including $374,500 which came due during 2019 and are currently in default and are classified as current liabilities. Interest accrues on the WTE2 Notes at the rate of 10.0% per annum.

During January of 2021 all of the outstanding WTE notes totaling $404,500 and related accrued interest totaling $77,966 were converted into 43,860,545 shares of the Company's common stock. Accrued interest at December 31, 2020 totaled $77,966.

On September 26, 2018, the Company issued a note payable for $305,937 to CJY Holdings, Ltd ("CJY"). CJY is a Hong Kong company owned by Conroy Chi-Heng Cheng, a director of the Company. The CJY Note is an unsecured obligation of the Company. Principal and interest under the CJY Note is due and payable after one year. During the 2019, the Company increased the amount of the note payable to $1,266,108 with borrowings of $289,144 on April 12, $157,671 on July 2, $194,356 on July 31 and $319,000 on November 29. The notes are due on various dates through November 29, 2020 and are currently all in default. During the first quarter of 2020, the Company increased the amount of the note payable to $1,516,108 with a borrowing of $250,000 on January 3. During the second quarter of 2020, the Company increased the amount of the note payable to $1,846,108 with borrowings of $200,000 on April 2, $50,000 on May 20, $60,000 on June 10 and $20,000 on June 30. During the third quarter of 2020, the Company increased the amount of the note payable to $2,076,108 with borrowings of $80,000 on July 10 and $150,000 on August 4. The notes are due on various dates through August 4, 2021. Interest accrues on the CJY Note at the rate of 10% per annum.

During January 2021 CJY notes totaling $2,101,000 and related accrued interest totaling $264,523 were converted into 320,855,533 shares of the Company's common stock. Accrued interest at March 31, 2021 totaled $3,882. Accrued interest at December 31, 2020 totaled $264,523.

Notes payable-related party consist of the following at March 31, 2021 and December 31, 2020:

	2021	2020
Founder	$ 277,821	$ 277,821
CJY Holdings Ltd	220,000	2,101,108
World Technology East Ltd II	—	404,500
	$ 497,821	$ 2,783,429

Included in accounts payable at March 31, 2021 and December 31, 2020 are amounts due shareholders, officers and directors of the Company in the amounts of $0 and $282,302, respectively.

Included in accrued expenses at March 31, 2021 and December 31, 2020 are amounts due shareholders, officers and directors of the Company in the amounts of $110,415 and $1,397,409, respectively.

12. COMMITMENTS AND CONTINGENCIES

Pending litigation

In March 2019, we were served with notification of complaint filed by CureDM Inc. as agent for the members of CureDM Group Holdings, LLC filed with the Supreme Court of the State of New York County of New York regarding breach of contract and other matters relating to their desire to unwind the acquisition of CureDM Group Holdings LLC according to the original Contribution Agreement. We have been working with the representatives from CureDM Inc. to settle this claim and unwind the Contribution Agreement. The complaint was withdrawn by CureDM, Inc. in December 2019.

In addition to the above matter, we are also in arbitration with Level Brands, Inc. regarding a License Agreement dated June 21, 2018 (JAMS Ref. No.: 1220061261). The Company filed an Answer to Complaint and Counter-complaint on June 25, 2019. Both parties are claiming non-performance under the License Agreement. The matter was scheduled for arbitration in October 2019. In October 2019, the arbitration was dismissed without prejudice.

On October 16, 2019 the Company received a Summons and Complaint filed by Microcap Headlines Inc. against the Company in the Supreme Court of the United States of New York County of Suffolk claiming damages of $18,000 and the costs and disbursements of the action. The Company filed an Answer on November 15, 2019. During January 2021, the Company settled this claim with Microcap Headlines, Inc. for $10,000 which was accrued on the Company's balance sheet at December 31, 2020.

Contingent share liability

On February 12, 2018, the Company entered into a Contribution Agreement with the members of CureDM Group Holdings, LLC, a limited liability company, all of which except five are accredited investors ("CureDM Group Members") pursuant to which the CureDM Group Members agreed to contribute 100% of the outstanding securities of CureDM Group in exchange for an aggregate of 47,741,140 shares of common stock of the Company (the "BTHE Contribution Shares") of which 25,000,000 BTHE Contribution Shares were delivered at closing and 22,741,140 BTHE Contribution Shares (the "Milestone BTHE Shares") shall be delivered in four equal tranches of 5,685,285 BTHE Contribution Shares each upon the achievement of specific milestones (the "CureDM Group Contribution"). The closing of the CureDM Group Contribution occurred on February 12, 2018.

