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 September 30, 2018

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the 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 PRECEDEING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 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 ☐

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 November 14, 2018
Common Stock, $0.001 par value per share	110,131,373 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.
Condensed Consolidated Balance Sheets

	September 30, 2018 (unaudited)	December 31, 2017
ASSETS		
Cash and cash equivalents	$ 310,953	$ 137,279
Accounts receivable	635	588
Prepaid expenses and other current assets	1,039,378	214,539
Inventory, net	1,914	38,541
Total current assets	1,352,880	390,947
Property and equipment, net	2,538	3,565
Intangible assets, net	554,153	439,286
Goodwill	2,383,059	69,782
Total assets	$ 4,292,630	$ 903,580
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 524,486	$ 299,257
Accrued expenses and other current liabilities	1,115,011	352,526
Deferred revenue	104,782	104,782
Convertible note payable – related party, net of discount	1,348,574	1,017,143
Convertible note payable, net of discount	250,000	1,207,291
Notes payable – related parties	683,757	277,820
Note payable marketing agreement	450,000	—
Derivative liability	109,605	429,141
Total current liabilities	4,586,215	3,687,960
Warrant liability	1,257,657	1,099,200
Total liabilities	5,843,872	4,787,160
Contingent share liability (Note 11)	1,137,057	—
Stockholders' deficit:		
Series A preferred stock, 150,000 shares authorized, 82,500 and 55,000 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	83	55
Common stock, $0.001 par value, 2,000,000,000 shares authorized, 110,131,373 and 64,437,163 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	110,131	64,437
Additional paid-in capital	19,122,748	15,862,980
Accumulated deficit	(21,921,261)	(19,811,052)
Total stockholders' deficit	(2,688,299)	(3,883,580)
Total liabilities and stockholders' deficit	$ 4,292,630	$ 903,580

See accompanying notes to unaudited condensed consolidated financial statements

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

	For the three months ended September 30, 2018	For the three months ended September 30, 2017	For the nine months ended September 30, 2018	For the nine months ended September 30, 2017
Revenue	$ 7,790	$ 4,400	$ 25,192	$ 14,092
Operating expenses:				
Direct expenses	6,291	17,783	61,063	33,875
Research and development	39,576	17,639	142,083	81,242
Sales and marketing	32,757	3,301	46,309	17,606
General and administrative	283,626	260,605	1,259,617	698,602
Total operating expenses	362,250	299,328	1,509,072	831,325
Operating loss	(354,460)	(294,928)	(1,483,880)	(817,233)
Other (expenses) income:				
Interest expense	(165,246)	(462,413)	(708,701)	(1,364,417)
Financing costs	(15,702)	(31,416)	(78,534)	(94,248)
Gain (Loss) on extinguishment of debt	(3,469)	—	2,374	—
Change in fair value of warrant liability	1,176,003	(163,891)	68,377	171,184
Change in fair value of derivative liability	127,488	(18,961)	90,155	535,535
Total other (expenses) income	1,119,074	(676,681)	(626,329)	(751,946)
Income (loss) before provision for income taxes	764,614	(971,609)	(2,110,209)	(1,569,179)
Provision of income taxes	—	—	—	—
Net income (loss)	$ 764,614	$ (971,609)	$ (2,110,209)	$ (1,569,179)
Net income (loss) per share- basic and diluted	$ 0.01	$ (0.02)	$ (0.02)	$ (0.03)
Weighted average shares outstanding basic and diluted	109,614,627	48,336,915	99,925,611	47,557,779

See accompanying notes to unaudited condensed consolidated financial statements

Boston Therapeutics, Inc.
Condensed Consolidated Statement of Stockholders' Deficit
For the nine months ended September 30, 2018

	Preferred Stock			Common Stock			Additional Paid-	Accumulated	Stockholdrs'
	Shares		Amount	Shares		Amount	in Capital	Deficit	Deficit
Balance, December 31, 2017	55,000	$	55	64,437,163	$	64,437	$15,862,980	$(19,811,052)	$ (3,883,580)
Stock based compensation	—		—	—		—	141,686	—	141,686
Issuance of common stock in acquisition of CureDM Group Holdings LLC	—		—	25,000,000		25,000	1,225,000	—	1,250,000
Issuance of Series A Preferred stock for cash	27,500		28	—		—	274,972	—	275,000
Conversion of convertible notes payable and accrued interest into common stock	—		—	17,027,544		17,027	1,260,039	—	1,277,066
Issuance of common stock in exchange for consulting services	—		—	3,666,666		3,667	326,333	—	330,000
Issuance of warrants to purchase capital stock in exchange for extension of note payable	—		—	—		—	21,121	—	21,121
Reclassification of derivative liability	—		—	—		—	10,617	—	10,617
Net loss for the nine months ended September 30, 2018	—		—	—		—	—	(2,110,209)	(2,110,209)
Balance, June 30, 2018 (unaudited)	82,500	$	83	110,131,373	$	110,131	$19,122,748	$(21,921,261)	$ (2,382,362)

