United Health Products, Inc.
Form 10-Q
May 20, 2014

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

FORM 10-Q

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

For the quarterly period ended March 31, 2014

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

For the transition period from ____________ to ____________

Commission file number: 814-00717

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

Nevada (State or other jurisdiction of incorporation or organization)	84-1517723 (I.R.S. Employer Identification No.)
1400 Old Country Road, Suite 302 Westbury, NY (Address of Company's principal executive offices)	11021 (Zip Code)

(516) 487-1431
(Company'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 x No o

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

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

Large Accelerated Filer	o	Accelerated Filer	o
Accelerated Filer	o	Smaller Reporting Company	x

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

The number of shares outstanding of the Registrant's Common Stock, as of the filing date of this Form 10-Q was 102,647,640 after giving effect to the cancellation of 2,090,000 shares that Dr. Forman has agreed to cancel.

UNITED HEALTH PRODUCTS, INC.

FORM 10-Q QUARTERLY REPORT

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PART I – FINANCIAL INFORMATION

UNITED HEALTH PRODUCTS, INC
Condensed Consolidated Balance Sheets

	(Unaudited) March 31, 2014	December 31, 2013
ASSETS		
Current Assets		
Cash and Cash Equivalents	$10,828	1,855
Accounts Receivable	8,158	0
Prepaid expenses	12,394	0
Inventory	12,308	33,651
Total current assets	43,688	35,506
Other Assets		
Intangible Assets, Net	25,000	50,000
TOTAL ASSETS	$68,688	$85,506
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable and accrued expenses	$303,741	285,457
Liability for unissued shares	145,543	160,543
Notes payable - related parties	698,186	625,224
Other current liabilities	139,157	136,106
Total current liabilities	1,286,627	1,207,330
Commitments and Contingencies		
Stockholders' Deficiency		
Common Stock - $.001 par value, 150,000,000 Shares Authorized, 102,647,640 and 102,260,140 Shares Issued and Outstanding at March 31, 2014 and December 31, 2013, respectively	102,648	102,260
Additional Paid-In Capital	6,369,728	6,299,869
Accumulated Deficit	(7,690,315)	(7,523,953)
Total Stockholders' Deficiency	(1,217,939)	(1,121,824)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$68,688	$85,506

See notes to consolidated financial statements.

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

	For the Three Months Ended March 31,	
	2014	2013
Revenues - see "Backlog under "Item 2"	$146,773	$-
Cost of goods sold	43,187	-
Gross profit	103,586	-
Operating Costs and Expenses		
Amortization of Intangibles	(25,000)	(25,000)
Selling, general and administrative expenses	(227,773)	(15,053)
Total Operating Expenses	(252,773)	(40,053)
Loss from Operations	(149,187)	(40,053)
Other expenses		
Interest Expense, Net	(17,175)	(17,175)
Total expenses	(17,175)	(17,175)
Net Loss	$(166,362)	$(57,228)
Net Loss per common share:		
Basic and diluted	$(0.00)	$(0.00)
Weighted average number of shares outstanding	102,518,473	84,644,133

See notes to consolidated financial statements.

UNITED HEALTH PRODUCTS, INC
Condensed Consolidated Statements of Stockholders' Deficiency
For the Three Months Ended March 31, 2014

(Unaudited)

	Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance at January 1, 2014	102,260,140	$102,260	$6,299,869	$ (7,523,953)	$(1,121,824)
Issuance of Common Stock in connection with services	200,000	200	33,800		34,000
Stock options granted in connection with services	-	-	21,247		21,247
Issuance of Common Stock in connection with settlement of note payable	187,500	188	14,812		15,000
Net Income				(166,362)	(166,362)
Balance at March 31, 2014	102,647,640	$102,648	$6,369,728	$ (7,690,315)	$(1,217,939)

See notes to consolidated financial statements.

UNITED HEALTH PRODUCTS, INC
Consolidated Statements of Cash Flows
(Unaudited)

	For the Three Months Ended March 31, 2014	2013
Cash Flows from Operating Activities:		
Net Loss	$(166,362)	$(57,228)
Adjustments to Reconcile Net loss to Net Cash Used In Operating Activities:		
Depreciation and Amortization	25,000	25,000
Interest accrued	17,175	17,175
Issuance of stock	34,000	-
Stock options expensed	8,853	-
Changes in assets and liabilities:		
Accounts Receivable	(8,158)	-
Inventory	21,343	-
Accounts Payable and Accrued Expenses	18,284	15,021
Net Cash Used In Operating Activities	(49,865)	(32)
Cash Flows from Financing Activities:		
Proceeds from Related Parties	58,838	-
Increase (Decrease) in Cash and Cash Equivalents	8,973	(32)
Cash and Cash Equivalents - Beginning of period	1,855	32
CASH AND CASH EQUIVALENTS - END OF PERIOD	$10,828	$-
Schedule of Non-Cash Financing Activities:		
Issuance of Common Stock to settle debt	$15,000	$-

See notes to consolidated financial statements.