Under the agreement, BTI was to use its best efforts to secure a binding commitment to close an equity financing with net proceeds of at least $1,000,000 within 180 days after the closing date. The use of the equity financing proceeds would be designated as working capital for at least, but not limited to the synthesis of HIP2B clinical material. In the event the equity financing is not closed by the required date, then, if both BTI and CureDM, Inc. mutually agree, (i) this Acquisition Agreement will then be null and void and have no further force and effect and all other rights and liabilities of the parties will terminate without any liability of any party to any other party and (ii) each party shall have released the other party. Further, if such event occurs, the CureDM Members will return all shares to BTI for cancellation.

Subsequent to June 30, 2018, the 180 day time period elapsed and the Company did not raise the required funding.

The Company believes the milestones noted above will not be achieved and that the Milestone BTHE Shares will not be issued. Therefore, the Company has not established a contingent liability to recognize the milestone shares obligations.

Merger Agreement

The Company, BTHE Acquisition Inc., a California corporation and wholly-owned subsidiary of the Company ("Merger Sub"), and Nanomix entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which, among other matters, and subject to the satisfaction or waiver of the conditions set forth in the Merger Agreement, Merger Sub will merge with and into Nanomix, with Nanomix continuing as a wholly-owned subsidiary of the Company and the surviving corporation of the merger (the "Merger"). The Merger is intended to qualify for federal income tax purposes as a tax-free reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended. Nanomix has developed an advanced mobile Point-of-Care (POC) diagnostic system that can be used in performing a wide range of in vitro diagnostic tests in many environments. Our goal is to provide laboratory quality testing for time sensitive medical conditions, at the first point of contact that a patient has with the healthcare system, no matter where that occurs. The Nanomix eLab® system is CE Marked, a 510(k) is currently in process, and Emergency Use Applications (EUA) for COVID testing has been submitted to the FDA. The Company intends to market and sell this system for the detection and diagnosis of a variety of time sensitive medical conditions.

Subject to the terms and conditions of the Merger Agreement, as consideration for the Merger, Company shall issue to the shareholders of Nanomix 1,000,000 shares of a newly created Series C Convertible Preferred Stock of the Company (the "Preferred Stock"). Upon the effectiveness of the amendment to our Certificate of Incorporation to effectuate the reverse stock split referred to below, all such shares of Preferred Stock issued to Nanomix shareholders shall automatically convert into approximately 35,029,160 shares of common stock of the Company, the warrants to be assumed at closing may be exercisable into approximately 2,002,696 shares of common stock of the Company and the options and restricted stock units to be assumed at closing may be exercisable into approximately 6,456,666 shares of common stock of the Company. The shares of common stock issuable upon conversion of the Preferred Stock together with warrants, restricted stock units and options to be assumed on the closing date shall represent approximately 80% of the outstanding shares of Common Stock of the Company upon closing of the Merger.

Pursuant to the Merger Agreement described above, the Company has agreed to deliver the Preferred Stock to the shareholders of Nanomix at the closing of the Merger, subject to the satisfaction of the closing conditions set forth in the Merger Agreement. The issuance of the Preferred Stock by the Company to the shareholders of Nanomix will be made pursuant to the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), and/or Rule 506 of Regulation D promulgated under the Securities Act.

The merger was completed on June 4, 2021.

Employment Agreement

The Company entered into an Employment Agreement with Carl W. Rausch pursuant to which Mr. Rausch was engaged as the Chief Executive Officer of the Company for a period of three years. Mr. Rausch was initially required to relocate from Hong Kong to the United States. However, due to his continued efforts in Hong Kong, the Company and Mr. Rausch, in March 2017, amended the employment agreement to remove the provision requiring Mr. Rausch to relocate to the United States. Mr. Rausch received a signing bonus of $60,000 and an annual salary of $224,000, which would be increased to $264,000 upon Mr. Rausch relocating to the United States. Further, upon the Company being listed on a national exchange, Mr. Rausch's salary will be increased by $20,000. The Company granted Mr. Rausch a Stock Option (the "Rausch Option") to acquire an aggregate of 6,000,000 shares of common stock of the Company, exercisable for five (5) years, subject to vesting. The Rausch Option shall be earned and vested in three equal tranches of 2,000,000 upon the Company raising $1,000,000 in financing, the Company raising $5,000,000 in financing and the Company entering into a significant corporate alliance for substantial marketing and selling of the Company's product portfolio. The initial tranche shall be exercisable at $0.20 per share, the second tranche will be $0.40 per share and the third tranche shall be $0.60 per share, which such vesting is subject to Mr. Rausch's continued employment as an executive with the Company as of the vesting date. In addition, as additional consideration for Mr. Rausch's commitment to the Company, the stock options previously granted to Mr. Rausch shall be amended to extend the expiration date to the ten year anniversary of signing date and such options shall be considered fully vested. Mr. Rausch shall be entitled to certain raises and milestones subject to the achievement of certain milestones to be agreed upon. In the event the Employment Agreement is terminated prior to the expiration of the term by the Company without cause or by Mr. Rausch with good reason, the Company shall pay Mr. Rausch an amount equal to Mr. Rausch's accrued but unpaid base salary and earned but unpaid bonus prior to the termination date, reimbursement for any reimbursable business expenses and Mr. Rausch's salary for a period of one year. On December 12, 2019, Mr. Rausch resigned as the Chief Executive Officer and Board Chairman. Under the agreement, Mr. Rausch's options were not canceled as a result of his voluntary termination

