

ENVIRONMENTAL PACKAGING TECHNOLOGIES HOLDINGS, INC.

FORM 10-Q (Quarterly Report)

Filed 03/16/18 for the Period Ending 09/30/17

Address	12303 AIRPORT WAY SUITE 200 BROOMFIELD, CO, 80021
Telephone	(303) 327-1497
CIK	0001553734
Symbol	EPTI
SIC Code	3080 - Miscellaneous Plastics Products
Industry	Non-Paper Containers & Packaging
Sector	Basic Materials
Fiscal Year	12/31

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

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 **0-5703**

Environmental Packaging Technologies Holdings, Inc.

(Exact Name of Registrant as Specified in its Charter)

Nevada

(State or Other Jurisdiction of Incorporation or Organization)

45-5634033

(I.R.S. Employer Identification No.)

6100 West by Northwest, Suite 110, Houston, Texas 77040

(Address of Principal Executive Offices) (Zip Code)

(646) 229-3639

(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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐

Accelerated Filer ☐

Non-Accelerated Filer ☐

Smaller Reporting Company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of March 14, 2018 there were 67,437,023 shares of Common Stock, par value \$0.01 per share, outstanding.

<u>Part I</u>	<u>Financial Information</u>	<u>P a g e</u>
	<u>Condensed Consolidated Balance Sheets as of September 30, 2017 (unaudited) and December 31, 2016</u>	1
	<u>Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income for the Three and Nine Months Ended September 30, 2017 (unaudited) and 2016</u>	2
	<u>Condensed Consolidated Statement of Changes in Stockholders' Deficit for the Nine Months Ended September 30, 2017 (unaudited) and December 31, 2016</u>	3
	<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2017 and 2016 (unaudited)</u>	4
	<u>Notes to Condensed Consolidated Financial Statements</u>	5
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Results of Operations and Financial Condition</u>	18
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	22
<u>Item 4.</u>	<u>Controls and Procedures</u>	22
<u>Part II</u>	<u>Other Information:</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u>	23
<u>Item 1A.</u>	<u>Risk Factors</u>	23
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	23
<u>Item 5.</u>	<u>Other Information</u>	23
<u>Item 6.</u>	<u>Exhibits</u>	24
	<u>SIGNATURE PAGE</u>	25

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

ENVIRONMENTAL PACKAGING TECHNOLOGIES HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>September 30,</u>	<u>December 31,</u>
	<u>2017</u>	<u>2016</u>
	(unaudited)	
Assets		
Cash	\$ 747,217	\$ 814,778
Restricted cash	35,000	-
Accounts receivable, net	2,926,270	2,878,469
Inventories, net	2,395,862	2,217,674
Short-term deposits	245,250	-
Prepaid expense and other current assets	- 872,410	- 92,163
Total Current Assets	7,222,009	6,003,084
Fixed Assets, net	- 141,299	-
Total Assets	= 7,363,308	= 6,003,084
Liabilities and Stockholders' Deficit		
Current liabilities		
Accounts payable	\$ 3,356,907	\$ 3,026,480
Accounts payable - related parties	68,105	130,552
Accrued liabilities	1,178,449	1,141,849
Short-term notes	525,000	4,720,000
Short-term line of credit, net	3,407,966	-
Advance from customer	-	497,689
Other short-term liabilities	437,500	418,500
Short-term investment loan	- -	13,964,664
Total Current Liabilities	8,973,927	23,899,734
Other long-term liabilities	- 63,665	- 48,333
Total Liabilities	- 9,037,592	- 23,948,067

Commitments and Contingencies (Note 15)

Stockholders' Deficit

Preferred stock, \$.001 par value; authorized shares - 1,000,000; 998 shares issued or outstanding at September 30, 2017; no shares issued and outstanding at December 31, 2016	1	-
	997,999	-
Additional paid-in capital - Preferred Stock		
Common stock, \$.001 par value; authorized shares - 90,000,000; 65,680,023 shares issued and outstanding at September 30, 2017 and 29,195,260 shares issued and outstanding at December 31, 2016	65,680	40,232
	44,155,152	25,422,750
Additional paid-in capital - Common Stock		
Additional paid-in capital-Warrants	106,668	-
	(47,017,959	(43,460,290
Accumulated deficit))
	128,500	-
Obligation to issue shares		
	(110,325	52,325
Accumulated other comprehensive income)	-
	(1,674,284	(17,944,983
Total Stockholders' Deficit)	-
	\$ 7,363,308	\$ 6,003,084
Total Liabilities and Stockholders' Deficit	=	=

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

ENVIRONMENTAL PACKAGING TECHNOLOGIES HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

(unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Revenues	\$ 4,415,899	\$ 4,561,908	\$ 13,500,233	\$ 13,042,454
Cost of goods sold	(3,399,722)	(3,386,495)	(11,175,895)	(7,971,036)
Gross profit	1,016,177	1,175,413	2,324,338	5,071,418
Selling, general and administrative expenses	(1,244,164)	(957,730)	(3,537,288)	(2,953,605)
Operating (loss) income	(227,987)	217,683	(1,212,950)	2,117,813
Interest and finance expense, net	(370,052)	(511,667)	(2,153,910)	(839,962)
Amortization expense	(122,395)	(116,010)	(221,387)	(348,029)
Other income	22,298	-	182,853	-
Other expenses	-	2,177	-	13,038
Other taxes	(56)	(56)	(104,917)	(12,570)
(Loss) Income before income taxes	(698,136)	(407,873)	(3,510,311)	930,290
Income tax (expense) benefit	18,225	(72,691)	(25,994)	(202,222)
Net (loss) / income	\$ (679,911)	\$ (480,564)	\$ (3,536,305)	\$ 728,068
Comprehensive (loss) / income				
Net (loss) / income	\$ (679,911)	\$ (480,564)	\$ (3,536,305)	\$ 728,068
Foreign currency translation adjustments	(38,182)	(25,035)	(162,650)	(77,085)