See accompanying notes to unaudited condensed consolidated financial statements

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

	For the nine months ended September 30, 2018	September 30, 2017
Cash flows from operating activities:		
Net loss	$ (2,110,209)	$ (1,569,179)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	120,555	50,415
Stock-based compensation	141,686	37,317
Issuance of common stock for consulting services	330,000	—
Warrants issued in exchange for extension of note payable	21,121	—
Change in fair value of warrant liability	(68,377)	(171,184)
Change in fair value of derivative liability	(90,155)	(535,535)
Provision for inventory obsolescence	31,752	9,338
Amortization of debt discount and deferred financing costs	601,514	1,250,980
Gain on extinguishment of debt	(2,374)	—
Changes in operating assets and liabilities:		
Accounts receivable	(47)	4,138
Inventory	4,875	4,214
Prepaid expenses and other current assets	25,161	(236,750)
Accounts payable	61,022	(48,807)
Accrued expenses	422,621	184,377
Net cash used in operating activities	(510,855)	(1,020,676)
Cash flows from investing activities:		
Purchase of property and equipment	—	(3,314)
Net cash from CureDM acquisition	3,592	—
Net cash provided by (used in) investing activities	3,592	(3,314)
Cash flows from financing activities:		
Proceeds from issuance of convertible notes payable (net of issuance discounts and fees)	—	200,000
Repayment of notes payable to related party	—	(16,288)
Proceeds from issuance of note payable to related parties	405,937	—
Proceeds from issuance of preferred stock	275,000	450,000
Net cash provided by financing activities	680,937	633,712
Net increase (decrease) in cash and cash equivalents	173,674	(390,278)
Cash and cash equivalents, beginning of year	137,279	687,185
Cash and cash equivalents, end of year	$ 310,953	$ 296,907
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Interest	$ —	$ 7,699
Income taxes	$ —	$ —
Non-cash financing activities:		
Conversion of convertible notes payable and accrued interest into common stock	$ 1,277,066	$ 198,781
Derivative liability associated with convertible note payable	$ 10,617	$ 454,154
Issuance of common stock for the acquisition of CureDM Group Holdings LLC	$ 1,250,000	$ —
Contingent share liability and goodwill in acquisition of CureDM Group Holdings LLC	$ 1,137,057	$ —
Derivative liability associated with issuance of preferred stock	$ 226,833	$ —
Note payable and accrued expenses for prepaid marketing	$ 850,000	$ —

See accompanying notes to unaudited condensed consolidated 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 shall be delivered in four equal tranches of 5,685,285 each upon the achievement of specific milestones. See Note 3

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.

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 financial statements, the Company has an accumulated deficit of approximately $21.9 million as of September 30, 2018 and used cash in operations of approximately $511,000 during the nine months ended September 30, 2018. 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 $311,000 cash on hand at September 30, 2018. 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 raised $275,000 in gross proceeds from private placements of our Series A Preferred Stock during the first quarter of 2018. See Note 8. During the second quarter of 2018, the Company issued a note payable to a related party for $100,000. See Note 10. At the end of the third quarter of 2018, the Company approved a Private Placement Memorandum in an effort to raise additional funds. Also at the end of the third quarter, the Company issued a note payable to CJY Holdings, Ltd, a related party, for $305,937. Also, in the fourth quarter of 2018, the Company has increased the amount of the note payable to the related party noted above to $159,500. Management anticipates that cash resources will be sufficient to fund our planned operations into the fourth quarter of 2018. 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 Condensed Consolidated Financial Statements include the Company and its wholly-owned subsidiary, CureDM Group Holdings LLC ("CureDM") From the date of acquisition. All significant inter-company 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

For purposes of reporting within the statement of cash flows, the Company considers all cash on hand, cash accounts not subject to withdrawal restrictions or penalties, and 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.

Revenue Recognition

The Company generates revenues from sales of SUGARDOWN®. Revenue is recognized when there is persuasive evidence that an arrangement exists, the price is fixed and determinable, the product is shipped in accordance with the customers' Free On Board (FOB) shipping point terms and collectability is reasonably assured. 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, whereby the licensee sells and distributes territory licensed products, excluding those manufactured and supplied by the Company in the territory. Revenue is recognized when there is persuasive evidence that an arrangement exists, the price is fixed and determinable, the product is shipped and collectability is reasonably assured. No royalty revenue was recognized during the three or nine month periods ended September 30, 2018 or 2017.

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 allowances for doubtful accounts as of September 30, 2018 and December 31, 2017.

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.

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.