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UNITED HEALTH PRODUCTS, INC. AND SUBSIDIARY COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1. Organization and Basis of Preparation

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

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

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

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

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

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

Note 2. Significant Accounting Policies

Consolidation

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

Use of Estimates

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

Income Taxes

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

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

As of December 31, 2013, the Company has approximately $6.1 million of net operating loss carry-forwards available to affect future taxable income and has established a valuation allowance equal to the tax benefit of the net operating loss carry forwards and temporary differences as realization of the asset is not assured.

Revenue Recognition

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

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

Per Share Information

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

New Accounting Pronouncements
Recently Adopted Accounting Pronouncements

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

Note 3. Related Party Transactions

The Company's transactions with LeadDog Capital LP were as follows:

	Quarter Ended March 31,	
	2014	2013
Balance at beginning of period	$ 504,603	$ 448,099
Interest accrued	14,126	14,126
Balance at end of period	$ 518,729	$ 462,225

At March 31, 2014 and 2013, notes payable – related parties includes unpaid interest of $167,078 and $110,574, respectively. In 2011, the Board authorized the issuance of 1,000,000 shares to LeadDog Capital Markets LLC to extend the maturity dates of the outstanding loans to December 2012. The notes were payable within one year of the origination date of the notes or under extensions through December 2012. These notes were not paid on December 31, 2012 and no demand has been made for payment. LeadDog has advised the Company that a discrepancy exists as to the amount of monies owed to them. In November 2013, the Company commenced a lawsuit against LeadDog Capital LP and its affiliates seeking to cancel the indebtedness and the return of shares of common stock issued to one or more defendants for cancellation of all securities issued to LeadDog Capital LP and its affiliates. See Note 6.

LeadDog Capital LP and its affiliates are shareholders and warrant holders; however, the group is restricted from becoming a beneficial owner (as such term is defined under Section 13(d) and Rule 13d-3 of the Securities Exchange Act of 1934, as amended, (the 1934 Act)), of the Company's common stock which would exceed 9.5% of the number of shares of common stock outstanding.

In addition, an officer of the Company has loaned approximately $180,000 to the Company to cover operating expenses with no repayment terms or interest charge.

Note 4. Issuances of Securities

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

Note 5. Fair Value Measurements

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

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

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

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

Note 6. Litigation

There are no legal proceedings pending or threatened against us, and we are unaware of any governmental authority initiating a proceeding against us, except as described below. On November 8, 2013, United Health Products, Inc. filed a Complaint in the Second Judicial District Court, State of Nevada, County of Washoe, against defendants LeadDog Capital LP, LeadDog Capital Markets LLC, Chris Messalas and Jan Chason, the Company's former Chief Financial Officer. The Company alleges that the defendants engaged in a course of conduct to divert funds from the Company for unauthorized purposes and to fraudulently induce the Company to issue common stock to some or all of the defendants. It is also alleged that as part of the defendants' conduct, the Company's secured lender, LeadDog Capital LP, made a series of loans, evidenced by promissory notes, to the Company from 2010 through 2012 and that, as a result of these loans, LeadDog Capital LP gained undue control over the business affairs of the Company and as a result of this undue control, funds borrowed from LeadDog Capital LP were diverted to other portfolio healthcare companies to which the hedge fund had made loans through the actions of defendants, Jan Chason and Chris Messalas. The relief sought by the Company includes, without limitation, the cancellation of funds owed to LeadDog Capital LP, the return of shares of common stock issued to one or more defendants for cancellation as well as damages.

Note 7. Material Agreements and Other Matters

As discussed in Note 5, the Company entered into an agreement with Steven Z. Safran as a consultant. Pursuant to said agreement, the Company issued 200,000 shares of restricted stock and immediately upon executing the agreement granted an option to purchase an additional 300,000 shares of stock at $0.12 per share from an outside investor. This agreement shall commence January 18, 2014 and shall expire July 17, 2014.

Note 8. Other Current Liabilities

As of March 31, 2014, included in other current liabilities are four outstanding notes to various individuals aggregating approximately $139,000 in principal and accrued interest. Interest accrues at the rate of 9% - 14% per annum.

Note 9. Stock Option Plan

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

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

	Options
Outstanding at January 1, 2014	2,150,000
Granted	-
Outstanding at March 31, 2014	2,150,000

Note 10. Subsequent Events

The Company's Management has evaluated subsequent events through May 16, 2014 and there are none except as described herein.