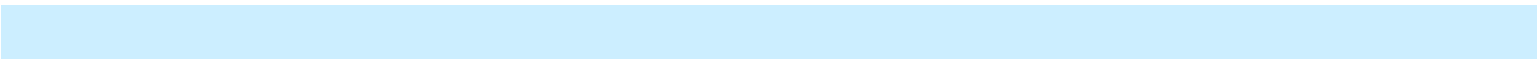
	\$ <u>(718,093)</u>	\$ <u>(505,599)</u>	\$ <u>(3,698,955)</u>	\$ <u>650,983</u>
Comprehensive (loss) / income))))
	45,308,191	24,939,097	45,308,191	24,939,097
Weighted average shares outstanding (basic)				
	<u>46,832,868</u>	<u>29,490,151</u>	<u>46,832,868</u>	<u>29,490,151</u>
Weighted average shares outstanding (dilutive)	-	-	-	-
	\$ <u>(0.02)</u>	\$ <u>(0.02)</u>	\$ <u>(0.08)</u>	\$ <u>0.03</u>
Earnings (loss) per share (primary)))))
	\$ <u>(0.01)</u>	\$ <u>(0.02)</u>	\$ <u>(0.08)</u>	\$ <u>0.02</u>
Earnings (loss) per share (dilutive)))))

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

ENVIRONMENTAL PACKAGING TECHNOLOGIES HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 (unaudited) AND YEAR ENDED DECEMBER 31, 2016

	Preferred Stock		Additional Paid-in Capital	Common Stock		Additional Paid-in Capital - Common Stock	Additional Paid-in Capital - Warrants	Obligation to issue Shares	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Deficit
	Shares	Amount		Shares (1) (2)	Amount						
Balance as of December 31, 2015	189,920	\$ 190	\$18,991,834	3,789,970	\$ 3,769	\$ 6,464,647	\$ -	\$ 2,418	\$(43,280,632)	\$ 72,574	\$(17,745,200)
Conversion of preferred shares to common shares	(189,920)	(190)	(18,991,834)	18,991,830	18,992	18,992,024	-	(18,992)	-	-	-
Issuance of shares under short-term debt agreement	-	-	-	3,184,460	3,184	-	-	(3,184)	-	-	-
Issuance of shares for payment of expenses	-	-	-	3,250,000	3,250	-	-	(3,126)	-	-	124
Foreign currency translation	-	-	-	-	-	-	-	-	-	(20,249)	(20,249)
Net (loss) for the year ended December 31, 2016	-	-	-	-	-	-	-	-	(179,658)	-	(179,658)
Balance as of December 31, 2016	-	\$ -	\$ -	29,195,260	\$ 29,195	\$25,456,671	\$ -	\$ (22,884)	\$(43,460,290)	\$ 52,325	\$(17,944,988)
Issuance of shares for payment of expenses	-	-	-	1,015,000	1,015	69,860	-	-	-	-	70,875
Issuance of preferred shares under debt conversion	998	1	997,999	-	-	-	-	-	-	-	998,000
Issuance of shares under subordinated note conversion	-	-	-	9,879,740	9,880	13,954,784	-	-	-	-	13,964,664
Conversion of warrants	-	-	-	1,045,000	1,045	-	-	-	-	-	1,045
Issuance of shares under debt conversion	-	-	-	2,016,000	2,016	755,984	-	-	-	-	758,000
Issuance of shares from merger	-	-	-	12,000,023	12,000	(12,000)	-	-	-	-	-
Issuance of shares under Private Placement	-	-	-	10,479,000	10,479	5,229,021	-	122,500	-	-	5,362,000
Payment of expenses related to the merger	-	-	-	-	-	(550,000)	-	-	-	-	(550,000)
Payment of expenses related to fundraising	-	-	-	-	-	(427,016)	-	-	-	-	(427,016)
Issuance costs	-	-	-	-	-	(192,600)	-	-	-	-	(192,600)
Issuance of shares for payment of compensation	-	-	-	50,000	50	-	-	6,000	-	-	6,050
Conversion of warrants	-	-	-	-	-	(106,668)	106,668	-	-	-	-
Foreign currency translation	-	-	-	-	-	-	-	-	-	(162,650)	(162,650)
Prior Period Adjustments	-	-	-	-	-	(22,884)	-	22,884	(21,364)	-	(21,364)

Net (loss) for the six months endedSeptember 30, 2017	-	-	-	-	-	-	-	-	-	(3,536,305)	-	(3,536,305)
---	---	---	---	---	---	---	---	---	---	-------------	---	-------------



Balance as of September 30, 2017	= 998	= \$ 1	= \$ 997,999	= 65,680,023	= \$ 65,580	= \$44,155,152	= \$ 106,668	= \$ 128,500	= \$(47,017,959)	= \$ (110,325)	= \$(1,674,284)
----------------------------------	-------	--------	--------------	--------------	-------------	----------------	--------------	--------------	------------------	----------------	-----------------

- (1) This schedule incorporates the reduction of the total number of common and preferred shares issued and outstanding via a 100-to-1 reverse split in March of 2016.
- (2) This schedule incorporates the increase of the total number of common shares issued and outstanding via a 10-to-1 stock split in April of 2017.
- (3) Due to U.S. F/X adjustment as a result of 2016 audit and Korea prior period adjustments made as a result of expenses/AP, sales/AR, and inventory count updates
Arising from Q2 2017 accounting system implementation/review.