Goodwill

The Company follows the guidance of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350, *Goodwill and Other Intangible Assets*. Under ASC 350, goodwill and certain other intangible assets with indefinite lives are not amortized, but instead are reviewed for impairment at least annually.

As the Company operates its business in one operating segment and one reporting unit, the Company's goodwill is assessed at the Company level for impairment in the fourth quarter of each year or more frequently if events or changes in circumstances indicate that impairment may exist. The Company has the option to first assess qualitative factors to determine whether it is necessary to perform the two-step impairment test. If the Company's qualitative assessment reveals that goodwill impairment is more likely than not, the Company performs the two-step impairment test. Alternatively, the Company may bypass the qualitative test and initiate goodwill impairment testing with the first step of the two-step goodwill impairment test.

During the first step of the goodwill impairment test, the Company compares the fair value of the reporting unit to its carrying value, including goodwill. If the fair value of a reporting unit exceeds its carrying value, then the Company concludes that no goodwill impairment has occurred. If the carrying value of the reporting unit exceeds its fair value, the Company performs the second step of the goodwill impairment test to measure possible goodwill impairment loss. If the carrying value of the reporting unit's goodwill exceeds its implied fair value, then we would record an impairment loss equal to the difference.

The Company performed its impairment review of goodwill for the year ended December 31, 2017 and concluded that no impairment existed.

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. To date, no adjustments for impairment have been made.

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 three and nine month periods ended September 30, 2018 did not include 13,594,000, 38,999,990 and 35,698,950 for options, warrants and shares to be issued upon conversion of notes payable including accrued interest, respectively, because of their anti-dilutive effect. The weighted average number of common shares for the three and nine month periods ended September 30, 2017 did not include 12,094,000, 39,404,669 and 64,624,013 for options, warrants and convertible notes payable including accrued interest, respectively, because of their anti-dilutive effect.

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 and cash equivalents, accounts receivable, accounts payable, accrued expenses, and notes payable. The carrying value of cash and cash equivalents, accounts receivable, 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 September 30, 2018 and December 31, 2017, 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.

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 September 30, 2018 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.

Reclassification

Certain amounts in the September 30, 2017 financial statements have been reclassified to conform to the presentation used at September 30, 2018.

3. ACQUISITION OF CUREDM

On February 12, 2018, the Company entered into a Contribution Agreement with the members of CureDM Group Holdings, LLC, a limited liability company ("CureDM Group"), 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 milestone s (the "CureDM Group Contribution"). The closing of the CureDM Group Contribution occurred on February 12, 2018.

A summary of consideration is as follows:

25,000,000 shares of the Company's common stock	$	1,250,000
22,741,140 contingency shares of the Company's common stock		1,137,057
Total consideration	$	2,387,057

The following summarizes the current estimates of fair value of assets acquired and liabilities assumed:

Assets acquired:		
Cash	$	3,592
Property and equipment		273
Goodwill		2,313,277
Intangibles		234,122
Liabilities assumed:		
Accounts payable and accrued expenses		(164,207)
Net assets acquired	$	2,387,057

The purchase price allocation for the above acquisition is subject to further refinement as management completes its assessment of the valuation of certain assets and liabilities.

The Company accounts for acquisitions in accordance with the provisions of ASC 805-10. The Company assigns to all identifiable assets acquired a portion of the cost of the acquired net assets equal to the estimated fair value of such assets at the date of acquisition. The Company records the excess of the cost of the acquired net assets over the sum of the amounts assigned to identifiable assets acquired as goodwill.

The Company accounts for and reports acquired goodwill under Accounting Standards Codification subtopic 350-10, Intangibles-Goodwill and Other ("ASC 350-10"). In accordance with ASC 350-10, at least annually, the Company tests its intangible assets for impairment or more often if events and circumstances warrant. Any write-downs will be included in results from operations. See Note 11.

Pro forma results

The following table sets forth the unaudited pro forma results of the Company as if the acquisition of CureDM had taken place on the first day of the period presented. These combined results are not necessarily indicative of the results that may have been achieved had the companies been combined as of the first day of the period presented.

	Nine months ended September 30, 2018		Nine months ended, September 30, 2017	
Total revenues	$	25,192	$	14,092
Net loss	$	(2,110,209)	$	(1,965,493)
Basic and diluted net earnings per common share	$	(0.02)	$	(0.04)

This pro forma financial information is based on historical results of operations, adjusted for the allocation of the purchase price and other acquisition accounting adjustments, and is not indicative of the results that may have been achieved had the companies been combined as of the first day of the period presented.

4. 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 September 30, 2018 and December 31, 2017, net of inventory reserves, were as follows:

	2018	2017
Raw materials	$ —	$ 33,055
Finished goods	1,914	5,486
Total	$ 1,914	$ 38,541

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.