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

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

OVERVIEW

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

Manufacturing and Packaging of our Products

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

Primary Strategy

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

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

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

Current Economic Environment

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

Going Concern

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

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

Results of Operations

Three Months ended March 31, 2014 versus Three Months ended March 31, 2013

During the first quarter of 2014 and 2013, the Company had $146,773 and $0 of revenues, respectively. The increase of $146,773 was due to two new distribution agreements. Total operating expenses for the first quarter of 2014 and 2013 were $252,773 and $40,053, respectively. The increase of $212,720 related to the increase in operating activities during the quarter. Our first quarter of 2014 and 2013 net loss was $(166,362) and $(57,228), respectively.

In August 2012, our Chinese manufacturing agent received 510(k) approval from the FDA to our hemostatic gauze products as a Class I device. Since then, products have been showcased in dental publications. We have obtained interest from distributors to sell our hemostatic gauze products to the U.S. Military, dental and equestian markets and Australasia. Management believes that operating periods during the last six months of 2014 should begin to see additional sales.

Backlog - At March 31, 2014, the Company had a backlog of sales believed to be firm of approximately $190,000 which the Company would complete delivery of products during the second quarter.

Financial Condition, Liquidity and Capital Resources

As of March 31, 2014, the Company had a negative working capital of approximately $1,243,000 and stockholders' deficiency of approximately $1,218,000. Since inception, we generated net cash proceeds of $2.0 million from equity placements and borrowed a net of approximately $700,000 principally from related parties. The Company has not as yet attained a level of operations which allows it to meet its current overhead and may not attain profitable operations within the next few business operating cycles, nor is there any assurance that such an operating level can ever be achieved. The report of our auditors on our 2013 financial statements includes a reference to going concern risks. While the Company has in the past funded its initial operations with private placements, and secured loans from related parties, there can be no assurance that adequate financing will continue to be available to the Company and, if available, on terms that are favorable to the Company. Our ability to continue as a going concern is also dependent on many events outside of our direct control, including, among other things, our ability to achieve our business goals and objectives, as well as improvement in the economic climate.

Cash Flows

The Company's cash on hand at March 31, 2014 and December 31, 2013 was $10,828 and $1,855, respectively.

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

Net cash used in operating activities for the three months ended March 31, 2014 was $49,865 as compared to $32 in the prior year period. For the three months ended March 31, 2014, our net loss of $(166,362) was partially offset by depreciation and amortization of $25,000, interest accrued of $17,175 and increased accounts payable and accrued expenses of $3,286. For the three months ended March 31, 2013, our net loss of $57,228 was partially offset by depreciation and amortization of $25,000, interest accrued of $17,175 and increased accounts payable and accrued expenses of $15,021.

Financing cash flows: Net cash generated from financing of approximated $58,836 and $0 in 2014 and 2013, respectively. Cash generated in 2014 were the result of proceeds from related parties.

Off-Balance Sheet Arrangements

As of March 31, 2014, we have no off-balance sheet arrangements.

Related Parties

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

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. We have identified the following items as critical accounting policies.

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

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

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

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

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

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

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

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

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

As of March 31, 2014, the Chief Executive Officer and Chief Financial Officer carried out an assessment of the effectiveness of the design and operation of our disclosure controls and procedure and concluded that the Company’s disclosure controls and procedures were not effective as of March 31, 2014, because of the material weakness described below.

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

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

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

Changes in Internal Control over Financial Reporting

During the three months ended March 31, 2014, there were no changes in our system of internal controls over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

There are no legal proceedings pending or threatened against us, and we are unaware of any governmental authority initiating a proceeding against us, except as described below. On November 8, 2013, United Health Products, Inc. filed a Complaint in the Second Judicial District Court, State of Nevada, County of Washoe, against defendants LeadDog Capital LP, LeadDog Capital Markets LLC, Chris Messalas and Jan Chason, the Company's former Chief Financial Officer. The Company alleges that the defendants engaged in a course of conduct to divert funds from the Company for unauthorized purposes and to fraudulently induce the Company to issue common stock to some or all of the defendants. It is also alleged that as part of the defendants' conduct, the Company's secured lender, LeadDog Capital LP, made a series of loans, evidenced by promissory notes, to the Company from 2010 through 2012 and that, as a result of these loans, LeadDog Capital LP gained undue control over the business affairs of the Company and as a result of this undue control, funds borrowed from LeadDog Capital LP were diverted to other portfolio healthcare companies to which the hedge fund had made loans through the actions of defendants, Jan Chason and Chris Messalas. The relief sought by the Company includes, without limitation, the cancellation of funds owed to LeadDog Capital LP, the return of shares of common stock issued to one or more defendants for cancellation as well as damages.

Item 1A. Risk Factors

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

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

For the quarter ended March 31, 2014, there were no sales of unregistered securities, except on January 18, 2014, the Company entered into a consulting agreement with Steven Z. Safran to assist the Company in the areas of corporate networking, sales, marketing and strategic planning. Pursuant to said agreement, the Company issued 200,000 shares of restricted stock. Exemption from registration for the aforementioned securities is under Section 4(2) of the Securities Act of 1933, as amended.