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

ENVIRONMENTAL PACKAGING TECHNOLOGIES HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

For the nine months ended
September 30,
2017 **2016**

Operating Activities

Net (loss) / income	\$ (3,536,305	\$ 728,068
Adjustment to reconcile net (loss) / income to net cash used in operating activities		
Depreciation	21,419	-
Amortization of debt issuance costs	(245,082	348,029
Recovery of bad debt	7,780	-
Inventory obsolescence	(16,829	(28
Provision for warranty cost	4,385	(1,615
Accounts receivable	(55,581	373,876
Inventories	(161,359	(2,203,927
Short-term Deposits	(245,250	-
Prepaid expense and other current assets	(780,247	9,028
Fixed Assets	(162,718	-
Accounts payable	267,980	192,860
Accrued expenses	-	15,799
Accrued liabilities	32,215	-
Other short-term liabilities	3,051	174,961
Other long-term liabilities	15,332	(5,695
Net cash used in operating activities	(4,851,209	(368,644

Financing Activities

Proceeds from short-term notes	453,364	150,000
Proceeds from other short-term liabilities	1,455,000	1,210,000
Proceeds from short-term line of credit	6,444,133	-
Issuance of shares under private placement	5,362,000	-
Payment of expenses related to the merger	(550,000	-
Payment of expenses related to fundraising	(427,016	-
Repayments of short-term notes	(3,908,364	(300,000
Repayments of other short-term liabilities	(1,439,051	(517,265

Repayments of short-term line of credit)	<u>(2,791,085)</u>	<u>-</u>
Net cash provided by financing activities		<u>4,598,981</u>	<u>542,735</u>
Effect of exchange rate fluctuations on cash		<u>184,667</u>	<u>77,068</u>
Net decrease in cash)	(67,561	251,159
Cash at beginning of period		<u>814,778</u>	<u>1,022,716</u>
Cash at end of period		<u><u>\$ 747,217</u></u>	<u><u>\$ 1,273,875</u></u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest		<u><u>\$ 2,149,715</u></u>	<u><u>\$ 609,072</u></u>
Income taxes		<u><u>\$ 25,994</u></u>	<u><u>\$ 202,222</u></u>
Non-cash financing activities:			
Issuance of shares under subordinated note conversion		<u><u>\$ 14,704,664</u></u>	<u><u>-</u></u>
Conversion of preferred shares to common shares		<u><u>\$ -</u></u>	<u><u>\$ 18,992,024</u></u>
Issuance of shares under short-term debt agreement		<u><u>\$ 12,000</u></u>	<u><u>\$ 3,184</u></u>
Issuance of shares for payment of expenses		<u><u>\$ 875</u></u>	<u><u>\$ 3,250</u></u>

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

ENVIRONMENTAL PACKAGING TECHNOLOGIES HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. ORGANIZATION AND NATURE OF BUSINESS

Environmental Packaging Technologies, Inc. (the "Company" and, or "EPT") is a Delaware corporation incorporated August 8, 2011 with operations in Holland, Michigan, and is currently headquartered in Houston, Texas. The Company engages in the manufacturing and sale of flexitanks, a specialty product that is being used for the transport of bulk liquid cargo. The Company conducts its business primarily through its U.S. operation in Michigan, and its subsidiaries in Korea and the Netherlands. The Company's main products include Big Red Flexitanks and Liquirides; and they are sold in various countries around the world.

2. INTERIM FINANCIAL STATEMENTS

The interim Condensed Consolidated Financial Statements of Environmental Packaging Technologies Holdings, Inc. and its subsidiaries ("EPTI" or the "Company") have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and disclosures necessary for a presentation of the Company's financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. In the opinion of management, these financial statements reflect all normal recurring adjustments and accruals necessary for a fair statement of the Company's financial position, results of operations, and cash flows for such periods. The results of operations for any interim period are not necessarily indicative of the results for the full year. The December 31, 2016 Consolidated Balance Sheet data were derived from audited financial statements, but do not include all disclosures required by accounting principles generally accepted in the United States of America. These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report within Form 8-K for the year ended December 31, 2016.

3. GOING CONCERN

The Company has an accumulated deficit as of September 30, 2017 of (\$47,017,959). This accumulated deficit is primarily the result of a non-cash write-off of impaired assets of \$29,272,766. At September 30, 2017, the Company's total current liabilities of \$9.0 million exceeded its total current assets of \$7.2 million, resulting in a working capital deficit of approximately \$1.7 million, while at December 31, 2016, the Company's total current liabilities of \$23.9 million exceeded its total current assets of \$6 million, resulting in a working capital deficit of \$17.9 million. The \$16.3 million increase in the working capital deficit is primarily related to decreases in current liabilities as of September 30, 2017 due to the conversion of a subordinated note to shares of common stock and by increases in current assets, primarily other assets.