5. INTANGIBLE ASSETS

The SUGARDOWN® technology and patent applications, which were obtained through the acquisition of BTI in 2010, are being amortized on a straight-line basis over their estimated useful lives of 14 years. The BTI-420 technology and patent applications, which were obtained through the acquisition of CureDM in 2018, are being amortized on a straight-line basis over their estimated useful lives of 5 years.

Intangible assets consist of the following at September 30, 2018 and December 31, 2017:

	2018	2017
SUGARDOWN® technology and patent applications	$ 1,819,827	$ 900,000
Less accumulated amortization	(1,265,674)	(460,714)
Intangible assets, net	$ 554,153	$ 439,286

Amortization expense was $39,570 and $16,071 for the three months ended September 30, 2018 and 2017, respectively. Amortization expense was $119,255 and $48,214 for the nine months ended September 30, 2018 and 2017, respectively.

6. 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 September 30, 2018 measured at fair value on a recurring basis are summarized below:

	September 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative liability	$ 109,605	$ —	$ —	$ 109,605
Warrant liability	1,257,657	—	—	1,257,657
Total	$ 1,367,262	$ —	$ —	$ 1,367,262

Financial liabilities as of December 31, 2017 measured at fair value on a recurring basis are summarized below:

	December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative liability	$ 429,141	$ —	$ —	$ 429,141
Warrant liability	1,099,200	—	—	1,099,200
Total	$ 1,528,341	$ —	$ —	$ 1,528,341

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 binomial lattice formula with the following weighted average assumptions during the nine months ended September 30, 2018 and the year ended December 31, 2017:

Conversion option:

	September 30, 2018	December 31, 2017
Common Stock Closing Price	$ 0.04	$ 0.04 to 0.07
Conversion Price per Share	$0.075 to 0.10	$ 0.075 to 0.10
Conversion Shares	5,333,333	21,666,667
Call Option Value	0.016 to 0.023	0.0188 to 0.0568
Dividend Yield	0.00%	0.00%
Volatility	216.44%	208.82% to 214.34%
Risk-free Interest Rate	2.36% to 2.59%	1.03% to 1.76%
Term	0.57 to 0.87 years	0.62 to 2 years

Exercise option:

	September 30, 2018	December 31, 2017
Common Stock Closing Price	$ 0.04	$ 0.04 to 0.075
Conversion Price per Share	$ 0.10 to 0.15	$ 0.10 to 0.15
Conversion Shares	34,000,000	29,000,000
Call Option Value	0.036 to 0.038	0.0375 to 0.0723
Dividend Yield	0.00%	0.00%
Volatility	216.44%	208.82 to 214.34%
Risk-free Interest Rate	2.40 to 2.94%	1.62 to 2.2%
Term	2.87 to 4.35 years	3.62 to 5 years

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 nine months ended September 30, 2018:

	Debt Derivative	Warrant Liability
Balance, December 31, 2017	$ 429,141	$ 1,099,200
Aggregate amount of derivative instruments issued	—	226,834
Transferred in due to conversions	(229,381)	—
Change in fair value of derivative liabilities	(90,155)	(68,377)
Balance, September 30, 2018	$ 109,605	$ 1,257,657

7. 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 are 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 is amortized over the note's maturity period as interest expense.

On April 11, 2017, one investor converted his Convertible Debenture of $75,000 plus accrued interest of $2,873, into 1,038,301 shares of the Company's common stock. Upon conversion, a loss on extinguishment was recorded in the amount of $51,267.

On July 14, 2017, one investor converted his Convertible Debenture of $50,000 plus accrued interest of $2,482, into 711,755 shares of the Company's common stock. Upon conversion, a loss on extinguishment was recorded in the amount of $30,274.

In August 2018, two investors entered into agreements to extend the due date of convertible debentures held in the amount of $250,000 until August 31, 2019. One of the investors was issued warrants to acquire 375,000 shares of common stock for $0.075 per share. The warrants expire in five years. The fair value of the warrants on the date of issuance was $21,121 which is included in interest expense for the nine months ended September 30, 2018.

During the first nine months of 2018, 29 investors converted their Convertible Debentures totaling $1,225,000 plus accrued interest of $52,066, into 17,027,544 shares of the Company's common stock. Upon conversion, a gain on extinguishment was recorded in the amount of $2,374.

For the nine months ended September 30, 2018 and 2017, the Company amortized $519,788 and $696,323, respectively, of debt discount to operations as interest expense. For the three months ended September 30, 2018 and 2017, the Company amortized $88,752 and $239,338, respectively, of debt discount to operations as interest expense.