On March 1, 2018 the Board of Directors approved a reduction in the exercise price of 6,000,000 stock options issued to the Company's CEO on August 22, 2016. The First tranche of 2,000,000 will be exercisable at $0.10 per share and the second and third tranches of 2,000,000 will be exercisable at $0.15 per share. The remainder of the terms remain unchanged.

On February 12, 2018, Loraine Upham was appointed as Chief Operating Officer. The Company and Ms. Upham entered into an Executive Retention Agreement pursuant to which Ms. Upham was engaged as Chief Operating Officer with an annual salary of $200,000. However, Ms. Upham's salary shall accrue until the Company has raised a minimum of $1,250,000. Ms. Upham is eligible for bonuses as determined by the Board of Directors. These include a bonus of $20,000 is to be paid upon the Company successfully raising $1,250,000 through the sale of equity; an annual performance bonus based on milestones related to clinical progress, partnering and fund raising success to be established by the Board of Directors or the Compensation Committee, if in existence on an annual basis. In addition, Ms. Upham received a stock option to purchase 4,000,000 shares of common stock under the Company's Amended and Restated 2011 Stock Incentive Plan, vesting over three (3) years, one third on the first anniversary of the effective date and the balance in equal quarterly installments. The exercise price of the initial tranche of options (1,333,334 shares) shall be $0.06 per share, the second tranche (1,333,333 shares) shall be $0.10 per share and the final tranche (1,333,333 shares) shall be $0.20 per share. The term of the options is five years. Ms. Upham resigned from the Company on November 30, 2018. As a result of her resignation all of her stock options were terminated and returned to the option pool. Her accrued salary and vacation of $188,716 will be paid once the funding is obtained.

Consulting Agreement

On April 1, 2018, the Company entered into a Corporate Advisory Agreement with a consultant. Services commenced May 1, 2018 for a term of one year with an option to renew for an additional six months. Compensation pursuant to the agreement is as follows: (1) a monthly fee of $6,500 paid in cash, and (2) 3,000,000 shares of restricted common stock of which 1,400,000 shares were deliverable upon execution of the agreement and the remaining 1,600,000 delivered in monthly installments of 400,000 shares as long as the agreement has not been terminated. Included in accrued expenses is the monthly fee totaling $110,500 and the fair value of the shares of common stock totaling $211,600, as the shares have not been issued as of December 31, 2020. During January 2021, the Company issued the consultant 132,000 shares of its Series B Preferred Stock in full payment of these obligations.

13. SUBSEQUENT EVENTS

The Company has evaluated events and transactions that occurred from March 31, 2021 through the date of the filing for possible disclosure and recognition in the financial statements.

On May 24, 2021, the Company borrowed $50,000 from a related party. The Note bears interest at 10% and is due in 12 months.

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

The following discussion and analysis is based on, and should be read in conjunction with, the unaudited condensed consolidated financial statements and the notes thereto included elsewhere in this Form 10-Q. This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These statements are often identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," or "continue," and similar expressions or variations. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. The forward-looking statements in this Quarterly Report on Form 10-Q represent our views as of the date of this Quarterly Report on Form 10-Q. We anticipate that subsequent events and developments will cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Report on Form 10-Q.