The Company's continuation as a going concern is dependent on management's ability to develop profitable operations and/or obtain additional financing from shareholders and/or other third parties. In order to address the need to satisfy continuing obligations and realize its long-term strategy, management's plans include continuing to fund operations with cash received from financing activities, however, there are no guarantees that any of future financings will close.

The accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern, however, the above conditions raise substantial doubt about the Company's ability to do so. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The condensed consolidated financial statements are unaudited; however, in the opinion of management, they contain all the adjustments (consisting of those of a normal recurring nature) considered necessary to present fairly the financial position, results of operations and cash flows for the periods presented in conformity with U.S. generally accepted accounting principles ("GAAP") applicable to interim periods. The consolidated financial statements should be read in conjunction with the audited consolidated financial statements of EPT included in the Company's Annual Report on Form 8-K for the year ended December 31, 2016.

(b) Organization and principals of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its subsidiaries. The 100% owned subsidiaries include Environmental Packaging Latin America South S.R.L located in Buenos Aires, Argentina, EPT Packaging Europe B.V. located in Rotterdam, The Netherlands, and EPTPAC Korea Co. Ltd., located in Seoul, Korea.

For all periods presented, all significant inter-company accounts and transactions have been eliminated in the condensed consolidated financial statements. In the opinion of management, all adjustments considered necessary to give a fair presentation have been included.

(c) Fair Value of Financial Instruments

The Company follows the provisions of ASC 820, Fair Value Measurements and Disclosures, which clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.
- Level 3: Unobservable inputs that reflect management's assumptions based on the best available information.

The carrying value of accounts receivable, inventories, prepaid expenses and other current assets, accounts payable, accrued liabilities, advance from customer, other short-term liabilities, and short-term investment loan approximate their fair values because of the short-term nature of these instruments. The carrying value of the long-term investment loan and other long-term liabilities approximates fair value based on market rates and terms currently available to the Company. The Company did not identify any assets or liabilities that are required to be re-measured at fair value at a recurring basis in accordance with ASC 820.

(d) Use of Estimates and Assumptions

The preparation of the condensed consolidated financial statements in conformity with US 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 dates of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Estimates are adjusted to reflect actual experience when necessary. Significant accounting estimates reflected in the Company's condensed consolidated financial statements include allowance for doubtful accounts, provision for income taxes, product warranty, and valuation of deferred tax assets. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates.

(e) Translation of Foreign Currency

The accounts of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is the U.S. dollars ("USD") and the accompanying consolidated financial statements are presented in USD. Foreign currency transactions are translated into USD using the fixed exchange rates in effect at the time of the transaction. Generally, foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the consolidated statements of operations. The Company translates foreign currency financial statements of its subsidiaries in accordance with ASC 830-10, "Foreign Currency Matters". Assets and liabilities are translated at current exchange rates quoted by the US Treasury at the balance sheet dates and revenues and expenses are translated at average exchange rates in effect during the year. Resulting translation adjustments are recorded as other comprehensive income (loss) and accumulated as a separate component of equity of the Company.

(f) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, and other highly liquid investments which are unrestricted as to withdrawal or use, and which have maturities of three months or less when purchased. The Company maintains cash with various financial institutions mainly in the U.S., Korea and the Netherlands. As of September 30, 2017, and December 31, 2016, cash balances of \$747,217 and \$814,778, respectively, are not insured by the Federal Deposit Insurance Corporation or other programs. As of September 30, 2017, and December 31, 2016 the Company did not have any cash equivalents.

As of September 30, 2017, the Company had a balance of \$35,000 designated as restricted cash, which are held in an escrow account.

(g) Accounts Receivable

Accounts receivable are presented at net realizable value. The Company maintains allowances for doubtful accounts for estimated losses. The Company reviews its accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the Company considers many factors, including the age of the balances, customers' historical payment history, their current credit-worthiness and current economic trends. Accounts are written off after exhaustive efforts at collection. As of September 30, 2017, and December 31, 2016, the allowance for doubtful accounts totaled \$28,554 and \$20,773, respectively.

(h) Inventories

Inventories, consisting of raw materials and finished goods, are stated at the lower of cost or market, with cost determined under the weighted average method. An allowance is established when management determines that certain inventories may not be saleable. If inventory costs exceed expected market value due to obsolescence or slow-moving or quantities in excess of expected demand, the Company will record reserves for the difference between the cost and the market value. These reserves are recorded based on estimates and reflected in cost of revenues. The Company recorded a reserve for slow-moving inventory of \$72,130 and \$88,959 at September 30, 2017 and December 31, 2016, respectively.

(i) Revenue Recognition

The Company generates revenue primarily from the sales of flexitanks and delivery of related services. The Company recognizes revenue from product sales when persuasive evidence of a sale exists: that is, a product is shipped under an agreement with a customer, risk of loss and title has passed to the customer; the fee is fixed or determinable; and collection of the resulting receivable is reasonably assured. Sales allowances are estimated based upon historical experience of sales returns.