Convertible notes payable consist of the following at September 30, 2018 and December 31, 2017:

	2018	2017
Principal balance	$ 250,000	$ 1,475,000
Debt discount	—	(189,175)
Deferred finance costs	—	(78,534)
Outstanding, net of debt discount	$ 250,000	$ 1,207,291

8. 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. Through the date of this filing, no shares of stock have been issued;
- 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 September 30, 2018 totaled $9,493.

8. STOCKHOLDERS' EQUITY

The Company is authorized to issue up to 5,000,000 shares of its $0.001 par value preferred stock and up to 2,000,000,000 shares of its $0.001 par value common stock. During the year ended December 31, 2013, the Company amended its certificate of incorporation to increase the number of common shares from 100,000,000 to 200,000,000. The amendment went into effect September 7, 2013.

On January 9, 2018, the Company's Board of Directors voted to approve an increase in authorized common stock from 200 million shares to 2 billion shares of the Company's common stock. This increase was approved by the shareholders in the first quarter of 2018.

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. As of September 30, 2018, the Company has 82,500 shares of Series A Preferred Stock outstanding.

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 Binomial Lattice pricing model as described in Note 6.

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.

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 Binomial Lattice pricing model as described in Note 6.

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.

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 Binomial Lattice pricing model as described in Note 6.

Common Stock

On February 16, 2018, the Company's Board of Directors approved the issuance of 3,666,666 shares of the Company's common stock to two consultants for services rendered amounting to $330,000.

During the first nine months of 2018, 29 investors converted their Convertible Debenture totaling $1,225,000 plus accrued interest of $52,066, into 17,027,544 shares of the Company's common stock.

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 September 30, 2018, the Company had 38,999,990 warrants outstanding which are all classified as equity instruments and are fully exercisable.

The following table summarizes the Company's common stock warrants activity for the nine months ended September 30, 2018:

	Warrants	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding as of December 31,2017	41,029,669	$ 0.23	$ —
Granted	5,875,000	0.15	—
Exercised	—	—	—
Forfeited/Canceled —	(7,904,679)	0.43	—
Outstanding as of September 30, 2018	38,999,990	$ 0.17	$ —

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 $0.04 as September 30, 2018, which would have been received by the warrant holders had those warrant holders exercised their warrants as of that date.

9. 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 September 30, 2018, and December 31, 2017, 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 September 30, 2018, and December 31, 2017, there were 13,344,000 and 9,344,000 options outstanding under the 2011 Plan, respectively

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 February 12, 2018, Loraine Upham was appointed as Chief Operating Officer. 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.

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.

No stock options were issued under either plan during the nine months ended September 30, 2017.

The fair value of stock options granted and revaluation of non-employee consultant options for the nine months ended September 30, 2018 was calculated with the following assumptions:

	2018
Risk-free interest rate	2.3%
Expected dividend yield	0%
Volatility factor	217.6%
Expected life of option	5 years

For the three and nine months ended September 30, 2018, the Company recorded stock-based compensation expense of $43,290 and $141,686, respectively, in connection with share-based payment awards. For the three and nine months ended September 30, 2017, the Company recorded stock- based compensation expense of $12,439 and $37,317, respectively, in connection with share-based payment awards. As of September 30, 2018, there was $263,370 of unrecognized compensation expense related to non-vested stock option awards.

The following table summarizes the Company’s stock option activity during the nine months ended September 30, 2018:

	Shares	Exercise Price per Share	Weighted Average Exercise Price per Share
Outstanding as of December 31, 2017	9,594,000	$ 0.10 – 1.21	$ 0.36
Granted	4,000,000	0.06 – 0.20	0.12
Exercised	—	—	—
Options forfeited/cancelled	—	—	—
Outstanding as of September 30, 2018	13,594,000	$ 0.06 – 1.21	$ 0.29

The following table summarizes information about stock options that are vested or expected to vest at September 30 2018:

	Vested or Expected to Vest				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
$ 0.06	1,333,334	$ 0.06	4.38	$ —	—	$ 0.06	4.38	$ —
0.10	2,933,333	0.10	6.00	—	1,600,000	0.10	6.00	—
0.18	934,000	0.18	4.75	—	934,000	0.18	4.75	—
0.20	3,483,333	0.20	3.62	—	2,150,000	0.20	3.62	—
0.37	58,000	0.37	3.93	—	58,000	0.37	3.93	—
0.40	2,000,000	0.40	2.92	—	—	0.40	2.92	—
0.42	63,000	0.42	2.25	—	63,000	0.42	2.25	—
0.50	310,000	0.50	1.08	—	310,000	0.50	1.08	—
0.60	2,000,000	0.60	2.92	—	—	0.60	2.92	—
0.69	100,000	0.69	5.50	—	100,000	0.69	5.50	—
1.21	379,000	1.21	5.25	—	379,000	1.21	5.25	—
$ 0.06-1.21	13,594,000	$ 0.29	4.04	$ —	5,594,000	$ 0.27	4.72	$ —

The following table sets forth the status of the Company’s non-vested stock options as of September 30, 2018 and December 31, 2017:

	Number of Options	Weighted-Average Grant-Date Fair Value
Non-vested as of December 31, 2017	4,000,000	$ 0.50
Granted	4,000,000	0.12
Forfeited	—	—
Vested	—	—
Non-vested as of September 30, 2018	8,000,000	$ 0.31

The weighted-average remaining contractual life for options exercisable at September 30, 2018 is 4.72 years. At September 30, 2018 the Company has 4,156,000 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 September 30, 2018. The aggregate intrinsic value of all options granted at September 30, 2018 was $0.