Overview

Boston Therapeutics, headquartered in Lawrence, MA, (OTCQB: BTHE) is a leader in the field of complex carbohydrate chemistry and peptide therapeutic drug discovery and development. The Company's initial product pipeline is focused on developing and commercializing therapeutic molecules for sugar control more specifically prediabetics and diabetes: investigative material BTI-320, a non- systemic, non-toxic, investigative therapeutic compound designed to reduce post-meal glucose elevation. In addition, under manufacturing control, SUGARDOWN**®,** a similar base material to BTI-320 has progressed into market testing as a dietary supplement designed to manage post-meal sugar spikes. Recently, with the acquisition of CureDM in the first quarter of 2018, a new investigative material BTI-410, an injectable peptide, may fulfill the medical need to replace injection of insulin by stimulating the beta cell maturation. And the adjunctive therapeutic material called IPOXYN, is an investigative intravenous fluid therapy for the prevention of necrosis and a treatment for ischemia, with an initial target indication of lower limb ischemic events often associated with diabetes. This covers a wider combined prevention and therapeutic option for the growing worldwide epidemic related to metabolic diseases with diabetes being the leader.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company has limited cash resources, recurring cash used in operations and operating losses history. As shown in the accompanying consolidated financial statements, the Company has an accumulated deficit of approximately $42.0 million as of March 31, 2021 and used cash in operations of $180,438 during the three months ended March 31, 2021. These factors among others, raise substantial doubt about the Company's ability to continue as a going concern.

The Company has incurred recurring operating losses since inception as it has worked to bring its SUGARDOWN® product to market and develop BTI-320 and IPOXYN. Management expects such operating losses will continue until such time that substantial revenues are received from SUGARDOWN® or the regulatory and clinical development of BTI-320 or IPOXYN is completed. The Company has approximately $47,000 cash on hand at March 31, 2021. Management is currently seeking additional capital through private placements and public offerings of its common stock. In addition, the Company may seek to raise additional capital through public or private debt or equity financings as well as collaboration activities in order to fund our operations. The Company was advanced $835,000 through the issuance of 10% notes payable to a related party during 2020. The Company has been advanced $220,000 through the issuance of 10% notes payable to a related party during the first quarter of 2021. In addition, the Company was advanced $50,000 through the issuance of 10% notes payable to a related party thus far during the second quarter of 2021. Management anticipates that cash resources will be sufficient to fund our planned operations into the second quarter of 2021. The future of the Company is dependent upon its ability to obtain continued financing and upon future profitable operations from the partnering, development and clarity of its new business opportunities.

There can be no assurance that we will be successful in accomplishing our objectives. Without such additional capital, we may be required to cease operations. The accompanying financial statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue operations.

Results of Operations

Three Months Ended March 31, 2021 compared to March 31, 2020

Revenue

We had no revenue for the three months ended March 31, 2021 compared to revenue of $3,093 for the three months ended March 31, 2020. The decrease is attributable to the Company's lack of financial resources to assist with sales and marketing costs.

Direct Expenses

Direct expenses related to revenue for the three months ended March 31, 2021 totaled $8,766 as compared to $4,902 for the three months ended March 31, 2020. Costs for fulfillment were higher in 2021 due to stability studies for our Sugardown product. We also to a charge to excess inventory totaling $2,335 for our remaining bottles of Sugardown as we are pausing sales while we assess our strategy.

Research and Development

Research and development expense for the three months ended March 31, 2021 was $2,500 as compared to $0 for the three months ended March 31, 2020. The increase was due to consulting services provided regarding the Sugardown products.

Sales and Marketing

Sales and marketing expense for the three months ended March 31, 2021 was $308, a decrease of $233 as compared to $541 for the three months ended March 31, 2020. There are currently no employees dedicated to sales and marketing.

General and Administrative

General and administrative expense for the three months ended March 31, 2021 was $574,955, a increase of $443,594 as compared to $131,361 for the three months ended March 31, 2020. The Company currently has zero employees as all of the general and administrative tasks are performed by outside consultants. The 2021 increased expenses relate to various professional consulting fees of $328,167 to assist the Company with the expected transaction with Nanomix. The remaining 2021 fees and all 2020 expenses related to profession fees including legal, accounting and audit fees, as well as insurance, IT and other operating expenses.