During the period January 1, 2014 through March 31, 2014, there were no repurchases of the Company's unregistered securities.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

(a) Exhibits

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

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

* Filed herewith.
(1) Previously filed.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized on May 20, 2014.

United Health Products, Inc.

By: /s/ Dr. Phillip Forman
Dr. Phillip Forman
Principal Executive Officer

By: /s/ Nate Knight
Nate Knight
Principal Financial Officer

YLE="vertical-align: bottom; background-color: Gainsboro">Digicel, Ltd. 6.000%, 04/15/2021[f] 2,250,000 2,095,312

	Principal Amount	Value	Shares	
Telecommunications (continued)				
Frontier Communications Corp.:				
10.500%, 09/15/2022	$750,000	$668,903		
7.125%, 01/15/2023	4,000,000	2,850,000		
		5,614,215		
TOTAL CORPORATE BONDS				
(Cost $183,248,844)		181,276,842		
COMMON STOCK - 2.61%				
Building & Development - 0.35%				
Baan Rock Garden PCL(b)(h)			164,832	$2,670,278
Leisure goods/activities/movies - 0.42%				
Mood Media Corp.(b)(h)			3,709,356	3,152,953
Oil & Gas - 1.84%				
Ascent Resources - Equity(b)			886,921	2,793,801
Ridgeback Resources Inc.(b)(h)			1,201,345	8,370,770
SandRidge Energy, Inc.(h)			135,154	1,469,124
Templar Energy LLC(b)(h)			197,643	207,525
Titan Energy LLC(h)			29,318	12,020
Total Safety Holdings, LLC(h)			2,951	1,018,095
				13,871,335
TOTAL COMMON STOCK				
(Cost $41,411,251)				19,694,566
PREFERRED STOCK - 0.11%				
Oil & Gas - 0.11%				
Templar Energy LLC(b)(h)			131,013	851,582
TOTAL PREFERRED STOCK				
(Cost $1,310,126)				851,582
WARRANTS - 0.00%				
Oil & Gas - 0.00%				
Ascent Resources Marcellus LLC expires 3/30/2023 at $6.15(b)			229,630	6,889
TOTAL WARRANTS				
(Cost $25,062)				6,889
Total Investments - 158.12%				
(Cost $1,223,725,232)				1,193,972,455

Liabilities in Excess of Other Assets - (0.01)%	(105,090)
Mandatory Redeemable Preferred Shares - (6.00)% (liquidation preference plus distributions payable on term preferred shares)	(45,271,995)
Leverage Facility - (52.11)%	(393,500,000)
Net Assets - 100.00%	$755,095,370

Amounts above are shown as a percentage of net assets as of September 30, 2018.

Investment Abbreviations:

LIBOR - London Interbank Offered Rate

PIK - Payment In Kind

Libor Rates:

1M US L - 1 Month LIBOR as of September 30, 2018 was 2.26%

2M US L - 2 Month LIBOR as of September 30, 2018 was 2.31%

3M US L - 3 Month LIBOR as of September 30, 2018 was 2.40%

6M US L - 6 Month LIBOR as of September 30, 2018 was 2.60%

(a) Floating or variable rate security. The reference rate is described above. The rate in effect as of September 30, 2018 is based on the reference rate plus the displayed spread as of the security's last reset date.

(b) Level 3 assets valued using significant unobservable inputs as a result of unavailable quoted prices from an active market or the unavailability of other significant observable inputs.

(c) All or a portion of this position has not settled as of September 30, 2018. The interest rate shown represents the stated spread over the London Interbank Offered Rate ("LIBOR" or "L") or the applicable LIBOR floor; the Fund will not accrue interest until the settlement date, at which point the LIBOR will be established.

(d) A portion of this position was not funded as of September 30, 2018. The Portfolio of Investments records only the funded portion of each position. As of September 30, 2018, the Fund has unfunded delayed draw loans in the amount of $5,389,555. Fair value of these unfunded delayed draw loans was $5,415,197.

(e) Security is in default as of period end and is therefore non-income producing.

(f) Security exempt from registration under Rule 144A of the Securities Act of 1933. Total market value of Rule 144A securities amounts to $136,017,193, which represented approximately 18.01% of net assets as of September 30, 2018. Such securities may normally be sold to qualified institutional buyers in transactions exempt from registration.

(g) Option to convert to pay-in-kind security.

(h) Non-income producing security.