10. RELATED PARTY TRANSACTIONS

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 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 principal payments totaling $20,000 to the former President of the Company, reducing the total balance of the outstanding notes to $277,820. As of September 30, 2018, the remaining notes to Dr. Platt are in default and are classified as current liabilities.

On June 24, 2011, the Company entered into a definitive Licensing and Manufacturing Agreement (the "Agreement") with Advance Pharmaceutical Company Ltd. ("Advance Pharmaceutical"), a Hong Kong-based privately-held company. Under terms of the Agreement, the Company manufactures and supplies product in bulk for Advance Pharmaceutical. Advance Pharmaceutical 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. Advance Pharmaceutical, 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 Advance Pharmaceutical and joined the Company's Board in December 2013. No revenue was generated pursuant to the Agreement for the nine months ended September 30, 2018 or 2017.

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 September 30, 2018 and December 31, 2017, $54,401 and $38,979, respectively, of accrued interest in connection with the related party promissory notes, had been included in accrued expenses and other current liabilities 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 Company recorded amortization of the beneficial conversion feature as interest expense in the amount of $52,334 and $261,656 during the three and nine months ended September 30, 2018, respectively. The Company recorded amortization of the beneficial conversion feature as interest expense in the amount of $153,466 and $460,399 during the three and nine months ended September 30, 2017, respectively. The maturity date of the note has been extended to August 2019.

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 August 2018, CJY Holdings agreed to extend the maturity of the Notes payable for one year through August 2019.

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 $23,094 and $69,774 during the three and nine months ended September 30, 2018. The Company recorded amortization of the beneficial conversion feature as interest expense in the amount of $23,560 and $40,205, respectively during the three and nine months ended September 30, 2017. 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.

Convertible notes payable – related party consist of the following at September 30, 2018 and December 31, 2017:

	2018	2017
Principal balance	$ 1,402,000	$ 1,402,000
Debt discount	(53,426)	(384,857)
Outstanding, net of debt discount	$ 1,348,574	$ 1,017,143

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 equally by Carl W. Rausch, the Company's CEO and a director, and Conroy Chi-Heng Cheng, a director of the Company. 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. Interest accrues on the WTE2 Note at the rate of 10.0% per annum. Accrued interest at September 30, 2018 totaled $2,993.

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 September 26, 2019. Interest accrues on the CJY Note at the rate of 10% per annum.

Included in accounts payable at September 30, 2018 and December 31, 2017, are amounts due shareholders, officers and directors of the Company in the amounts of $113,935 and $80,982, respectively.

11. COMMITMENTS AND CONTINGENCIES

Leases

The Company currently leases office space at 354 Merrimack Street, Lawrence, MA 01843 on a month to month basis. The Company recognized rent expense of $900 and $2,700 during the three and nine months ended September 30, 2018 and 2017, respectively.

The Company also leases office space on a month-to-month basis at The BioScience Center 5901 Indian School Rd., Albuquerque, NM 87110. The Company recognized rent expense of $1,281 and $3,450 during the three and nine months ended September 30, 2018.

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 ("CureDM Group"), 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 two Companies have agreed to keep working toward a successful closing and are negotiating a new expiration date.

The Company believes the milestones noted above will be achieved and that the Milestone BTHE Shares will be issued. Therefore, the Company has established a contingent liability to recognize the shares expected to be issued. The basis for the contingent liability shares obligation is at $0.05 per share or $1,137,057 which is the fair value of the Company's stock on the day of the closing. Contingent share liability at September 30, 2018 is $1,137,057.

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, have 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 will 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 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.

12. SUBSEQUENT EVENTS

The Company has evaluated events and transactions that occurred from September 30, 2018 through the date of the filing for possible disclosure and recognition in the financial statements.

Subsequent to September 30, 2018, the Company borrowed a total of $59,500 from a related party. The Note bears interest at 10% and is due in twelve months.

On October 2, 2018, the Company signed an agreement to collaborate with a clinical provider, Under the agreement, the clinical provider may assist with the Company's recently initiated exploratory and adaptive multicenter clinical study of BTI 320 in Type 2 diabetes patients.