Advance payments and deposits received from customers prior to the provision of services and recognition of the related revenues are presented as advance from customer in the accompanying consolidated balance sheet.

(j) Product Warranty

The Company provides warranty on sales of its flexitanks; in general, the warranty is effective one-year from the date of shipment. The Company records a liability for an estimate of costs that it may incur under its basic limited warranty when product revenue is recognized. Factors affecting the Company's warranty liability include the number of flexitanks sold and historical and anticipated rates of claims and costs per claim. The Company periodically assesses the adequacy of its warranty liability based on changes in these factors. Based upon historical trends and warranties provided by the Company's suppliers and sub-contractor's the company has made provision for warranty cost based on .75% of product sales. The Company has made a provision for warranty cost of \$69,978 and \$65,593 as of September 30, 2017 and December 31, 2016, respectively, within accrued liabilities in the accompanying consolidated balance sheet.

	Nine months ended September 30, 2017	Year ended December 31, 2016
Product warranty liability:		
Opening balance	\$ 65,593	\$ 64,195
	- 4,385	- 1,398
Accruals for product warranties issued in the period	\$ 69,978	\$ 65,593
Ending liability	= 69,978	= 65,593

(k) Shipping and Handling

In accordance with FASB ASC 605-45 (Emerging Issues Task Force (EITF) Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs"), the Company includes shipping and handling fees billed to customers in net revenues. Amounts incurred by the Company for freight are included in cost of goods sold.

(l) Segment Reporting

“Disclosure About Segments of an Enterprise and Related Information” requires use of the “management approach” model for segment reporting. The management approach model is based on the way a company’s management organizes segments within the company for making operating decisions and assessing performance. Reportable segments are based on products and services, geography, legal structure, management structure, or any other manner in which management disaggregates a company. The Company’s management considers its business to comprise three segments for reporting purposes. (See Note 15)

(m) Computation of Earnings (Loss) per Share

Basic net income (loss) per common share is computed by dividing net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Average outstanding primary shares was 45,308,191 and 24,939,097 for the nine months ended September 30, 2017 and 2016, respectively. On a dilutive basis, the average outstanding dilutive shares was 46,832,868 and 29,490,151 for the nine months ended September 30, 2017 and 2016, respectively. Net income (loss) per common share attributable to common stockholders assuming dilution is computed by dividing net income by the weighted average number of shares of common stock outstanding plus the number of additional common shares that would have been outstanding if all dilutive potential common shares had been issued.

(n) Taxation

Because the Company and its subsidiaries are incorporated in different jurisdictions, they file separate income tax returns. The Company uses the liability method of accounting for income taxes in accordance with US GAAP. Deferred taxes, if any, are recognized for the future tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. A valuation allowance is provided against deferred tax assets if it is more likely than not that the asset will not be utilized in the future.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense. The Company had no uncertain tax positions as of September 30, 2017 and December 31, 2016, respectively.

(o) Comprehensive Income

The Company reports comprehensive income in accordance with the FASB issued authoritative guidance that establishes standards for reporting comprehensive income and its component in consolidated financial statements. Comprehensive income, as defined, includes all changes in equity during a period from non-owner sources .

(p) Derivative Financial Instruments

When the Company issues debt that contains a conversion feature, the Company first evaluates whether the conversion feature meets the requirements to be treated as a derivative: a) one or more underlying’s, typically the price of the Company’s stock; b) one or more notional amounts or payment provisions or both, generally the number of shares upon conversion; c) no initial net investment, which typically excludes the amount borrowed; and d) net settlement provisions, which in the case of convertible debt generally means the stock received upon conversion can be readily sold for cash. There are certain scope exceptions from derivative treatment, but these typically exclude conversion features that provide for a variable number of shares.

When the Company issues warrants to purchase our common stock, we must evaluate whether they meet the requirements to be treated as a derivative. Generally, warrants would be treated as a derivative if the provisions of the warrant agreement create uncertainty as to a) the number of shares to be issued upon exercise; or b) whether shares may be issued upon exercise.

If the conversion feature within convertible debt or warrants meet the requirements to be treated as a derivative, we estimate the fair value of the derivative liability using the Black-Scholes Option Pricing Model upon the date of issuance. If the fair value of the derivative liability is higher than the face value of the convertible debt, the excess is immediately recognized as interest expense. Otherwise, the fair value of the derivative liability is recorded as a liability with an offsetting amount recorded as a debt discount, which offsets the carrying amount of the debt. The derivative liability is revalued at the end of each reporting period and any change in fair value is recorded as a change in fair value in the consolidated statement of operations. The debt discount is amortized through interest expense over the life of the debt. Derivative instrument liabilities and the host debt agreement are classified on the balance sheet as current or non-current based on whether settlement of the derivative instrument could be required within twelve months of the balance sheet date.

The accounting treatment of derivative financial instruments requires that the Company record the embedded conversion option and warrants at their fair values as of the inception date of the agreement and at fair value as of each subsequent balance sheet date. Any change in fair value is recorded as non-operating, non-cash income or expense for each reporting period at each balance sheet date. The Company reassesses the classification of its derivative instruments at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification.

As of September 30, 2017, the Company does not consider any of the convertible debt and related warrants issued in 2017 to be considered derivatives and therefore there is no requirement to record the convertible debt and related warrants at their estimated fair values.