NOTE 1. ORGANIZATION

Blackstone / GSO Strategic Credit Fund (the “Fund” or “BGB”) is a diversified, closed-end management investment company. BGB was organized as a Delaware statutory trust on March 28, 2012. BGB was registered under the Investment Company Act of 1940, as amended (the “1940 Act”), on April 6, 2012. BGB commenced operations on September 26, 2012. Prior to that date, BGB had no operations other than matters relating to its organization and the sale and issuance of 5,236 common shares of beneficial interest in BGB to GSO / Blackstone Debt Funds Management LLC (the “Adviser”) at a price of $19.10 per share. The Adviser serves as BGB’s investment adviser. BGB’s common shares are listed on the New York Stock Exchange (the “Exchange”) and trade under the ticker symbol “BGB.”

BGB’s primary investment objective is to seek high current income, with a secondary objective to seek preservation of capital, consistent with its primary goal of high current income. The Fund will seek to achieve its investment objectives by investing primarily in a diversified portfolio of loans and other fixed income instruments of predominantly U.S. corporate issuers, including first and second lien secured loans (‘‘Senior Secured Loans’’ or “Loans”) and high yield corporate bonds of varying maturities. Under normal market conditions, at least 80% of BGB’s managed assets will be invested in credit investments comprised of corporate fixed income instruments and other investments (including derivatives) with similar economic characteristics.

BGB will dissolve on or about September 15, 2027, absent shareholder approval to extend such term. Upon dissolution, BGB will distribute substantially all of its net assets to shareholders, after making appropriate provision for any liabilities of the Fund. Pursuant to BGB’s Agreement and Declaration of Trust, prior to the date of dissolution a majority of the Board of Trustees, with the approval of a majority of the outstanding voting securities entitled to vote (as defined in the 1940 Act), may extend the life of BGB. If approved, the dissolution date of the Fund may be extended by a period of two years or such shorter time as may be determined. However, the dissolution date of the Fund may be extended an unlimited number of times.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements. The preparation of its financial statements is in accordance with accounting principles generally accepted in the United States of America (“GAAP”), which requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates and these differences could be material. BGB is considered an investment company for financial reporting purposes under GAAP.

Portfolio Valuation: BGB’s net asset value (“NAV”) is determined daily on each day that the Exchange is open for business, as of the close of the regular trading session on the Exchange. The Fund calculates NAV per share by subtracting liabilities (including accrued expenses or dividends) from the total assets (the value of the securities plus cash or other assets, including interest accrued but not yet received) and dividing the result by the total number of outstanding common shares of the Fund.

Loans are primarily valued by using a composite loan price from a nationally recognized loan pricing service. The methodology used by BGB's nationally recognized loan pricing provider for composite loan prices is to value loans at the mean of the bid and ask prices from one or more brokers or dealers. Corporate bonds, other than short-term investments, are valued at the price provided by a nationally recognized pricing service. The prices provided by the nationally recognized pricing service are typically based on the mean of bid and ask prices for each corporate bond security. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices, market transactions in comparable investments, various relationships observed in the market between investments and calculated yield measures based on valuation technology commonly employed in the market for such investments. Short-term debt investments, if any, having a remaining maturity of 60 days or less when purchased would be valued at cost adjusted for amortization of premiums and accretion of discounts. Equity securities for which market quotations are available are generally valued at the last sale price or official closing price on the primary market or exchange on which they trade. Any investments and other assets for which such current market quotations are not readily available are valued at fair value ("Fair Valued Assets") as determined in good faith by a committee of the Adviser ("Fair Valued Asset Committee") under procedures established by, and under the general supervision and responsibility of, the Fund's Board of Trustees. A Fair Valued Asset Committee meeting may be called at any time by any member of the Fair Valued Asset Committee. The pricing of all Fair Valued Assets and determinations thereof shall be reported by the Fair Valued Asset Committee to the Board at each regularly scheduled quarterly meeting.

Various inputs are used to determine the value of BGB's investments. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

Level 1 — Unadjusted quoted prices in active markets for identical investments at the measurement date.

Level 2 — Significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).

Level 3 — Significant unobservable inputs (including the Fund's own assumption in determining the fair value of investments).

The categorization of a value determined for investments and other financial instruments is based on the pricing transparency of the investment and other financial instrument and does not necessarily correspond to the Fund's perceived risk of investing in those securities. Investments measured and reported at fair value are classified and disclosed in one of the following levels within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement.