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 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 $311,000 cash on hand at September 30, 2018. 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 raised $275,000 in gross proceeds from private placements of our Series A Preferred Stock during the first quarter of 2018. During the second quarter of 2018, the Company issued a note payable to a related party for $100,000. See Note 10. At the end of the third quarter of 2018, the Company approved a Private Placement Memorandum in an effort to raise additional funds. Also at the end of the third quarter, the Company issued a note payable to CJY Holdings, Ltd, a related party, for $305,937. See Note 10. Also, in the fourth quarter of 2018, the Company has increased the amount of the note payable to the related party noted above to $159,500. Management anticipates that cash resources will be sufficient to fund our planned operations into the fourth quarter of 2018. 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.

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 September 30, 2018 compared to September 30, 2017

Revenue

Revenue for the three months ended September 30, 2018 was $7,790 an increase of $3,390 as compared to revenue of $4,400 for the three months ended September 30, 2017. The increase is primarily related to an increase in the price of Sugardown during the third quarter of 2018. The price increase more than offset the reduction of bottles sold during the quarter resulting in the increased revenue number. Due to lack of funds, the Company's temporarily ceased its selling and marketing strategy and the use of a third party with social media and radio advertising. The Company has recently signed a contract with a national marketing company to help sell Sugardown. The agreement was signed late in the second quarter of 2018. The Company expects results from this contract in the fourth quarter of 2018.

Direct Expenses

Direct expenses related to revenue for the three months ended September 30, 2018 totaled $6,291as compared to $17,783 for the three months ended September 30, 2017. The 2017 numbers include a write off of excess inventory of $9,338 and approximately $1,700 of freight costs related to inventory shipments to our Hong Kong partners and to our fulfillment company.

Research and Development

Research and development expense for the three months ended September 30, 2018 was $39,576, an increase of $21,937 as compared to $17,639 for the three months ended September 30, 2017. The majority of the research and development expenses in both years is from non-cash amortization of the intangible assets. The increase in 2018 is the result of the acquisition of CureDM in 2018 and the amortization related to the acquired patents.

Sales and Marketing

Sales and marketing expense for the three months ended September 30, 2018 was $32,757, an increase of $29,456 as compared to $3,301 for the three months ended September 30, 2017. The increase in 2018 is due to the Company recognizing expense from its new marketing contract with a national marketing company. The Company recognized a charge of $30,357 in amortized prepaid fees for marketing and changing its selling and marketing strategy of our Sugardown product. There are currently no employees dedicated to sales and marketing.

General and Administrative

General and administrative expense for the three months ended September 30, 2018 was $283,626, an increase of $23,021 as compared to $260,605 for the three months ended September 30, 2017. The Company has two full time employees and is otherwise maintained by outside consultants. The increase costs in 2018 are from accrued payroll costs of $50,000 to our new COO hired as a result of our acquisition of CureDM. These fees will be paid upon adequate fund raised by the Company according to the CureDM purchase agreement. The Company also had increased costs for non-cash stock compensation of approximately $30,000 related to stock options issued to our new COO during Q1 2018 and also due to a revaluation of options issued to our CEO that were re-priced during the first quarter of 2018. These increases were offset set by lower costs for professional and other fees as the Company has been conserving its cash position pending additional financing.

Other (Expenses) Income

Total other income was $1,119,074 for the three months ended September 30, 2018 representing an increase of $1,795,755 as compared to an expense of ($676,681) for the three months ended September 30, 2017. Interest expense decreased by approximately $297,167 for the three months ended September 30, 2018. This was due to the significant number of debt conversions that took place during the late first quarter of 2018. The Company also recognized gains of $1,176,003 and $127,488 from the change in the valuations of it warrant and derivative liabilities, respectively during the three months ended September 30, 2018. For the three months ended September 30, 2017, the Company had losses of $163,891 and $18,961 from the change in the valuations of it warrant and derivative liabilities, respectively.

Nine Months Ended September 30, 2018 compared to September 30, 2017

Revenue

Revenue for the nine months ended September 30, 2018 was $25,192, an increase of $11,100 as compared to revenue of $14,092 for the nine months ended September 30, 2017. The increase is primarily related to the Company's new selling and marketing strategy and the use of a third party with social media and radio advertising during the first half of 2018 and then a price increase during the third quarter of 2018. At the end of the second quarter of 2018, the Company signed a contract with a national marketing company to help sell Sugardown. The agreement was signed late in the second quarter of 2018. The Company expects results from this contract in the fourth quarter of 2018.

Direct Expenses

Direct expenses related to revenue for the nine months ended September 30, 2018 totaled $61,063 as compared to $33,875 for the nine months ended September 30, 2018. The increase in 2018 is primarily related to the Company disposing of its raw material inventory totaling $31,752 during the second quarter due to its expiration. During the same period in 2017, the Company wrote of $9,338 of finished goods inventory that were deemed excess. Costs for fulfillment were higher in 2018 to cover the additional volume of units sold.