Other (Expenses) Income

Total other income was ($13,443,748) for the three months ended March 31, 2021 compared to total other income $7,350 for the three months ended March 31, 2020. For the three months ended March 31, 2021, the Company recognized non-cash losses totaling ($10,604,620) related to the conversion of its debt into Common stock. The Company also recognized non-cash losses totaling ($993,715) for the exchange of stock for trade payables. The Company also recognized non-cash losses totaling ($1,735,500) for the conversion of Series A preferred stock into common stock. The Company also recognized a non-cash gain of $211,600, from the settlement of trade accounts payable with Series B preferred stock. Interest expense decreased by $76,452 for the three months ended March 31, 2021 as compared to the same period in 2020. This was due to the significant conversions of debt into common stock during January 2021. The Company recognized a loss of $278,630 from the change in the valuation of its warrant liability for the three months ended March 31, 2021 compared to a gain of $101,993 for three months ended March 31, 2020. The Company also recognized a loss of $21,143 from the change in the valuation of its derivative liability for the three months ended March 31, 2021 compared to a gain of approximately $3,500 for the three months ended March 31, 2020.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2021, we had cash of $48,964 and accounts payable and accrued expenses of $1,342,122. For the three months ended March 31, 2021 the Company used $180,438 of cash in operations.

The Company has incurred recurring operating losses since inception as it has worked to bring its SUGARDOWN® product to market and develop BTI-320 and IPOXYN. Management expects such operating losses will continue until such time that substantial revenues are received from SUGARDOWN® or the regulatory and clinical development of BTI-320 or IPOXYN is completed. The Company has approximately $47,000 cash on hand at March 31, 2021. Management is currently seeking additional capital through private placements and public offerings of its common stock. In addition, the Company may seek to raise additional capital through public or private debt or equity financings as well as collaboration activities in order to fund our operations. The Company was advanced $835,000 through the issuance of 10% notes payable to a related party during 2020. The Company was advanced $220,000 through the issuance of 10% notes payable to a related party during the first quarter of 2021. In addition, the Company was advanced $50,000 through the issuance of 10% notes payable to a related party during the second quarter of 2021. Management anticipates that cash resources will be sufficient to fund our planned operations into the third quarter of 2021. The future of the Company is dependent upon its ability to obtain continued financing and upon future profitable operations from the partnering, development and clarity of its new business opportunities.

The pandemic novel coronavirus (COVID-19) outbreak, federal, state and local government responses to COVID-19 and our Company's responses to the outbreak have all disrupted and will continue to disrupt our business. In the United States, individuals are being encouraged to practice social distancing, restricted from gathering in groups and in some areas, placed on complete restriction from non-essential movements outside of their homes. As a result, disruption and volatility in the global capital markets, which increases the cost of capital and adversely impacts access to capital.

The Company may seek to raise additional capital through public or private debt or public or private equity financings, and partnerships or licensing opportunities in order to fund our operations. There can be no assurance that the Company will be successful in accomplishing its objectives. Without such additional capital, the Company may be required to cease operations.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our investors.

CRITICAL ACCOUNTING POLICIES

See Note 2 Summary of Significant Accounting Policies, of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I, Item 1 herein for a discussion of critical accounting policies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, we are not required to provide the information requested by this item, as provided by Regulation S-K Item 305(e).

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Pursuant to Rules 13a-15(b) and 15-d-15(b) under the Securities Exchange Act of 1934, as amended ("Exchange Act"), the Company carried out an evaluation, with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer ("CEO/CFO") of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. The term "disclosure controls and procedures", as defined under Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

As disclosed in our annual report filing for the year ended December 31, 2020, there was a material weakness in the Company's internal control over financial reporting due to the fact that the Company does not have an adequate process established to ensure appropriate levels of review of accounting and financial reporting matters, which resulted in our closing process not identifying all required adjustments and disclosures in a timely fashion. The Company's CEO/CFO has identified control deficiencies regarding the lack of segregation of duties and the need for a stronger internal control environment. The small size of the Company's accounting staff may prevent adequate controls in the future, such as segregation of duties, due to the cost/benefit of such remediation. Based upon the evaluation of the disclosure controls and procedures at the end of the period covered by this report, the Company's CEO/CFO concluded that the Company's disclosure controls and procedures were not effective due to a material weakness in the Company's internal control over financial reporting.

Through the use of external consultants and the review process, management believes that the financial statements and other information presented herewith are materially correct.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15f of the Exchange Act) that occurred during the first nine months of 2020 that has materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations on Internal Controls

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In March 2019, we were served with notification of complaint filed by CureDM Inc. as agent for the members of CureDM Group Holdings, LLC filed with the Supreme Court of the State of New York County of New York regarding breach of contract and other matters relating to their desire to unwind the acquisition of CureDM Group Holdings LLC according to the original Contribution Agreement. The complaint was withdrawn by CureDM, Inc. in December 2019. The Company is continuing to work with the representatives from CureDM Inc. to settle this claim and unwind the Contribution Agreement.