(q) Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers*. ASU 2014-09 will eliminate transaction- and industry-specific revenue recognition guidance under current GAAP and replace it with a principle based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. ASU 2014-09 also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. Based on the FASB’s Exposure Draft Update issued on April 29, 2015, and approved in July 2015, Revenue from Contracts With Customers (Topic 606): Deferral of the Effective Date, ASU 2014-09 is now effective for reporting periods beginning after December 15, 2017, with early adoption permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Entities will be able to transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. The adoption of ASU 2014-09 is not expected to have any impact on the Company’s consolidated financial statement presentation or disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which, among other things, requires the recognition of lease assets and lease liabilities on the balance sheets of lessees, along with the disclosure of key information about leasing arrangements. When effective, the ASU will supersede, and add Topic to the FASB ASC. In addition to replacing with FASB ASC 842, it also amends and supersedes a number of other paragraphs throughout the FASB ASC. The ASU is effective for public business entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company is still evaluating the impact ASU 2016-02 will have on its consolidated financial statements.

Management does not believe that any other recently issued, but not yet effective, authoritative guidance, if currently adopted, would have a material impact on the Company’s consolidated financial statement presentation or disclosures.

5. ACCOUNTS RECEIVABLE, NET

The Company’s net accounts receivable is as follows:

	September 30, 2017	December 31, 2016
Trade accounts receivable	\$ 2,954,824	\$ 2,899,242
	(28,554)	(20,773)
Less: allowance for doubtful accounts) -) -
Total accounts receivable, net	\$ 2,926,270	\$ 2,878,469

6. INVENTORIES, NET

The Company’s inventories are as follows:

	September 30, 2017	December 31, 2016
Raw materials	\$ 416,081	\$ 533,132
Finished goods	2,051,911	1,773,501
	(72,130)	(88,959)
Less: allowance for slow-moving inventories) -) -
Total inventories, net	\$ 2,395,862	\$ 2,217,674

7. ACCRUED LIABILITIES

The Company's accrued liabilities are comprised of the following:

	September 30, <u>2017</u>	December 31, <u>2016</u>
Warranty reserve	\$ 69,978	\$ 65,593
Accrued taxes	592,873	73,991
Accrued interest	-	71,182
Accrued legal settlement	95,000	661,667
Accrued professional fees	31,843	42,125
Other accrued liabilities	21,997	31,556
Accrued Big Red Resources invoices	174,158	195,735
	<u>192,600</u>	<u>-</u>
Equity Issuance Cost Liability	\$ <u>1,178,449</u>	\$ <u>1,141,849</u>
Total	<u>=</u>	<u>=</u>

8. RELATED PARTY TRANSACTIONS

Transactions with related parties not disclosed elsewhere in these consolidated financial statements are described below.

The Company does business with Zip Line Transportation, LLC which is owned by the Company's President. Zipline is a local transportation company based in Houston that is used to move product from the Houston location. The Company paid Zipline for trucking services in the amounts \$712,237 and \$716,238 for the nine months ended September 30, 2017 and 2016, respectively. As of September 30, 2017, and December 31, 2016, the Company had outstanding payables to Zipline of \$101,575 and \$130,552, respectively. Also, as of December 31, 2016, the Company had an outstanding payable to David Skriloff of \$15,000, which was paid off during the nine months ended September 30, 2017.

In addition, several of the Company's lenders are also large shareholders. The table below provides a listing of such investors including percentage ownership and amount owed. It also provides a list of the Company's directors who were also lenders to the Company.

Investor	<u>Relationship</u>	<u>Debt Held</u>	<u>Percentage Ownership</u>
As of December 31, 2016			
GPB Debt Holding II, LLCC	Senior Lender	\$ 2,911,818 %	9.8
David Belding	Director	\$ 150,000 %	17.7
Joseph Kowal	Director	\$ - %	14.4
MKM Opportunity Master Fund, Ltd.	Shareholder/debtor (1)	\$ - %	17.7
OMB Acquisition Corp, LLC	Shareholder/debtor	\$ 14,339,664 %	7.7 (2)
Ranmor, LLC	Shareholder/debtor	\$ 200,000 %	2.8 (3)
As of September 30, 2017			
GPB Debt Holding II, LLCC	Senior Lender	\$ - %	4.8
David Belding	Director	\$ 150,000 %	14.3

Joseph Kowal	Director	\$	-	13.1
			%	
MKM Opportunity Master Fund, Ltd.	Shareholder/debtor	\$	-	12.4
			%	
OMB Acquisition Corp, LLC	Shareholder/debtor	\$	375,000	0.0
			%	
Ranmor, LLC	Shareholder/debtor	\$	-	0.0
			%	

- (1) In January, 2016 David Skriloff, a member at MKM Opportunity Master Fund joined the board and in June, 2016 became interim CEO, and then in April, 2017 became CEO.
- (2) OMB Acquisition Corp is 1/3 owned by David Belding, 1/3 owned by Joseph Kowal and 1/3 owned by MKM Opportunity Master fund.
- (3) Assumes the conversion of Ranmor's convertible note.

During the nine months ended September 30, 2017 and 2016, the Company incurred \$187,500 and \$158,481 respectively as compensation for all directors and officers.

All related party transactions involving provision of services or tangible assets were recorded at the exchange amount, which is the value established and agreed to by the related parties.