Research and Development

Research and development expense for the nine months ended September 30, 2018 was $142,083, an increase of $60,841 as compared to $81,242 for the nine months ended September 30, 2017. The majority of the research and development expenses in both years is from non-cash amortization of the intangible assets. The increase in 2018 is the result of the acquisition of CureDM in 2018 and the amortization related to the acquired patents.

Sales and Marketing

Sales and marketing expense for the nine months ended September 30, 2018 was $46,309, an increase of $28,703 as compared to $17,606 for the nine months ended September 30, 2017. The increase is primarily related to the Company's new selling and marketing strategy and the use of a third party with social media and radio advertising during the first half of 2018. At the end of the second quarter of 2018, the Company signed a contract with a national marketing company to help sell Sugardown. The agreement was signed late in the second quarter of 2018. The Company expects results from this contract in the fourth quarter of 2018. The Company recognized a charge of $30,357 in amortized prepaid fees for marketing and changing its selling and marketing strategy of our Sugardown product. There are currently no employees dedicated to sales and marketing.

General and Administrative

General and administrative expense for the nine months ended September 30, 2018 was $1,259,617, an increase of $561,015 as compared to $698,602 for the nine months ended September 30, 2017. The 2018 numbers include a stock award to two consultants totaling $330,000. The increase costs in 2018 are from accrued payroll costs of $150,000 to our new COO hired as a result of our acquisition of CureDM. These fees will be paid upon adequate fund raised by the Company according to the CureDM purchase agreement. The Company also had increased costs for non-cash stock compensation of approximately $103,000 related to stock options issued to our new COO during Q1 2018 and also due to a revaluation of options issued to our CEO that were re-priced during the first quarter of 2018. These increases were offset set by lower costs for professional and other fees as the Company has been conserving its cash position pending additional financing.

Other (Expenses) Income

Total other expense was ($626,329) for the nine months ended September 30, 2018 representing a decrease of $125,617 as compared to ($751,946) for the nine months ended September 30, 2017. Interest expense decreased by approximately $668,000 for the nine months ended September 30, 2018. This was due to the significant number of debt conversions that took place during 2018. Also, during the first nine months of 2018, the Company recognized gains of $2,374 due to the early extinguishment of its debt due to the conversions. The Company also recognized gains of $68,377 and $90,155 from the change in the valuations of it warrant and derivative liabilities, respectively during the nine months ended September 30, 2018. For the nine months ended September 30, 2017, the Company had gains of ($171,184) and ($535,535) from the change in the valuations of it warrant and derivative liabilities, respectively.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2018, we had cash of approximately $311,000 and accounts payable and accrued expenses totaling approximately $1,639,000. During the nine months ended September 30, 2018, the Company used approximately $511,000 of cash in operations

We have incurred recurring operating losses since inception as we have worked to bring our SUGARDOWN ® product to market and develop BTI-320 and IPOXYN. We expect such operating losses will continue until such time that we receive substantial revenues from SUGARDOWN® or we complete the regulatory and clinical development of BTI-320 or IPOXYN. 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 raised $275,000 in gross proceeds from private placements of our Series A Preferred Stock during the first quarter of 2018. During the second quarter of 2018, the Company issued a note payable to a related party for $100,000. See Note 10. At the end of the third quarter of 2018, the Company approved a Private Placement Memorandum in an effort to raise additional funds. Also at the end of the third quarter, the Company issued a note payable to CJY Holdings, Ltd, a related party, for $305,937. Also, in the fourth quarter of 2018, the Company has increased the amount of the note payable to the related party noted above to $159,500. Management anticipates that cash resources will be sufficient to fund our planned operations into the fourth quarter of 2018. 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.

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 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, 2017, 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 last fiscal quarter to which this report relates that have 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

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 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, 2017.

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

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 the first nine months of 2018, 29 investors converted their Convertible Debenture totaling $1,225,000 plus accrued interest of $52,066, into 17,027,544 shares of the Company's common stock.

The preceding sales and issuances were made in reliance on the exemption from registration provided by Section 4(2) of the Securities Act for transactions not involving a public offering.

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, 2018 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: November 14, 2018

By: /s/ Carl W. Rausch
Carl W. Rausch
Chief Executive Officer

Exhibit 31.1

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

I, Carl W. Rausch, 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: November 14, 2018

By: /s/ Carl W. Rausch
Carl W. Rausch
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 September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Carl W. Rausch, 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: November 14, 2018

By: /s/ Carl W. Rausch
Carl W. Rausch
Chief Executive Officer (Principal Executive, Financial and Accounting Officer)