In addition to the above matter, we are also in a dispute with Level Brands, Inc. regarding a License Agreement dated June 21, 2018 (JAMS Ref. No.: 1220061261). The Company filed an Answer to Complaint and Counter-complaint on June 25, 2019. Both parties are claiming non-performance under the License Agreement. The matter was scheduled for arbitration in October 2019. In October 2019, the arbitration was dismissed without prejudice.

On October 16, 2019 the Company received a Summons and Complaint filed by Microcap Headlines Inc. against the Company in the Supreme Court of the United States of New York County of Suffolk claiming damages of $18,000 and the costs and disbursements of the action. The Company filed an Answer on November 15, 2019. During January 2021, the Company settled this claim with Microcap Headlines, Inc. for $10,000 which was accrued on the Company’s balance sheet at December 31, 2020.

The Company may become involved in certain legal proceedings and claims which arise in the normal course of business. The Company is not aware of any other outstanding or pending litigation.

Item 1A. Risk Factors

There have not been any material changes in the risk factors from those previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

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

During January 2021, the Company issued 132,000 shares of its Series B Preferred Stock in full payment of consulting service accounts payable totaling $343,600.

During January 2021, the Company issued 92,982 shares of its Series B Preferred Stock in full payment of consulting service accounts payable totaling $156,885.

During January 2021, the Company issued 172,982 shares of its Series B Preferred Stock in full payment of trade accounts payable totaling $172,982.

During January 2021, the Company issued 566,000 shares of its Series B Preferred Stock to five parties for consulting services to be performed during the first and second quarters of 2021 related to a potential merger transaction.

<u>Common Stock</u>

During January 2021, the Company issued 75,000,000 shares of its common stocks in exchange for 100% of the outstanding shares of its Series A Preferred Stock.

During January 2021, the Company issued 20,052,000 shares of its common stock to a related party in full payment of a trade accounts payable totaling $20,052.

During January 2021, the Company issued 32,827,636 shares of its common stock to a related party in full payment for past CEO and other consulting services rendered totaling $361,104.

During January 2021, the Company issued 43,860,545 shares of its common stock to a related party in full payment of a loans totaling $404,500 and related accrued interest totaling $77,966.

During January 2021, the Company issued 320,855,533 shares of its common stock to a related party in full payment of loans totaling $2,101,000 and related accrued interest totaling $264,523.

During January 2021, the Company issued 39,836,667 shares of its common stock to a related party in full payment of a loan totaling $200,000 and related accrued interest totaling $42,044.

During January 2021, the Company issued 273,350,500 shares of its common stock to a related party in full payment of convertible loans totaling $1,202,000 and related accrued interest totaling $568,400.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Title of Document
31.1	Certification of Principal Executive and Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended*
32.1	Certification pursuant to Section 906 of Sarbanes Oxley Act of 2002 (Chief Executive and Financial Officer)**
101	The following financial statements from the Quarterly Report on Form 10-Q of Boston Therapeutics, Inc. for the quarter ended September 30, 2020 formatted in XBRL: (i) Condensed Balance Sheets (unaudited), (ii) Condensed Statements of Operations (unaudited), (iii) Condensed Statements of Cash Flows (unaudited), and (iv) Notes to Condensed Financial Statements (unaudited), tagged as blocks of text.*

* **Filed as an exhibit hereto.**

** **These certificates are furnished to, but shall not be deemed to be filed with, the Securities and Exchange Commission.**

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

BOSTON THERAPEUTICS, INC.

Date: June 14, 2021

By: /s/ Conroy Chi-Heng Cheng
Conroy Chi-Heng Cheng
Chief Executive Officer

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE AND FINANCIAL OFFICER PURSUANT TO RULE 13a-14

I, Conroy Chi-Heng Cheng, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Boston Therapeutics, Inc;

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

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

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

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

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

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

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

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

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

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

Dated: June 14, 2021

By: /s/ Conroy Chi-Heng Cheng
Conroy Chi-Heng Cheng
Chief Executive Officer
(Principal Executive, Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Boston Therapeutics, Inc. (the “Company”) for the quarter ending March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Conroy Chi-Heng Cheng, Chief Executive and Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: June 14, 2021

By: /s/ Conroy Chi-Heng Cheng
Conroy Chi-Heng Cheng
Chief Executive Officer
(Principal Executive, Financial and Accounting Officer)