The following table summarizes the valuation of BGB's investments under the fair value hierarchy levels as of September 30, 2018:

Blackstone / GSO Strategic Credit Fund

Investments in Securities at Value*	Level 1 - Quoted Prices	Level 2 - Significant Observable Inputs	Level 3 - Significant Unobservable Inputs	Total
Floating Rate Loan Interests				
Aerospace & Defense	–	$14,528,654	$6,874,361	$21,403,015
Automotive	–	1,336,960	8,637,445	9,974,405
Beverage & Tobacco	–	–	1,778,526	1,778,526
Brokers, Dealers & Investment Houses	–	3,018,000	1,890,000	4,908,000
Building & Development	–	65,450,272	609,000	66,059,272
Business Equipment & Services	–	130,585,480	43,628,816	174,214,296
Chemical & Plastics	–	10,389,556	10,781,369	21,170,925
Conglomerates	–	11,794,374	3,729,135	15,523,509
Containers & Glass Products	–	22,897,421	6,817,717	29,715,138
Electronics/Electrical	–	141,369,095	25,559,980	166,929,075
Equipment Leasing	–	–	7,584,375	7,584,375
Financial Intermediaries	–	25,062,168	4,567,500	29,629,668
Food Service	–	22,205,125	5,664,491	27,869,616
Health Care	–	128,581,562	16,185,473	144,767,035
Insurance	–	4,799,705	5,839,287	10,638,992
Lodging & Casinos	–	6,506,207	4,722,270	11,228,477

Oil & Gas	–	25,059,882	3,695,451	28,755,333
Publishing	–	7,996,136	2,661,184	10,657,320
Retailers (except food & drug)	–	13,611,027	4,485	13,615,512
Steel	–	1,221,807	10,647,709	11,869,516
Other	–	183,850,571	–	183,850,571
Corporate Bonds	–	181,276,842	–	181,276,842
Common Stock				
Building & Development	–	–	2,670,278	2,670,278
Leisure goods/activities/movies	–	–	3,152,953	3,152,953
Oil & Gas	1,481,144	1,018,095	11,372,096	13,871,335
Preferred Stocks				
Oil & Gas	–	–	851,582	851,582
Warrants				
Oil & Gas	–	–	6,889	6,889
Total	$1,481,144	$1,002,558,939	$189,932,372	$1,193,972,455

**Refer to each Fund's Portfolio of Investments for a listing of securities by type.*

The changes of the fair value of investments for which BGB has used Level 3 inputs to determine the fair value are as follows:

Blackstone/GSO Strategic Credit Fund	Floating Rate Loan Interests	Corporate Bonds	Common Stock	Preferred Stock	Warrants	Total
Balance as of December 31, 2017	$180,109,500	$5,411,000	$15,121,331	$1,211,867	$-	$201,853,698
Accrued discount/ premium	179,961	7,703	-	-	-	187,664
Realized Gain/(Loss)	214,874	17,923	-	-	-	232,797
Change in Unrealized Appreciation/(Depreciation)	(1,620,552)	(55,204)	(999,415)	(360,285)	(18,173)	(3,053,629)
Purchases	89,960,067	1,124,217	3,073,411	-	25,062	94,182,757
Sales Proceeds	(104,531,169)	(495,747)	-	-	-	(105,026,916)
Transfer into Level 3	42,003,351	-	-	-	-	42,003,351
Transfer out of Level 3	(34,437,458)	(6,009,892)	-	-	-	(40,447,350)
Balance as of September 30, 2018	$171,878,574	$-	$17,195,327	$851,582	$6,889	$189,932,372
Net change in unrealized appreciation/(depreciation) included in the Statements of Operations attributable to Level 3 investments held at September 30, 2018	$299,509	$-	$(3,122,743)	$(360,285)	$(18,173)	$(3,201,692)

Information about Level 3 fair value measurements as of September 30, 2018:

Blackstone / GSO Strategic Credit Fund Assets	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Value/Range (Weighted/Average)
Floating Rate Loan Interests	$171,878,574	Third-party vendor pricing service	Broker quotes	N/A
Common Stock	$2,670,278	Performance Multiple Methodology	EBITDA Multiple[(a)]	9.38x
	$8,370,770	Energy Market Multiples	EBITDA Multiple[(a)]	5.00x
			Proved & Probable PV-10[(a)]	0.75x
			Daily Production[(a)]	52.5
			Proved & Probable Reserves[(a)]	11.4
	$3,001,326	Third-party vendor pricing service	Broker quotes	N/A
	$3,152,953	Discounted Cash Flow	Discount Rate[(a)]	13.25%

			EBITDA Multiple[(a)]	7.75x
Preferred Stock	$851,582	Third-party vendor pricing service	Broker quotes	N/A
Warrants	$6,889	Third-party vendor pricing service	Broker quotes	N/A

(a) *As of September 30, 2018, a change to the unobservable input may result in a significant change to the value of the investment as follows:*

Unobservable Input	**Impact to Value if Input Increases**	**Impact to Value if Input Decreases**
Revenue Multiple	Increase	Decrease
Discount Rate	Decrease	Increase
EBITDA Multiple	Increase	Decrease
Proved & Probable PV-10	Increase	Decrease
Daily Production	Increase	Decrease
Proved & Probable Reserves	Increase	Decrease

Securities were transferred from Level 2 to Level 3 because of a lack of observable market data due to decrease in market activity and information for these securities. Other securities were moved from Level 3 to Level 2 as observable inputs were available for purposes of valuing those assets.