9. SHORT-TERM NOTES

The Company's short-term notes payable are as follows:

	September 30, <u>2017</u>	December 31, <u>2016</u>
Senior secured notes (A)	\$ -	\$ 3,200,000
Secured convertible notes (B)	-	795,000
Preferred note (C)	375,000	375,000
Subordinated convertible note (D)	-	200,000
Promissory notes (E)	<u>- 150,000</u>	<u>- 150,000</u>
Total	<u>\$ 525,000</u>	<u>\$ 4,720,000</u>

(A) Pursuant to a Securities Purchase Agreement dated October 15, 2015, the Company sold an aggregate of \$3,500,000 in principal amount of 12% senior secured one- year notes secured by all assets of the Company, and 318,446 post-split common shares of the Company's common stock to GBP Debt Holdings II, LLC and Riverside Merchant Partners, Inc. ("GBP/Riverside"). The Senior Secured Notes were sold at a price of approximately \$943 for each \$1,000 of principal amount and as a consequence net proceeds before other expenses was \$3,300,000; and the Company recognized an upfront interest charge of \$200,000. In conjunction with this financing, the Company paid its agent Aegis Capital Corp. ("Aegis"), \$280,000 and 140,000 common shares.

Effective October 15, 2016 the Company's \$3,841,183 senior secured notes with GBP Holdings II, LLC ("GBP") and Riverside Merchant Partners, LLC ("Riverside") became due and payable but were not repaid. Effective October 19, 2016, GBP and Riverside agreed to forbear from taking any remedial action.

In the months of April 2017 and May 2017, the Company has repaid the majority of the loan and refinanced the remaining amount of the note.

- i. In May 2017, the remaining amounts of the GBP Debt Holdings II, LLC and Riverside Merchant Partners principal, accrued interest and default interest that was not repaid during the ExWorks initial drawdown was restructured in the following manner:
 - a. The Company entered into short-term promissory note agreements with GBP Debt Holdings II, LLC, Riverside Merchant Partners, and Aegis Capital Corporation (as the placement agent) for the amounts of \$143,158, \$10,206, \$50,000, respectively, totaling \$203,364. Interest on each of the notes is 1.15% per annum and is compounded monthly. The notes mature on the earlier of June 26, 2017 or the date on which the Company completes a financing generating aggregate gross proceeds equal to or exceeding \$750,000. See subsection (E) below for promissory notes. The notes with GBP Debt Holdings II and Riverside Merchant Partners was paid in full on June 29, 2017, and the note with Aegis was paid in full in July 2017.
 - b. The Company issued 998 shares of Series B Convertible Preferred Stock, \$.001 par value, to GBP Debt Holdings II, LLC and Riverside Merchant Partners, which are convertible into shares of Common Stock, \$.001 par value, as payment of all default interest and payment premiums remaining. The preferred stock is convertible at \$.50 per share and carries a dividend of 6% that can be accrued at the Company's option.
- ii. In November 2016, the Company closed a financing of \$795,000 in six month Secured Convertible Notes with select accredited investors. The notes mature six months from date of issuance, carry a 12% interest rate, and are convertible into common stock at any time prior to maturity at the option of the holder at a price of \$5 per share. In addition, the notes carry a warrant to purchase 79,500 shares at an exercise price of \$0.01 per share. The notes are secured by a second-priority secured interest in all assets of the Company. During the nine months ended September 30, 2017, \$305,000 was paid and financing of an additional \$50,000 was received from an accredited investor with the same terms noted previously. The note carries a warrant to purchase 50,000 shares at an exercise price of \$0.001 per share. In addition, during the months of April 2017 and May 2017, the accredited investors of the six month Secured Convertible Note made their decisions to convert \$540,000 of unpaid principal and \$24,000 of unpaid interest into 1,116,000 shares of common stock and the obligation to issue 6,000 shares of common stock.

- iii. On October 15, 2015, the Company issued a preferred note to OMB Acquisition Corp., LLC (“OMB”) with a principal sum of \$375,000. Interest on the note has been waived by the lender. The note matured on November 15, 2016 and was automatically extended for one year as elected by the Company.
- iv. On November 15, 2015, the Company issued a subordinated convertible note with a principal sum of \$200,000 to Ranmor, LLC. Interest on the note is 8% per annum. The note will mature on November 20, 2017 and it is convertible at any time at the holder’s election prior to its maturity into 90,000 post-split common shares of the Company. If the note is repaid in cash the Company will pay Ranmor 22,500 post-split common shares of the Company. During April 2017, \$200,000 was converted to 900,000 shares of common stock.
- v. In June 2016, David Belding, a member of the Company’s Board of Directors and a major shareholder loaned the Company \$150,000 pursuant to a one-year unsecured promissory note with automatic one-year renewals at the Company’s option. Interest rate is stated at 10% per annum at a simple rate.

On March 21, 2017, the Company issued a \$200,000 six-month unsecured promissory note. Interest rate is stated at 10% per annum at a simple rate. The notes mature on the earlier of September 21, 2017 or the date on which the Company completes a financing generating aggregate gross proceeds equal to or exceeding \$250,000. The note is convertible into common stock at any time prior to maturity at the option of the holder at a price of \$.50 per share. In addition, the notes carry a warrant to purchase 200,000 shares at an exercise price of \$0.001 per share. In May 2017, the Company repaid the \$200,000 principal amount of the note.