Securities Transactions and Investment Income: Securities transactions are recorded on trade date for financial reporting purposes. Interest income, including accretion of discount and amortization of premium, is recorded on the accrual basis. Realized gains and losses from securities transactions and foreign currency transactions, if any, are recorded on the basis of identified cost.

NOTE 3. SENIOR AND SECURED FLOATING RATE LOANS

BGB will seek to achieve its investment objectives by investing primarily in U.S. corporate fixed income instruments, including Loans and high yield corporate bonds of varying maturities. Under normal market conditions, at least 80% of BGB's Managed Assets (as defined below) will be invested in credit investments comprised of corporate fixed income instruments and other investments (including derivatives) with similar economic characteristics. BGB defines "Managed Assets" as total assets (including any assets attributable to any leverage used) minus the sum of BGB's accrued liabilities (other than liabilities related to the principal amount of leverage). At September 30, 2018, 98.28% of BGB’s Managed Assets were held in corporate fixed income instruments, including Senior Secured Loans.

Loans hold a senior position in the capital structure of a business entity, are secured with specific collateral and have a claim on the assets and/or stock of the borrower of the Loan (the "Borrower") that is senior to that held by unsecured creditors, subordinated debt holders and stockholders of the Borrower.

Loans often require prepayments from Borrowers’ excess cash flows or permit the Borrowers to repay at their election. The degree to which Borrowers repay, whether as a contractual requirement or at their election, cannot be predicted with accuracy. As a result, the actual remaining maturity may be substantially less than the stated maturities shown. However, floating rate loans typically have an expected average life of two to four years. Floating rate loans typically have rates of interest which are re-determined periodically, either daily, monthly, quarterly or semi-annually by reference to a floating base lending rate, primarily the London Interbank Offered Rate (LIBOR), plus a premium or credit spread.

Loans are subject to the risk of payment defaults of scheduled interest or principal. Such non-payment could result in a reduction of income, a reduction in the value of the investment and a potential decrease in the net asset value of the Fund. Risk of loss of income is generally higher for subordinated unsecured loans or debt, which are not backed by a security interest in any specific collateral. There can be no assurance that the liquidation of any collateral securing a Loan would satisfy the Borrower’s obligation to the Fund in the event of non-payment of scheduled interest or principal payments, or that such collateral could be readily liquidated.

Second lien loans generally are subject to similar risks as those associated with investments in first lien loans except that such loans are subordinated in payment and/or lower in lien priority to first lien holders. In the event of default on a second lien loan, the first priority lien holder has first claim to the underlying collateral of the loan. Second lien loans are subject to the additional risk that the cash flow of the Borrower and property securing the loan or debt, if any, may be insufficient to meet scheduled payments after giving effect to senior obligations of the Borrower. At September 30, 2018, BGB had invested $227,965,845 in second lien secured loans.

Loans can be rated below investment grade or may also be unrated. As a result, the risks associated with Loans may be similar to the risks of other below investment grade securities, although they are senior and secured in contrast to other below investment grade securities, which are often subordinated or unsecured. BGB typically invests in Loans rated below investment grade, which are considered speculative because of the credit risk of their issuers. Such companies are more likely than investment grade issuers to default on their payments of interest and principal owed to BGB, and such defaults could reduce net asset value and income distributions. The amount of public information available with respect to below investment grade loans will generally be less extensive than that available for registered or exchange-listed securities. In evaluating the creditworthiness of Borrowers, the Adviser will consider, and may rely in part, on analyses performed by others. The Adviser’s established best execution procedures and guidelines require trades to be placed for execution only with broker-dealer counterparties approved by the Counterparty Committee of the Adviser. The factors considered by the Counterparty Committee when selecting and approving brokers and dealers include, but are not limited to: (i) quality, accuracy, and timeliness of execution, (ii) review of the reputation, financial strength and stability of the financial institution, (iii) willingness and ability of the counterparty to commit capital, (iv) ongoing reliability and (v) access to underwritten offerings and secondary markets. The Counterparty Committee regularly reviews each broker-dealer counterparty based on the foregoing factors.

BGB may acquire Loans through assignments or participations. BGB typically acquires these Loans through assignment, and if BGB acquires a Loan through participation, it will seek to elevate a participation interest into an assignment as soon as practicably possible. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, the purchaser’s rights can be more restricted than those of the assigning institution, and BGB may not be able to unilaterally enforce all rights and remedies under the Loan and with regard to any associated collateral. A participation typically results in a contractual relationship only with the institution participating out the interest, not with the Borrower. Sellers of participations typically include banks, broker-dealers, other financial institutions and lending institutions. The Adviser has adopted best execution procedures and guidelines to mitigate credit and counterparty risk in the atypical situation when BGB must acquire a Loan through participation. BGB had no outstanding participations as of September 30, 2018.

NOTE 4. LEVERAGE

The Fund has entered into a separate Credit Agreement (the "Agreement") with a bank to borrow money pursuant to a two-year revolving line of credit ("Leverage Facility") dated December 21, 2012, as amended at December 20, 2013, December 19, 2014, December 18, 2015, July 26, 2016, December 16, 2016 and December 20, 2017 and as further amended and restated on June 20, 2018 to borrow up to a limit of $415 million. Borrowings under the Agreement are secured by the assets of the Fund. Interest is charged at a rate of 0.975% above LIBOR, with LIBOR measured for the period commencing on the date of the making of such LIBOR Loan (or the last date upon which any other Loan was converted to, or continued as, such LIBOR Loan) and ending on the numerically corresponding day in the calendar month that is one (1) week or one (1), two (2), three (3), six (6) or nine (9) months thereafter, as the Fund may elect, or such other periods as the lender may agree in its sole and absolute discretion. Under the terms of the Agreement, the Fund must pay a commitment fee on any undrawn amounts. The commitment fee payable is 0.15% on the undrawn amounts when drawn amounts exceed 50% of the borrowing limit and 0.25% on the undrawn amounts at any other time. Interest and fees are payable quarterly. The Fund may elect to extend the Agreement for a further period with the consent of the lending bank. At September 30, 2018, BGB had borrowings outstanding under its Leverage Facility of $393,500,000, at an interest rate of 3.12%. Face value approximates fair value at September 30, 2018, this fair value is based on Level 2 inputs under the three-tier fair valuation hierarchy (see Note 2). For the period ended September 30, 2018, the average borrowings under BGB's Leverage Facility and the average interest rate were $387,644,689 and 2.84%, respectively.

On July 27, 2016, BGB issued 45,000 Mandatory Redeemable Preferred Shares (“MRPS”) with an aggregate liquidation preference of $45,000,000, rated “AA” by Fitch Ratings. BGB used the proceeds of the offering to make additional investments for BGB’s portfolio. The final redemption date of the MRPS is July 27, 2023. BGB makes quarterly dividend payments on the MRPS at an annual dividend rate of 3.61%.

Under the Agreement and the governing documents of the MRPS, the Fund has agreed to certain covenants and additional investment limitations while the leverage is outstanding. The Fund agreed to maintain asset coverage of three times over borrowings. Compliance with the investment restrictions and calculations are performed by the Fund's custodian, The Bank of New York Mellon. As of September 30, 2018, the Fund was in compliance with all required investment limitations and asset coverage requirements related to its leverage.

The use of leverage by the Fund can create risks. Changes in the value of the Fund's portfolio, including securities bought with the proceeds of leverage, are borne entirely by the holders of common shares of the Fund. All costs and expenses related to any form of leverage used by the Fund are borne entirely by common shareholders. If there is a net decrease or increase in the value of the Fund's investment portfolio, the leverage may decrease or increase, as the case may be, the net asset value per common share to a greater extent than if the Fund did not utilize leverage. During periods when BGB is using leverage, the fees paid to the Adviser for advisory services and to ALPS for administrative services are higher than if the Fund did not use leverage because the fees paid are calculated on the basis of the Fund's Managed Assets, which include the assets purchased through leverage. As of September 30, 2018, BGB's leverage represented 36.74% of the Fund’s Managed Assets (with the borrowings under the Leverage Facility representing 32.97% of Managed Assets and the MRPS representing 3.77% of Managed Assets).

Item 2. Controls and Procedures.

(a) The Registrant's principal executive officer and principal financial officer have concluded that the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended) are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this Report.

(b) There was no change in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940, as amended) that occurred during the Registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Item 3. Exhibits.

Separate certifications for the Registrant's principal executive officer and principal financial officer, as required by Rule 30a-2(a) under the Investment Company Act of 1940, as amended, are attached as Exhibit 99.CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Blackstone / GSO Strategic Credit Fund

By: /s/ Daniel H. Smith, Jr.
Daniel H. Smith, Jr. (Principal Executive Officer)
Chief Executive Officer and President

Date: November 29, 2018

By: /s/ Doris Lee-Silvestri
Doris Lee-Silvestri (Principal Financial Officer)
Treasurer and Chief Financial Officer

Date: November 29, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Daniel H. Smith, Jr.
Daniel H. Smith, Jr. (Principal Executive Officer)
Chief Executive Officer and President

Date: November 29, 2018

By: /s/ Doris Lee-Silvestri
Doris Lee-Silvestri (Principal Financial Officer)
Treasurer and Chief Financial Officer

Date: November 29, 2018