- vi. Effective October 16, 2015, the Company’s major shareholder, EDP EPT, LLC (“EDP”) assigned its investment loans to OMB and the Company issued a subordinated Promissory Note to OMB in the principal amount of \$13,964,664 (the “Note”). The maturity date of the Note was October 15, 2017. Interest on the loan was waived by the lender. On April 17, 2017, OMB converted \$13,964,664 of its Subordinated notes into 9,879,740 shares of common stock.

Interest expense for the short-term notes was \$1,269,039 and \$421,143 for the nine months ended September 30, 2017 and 2016, respectively.

10. SHORT-TERM LINE OF CREDIT

On April 28, 2017, the Company closed on a \$7.5 million joint senior secured line of credit through the Export/Import Bank and ExWorks Capital Fund I, LP (“ExWorks”). This agreement allows the Company to draw from the line of credit against certain domestic and international accounts receivable and inventory. The loan consists of two lines of credit. The first is the Export Line of Credit in the amount of up to \$4 million and has an interest rate of prime plus 4% per annum. The second is the Domestic Line of Credit in the amount of up to \$3.5 million and has an interest of 2% per month. There is a first priority security interest over all assets of the Company including receivables and inventory with the exception of receivables from our Korean subsidiary. The maturity date of loans under the agreement is one year from the closing date. On the initial drawdown, the Company borrowed a net total of \$3,639,033, which includes \$12,830 paid to ExWorks during the closing. The initial proceeds were primarily used to repay \$2,927,829 of debt held by GPB Debt Holdings II, LLC and \$294,084 of debt held by Riverside Merchant Partners. The remaining proceeds were paid to Aegis Capital Corporation or the placement agent fee in the amount of \$250,000, and to ExWorks for various legal and financing fees in the amount of \$179,950. ExWorks charged the Company a Guaranty Fee of \$15,100 in May, and brings the total debt issuance cost on the line of credit to be \$445,050, which is being amortized over the term of the line of credit. In addition to the initial drawdown of \$3,639,033, the Company borrowed an additional \$2,805,100, of which \$2,791,085 was repaid during the nine months ended September 30, 2017. Amortization of debt issuance costs was \$199,967 for the nine months ended September 30, 2017.

11. OTHER SHORT-TERM LIABILITIES

During 2016 and 2017, the Company entered into various agreements with multiple parties to receive advances on future receivables. The balance of these advances at December 31, 2016 was \$418,500. During the months of January, February, and March 2017, the Company received additional advances of \$1,455,000, and repaid 1,439,051, leaving a remaining balance of \$437,500 at September 30, 2017.

During the nine months ended September 30, 2017 and 2016, the interest expense that was incurred and paid on these advances was \$372,063 and \$59,254, respectively.

12. STOCKHOLDERS' DEFICIT

In October 2016, the Company entered into a strategic relationship with The Vedder Group ("Vedders"), one of the largest Canadian logistics and shipping company focusing exclusively on the shipping of liquids. The agreement calls for Vedders to sell and install EPT's flexitanks as part of their respective product offerings to their clients in addition to providing strategic advice and consulting services. In February 2017, under the terms of the agreement, the Company issued to Vedders 750,000 shares of pre-split \$0.001 par value common stock. As of September 30, 2017 and December 31, 2016, the Company did not have any Stock Option Plans.

During May 2017, investors from the six month Secured Convertible Note and the six-month unsecured promissory note made the decision to exercise their warrants to purchase 1,010,000 shares of common stock at \$.001 per share. Proceeds were \$1,010 from the exercising of the warrants.

In June 2017, EPT completed an equity financing where it issued 5,620,000 shares of common stock at \$0.50 per share for a total \$2,810,000. Colorado Financial acted as placement agent and was paid a fee of \$281,000 and warrants to purchase 281,000 shares of stock at a strike price of \$0.60 per share.

In June 2017, EPT completed an additional equity financing where there is an obligation to issue 5,104,000 shares of common stock at \$0.50 per share for a total \$2,552,000. Colorado Financial acted as placement agent and was paid a fee of 255,152 and warrants to purchase 255,152 shares of stock at a strike price of \$0.60 per share.

In August 2017, EPT issued 4,859,000 shares of common stock at \$0.50 per share for a total of \$2,429,500 with an obligation to issue 245,000 shares of common stock at \$0.50 per share for a total of \$122,500.

Commencing June 28, 2017, the SEC suspended trading in the Company's common stock on the OTC Link (previously the Pink Sheets) operated by the OTC Markets Group, Inc. pursuant to an Order of Suspension of Trading issued by the Securities and Exchange Commission (the "SEC"), captioned, In the Matter of Environmental Packaging Technologies Holdings, Inc., File No. 500-1, dated June 27, 2017 (the "Order"). On July 13, 2017, the Company's common stock began trading again on the Grey Market. According to the Order, such trading suspension was issued because of concerns regarding: "(i) the accuracy and adequacy of publicly available information in the marketplace since at least June 9, 2017 regarding statements in third party stock promotion materials [(the "3rd Party Promotional Report")] pertaining to the Company's 2016 revenues, projected 2017 revenues, and the Company's buyout potential; and (ii) recent trading activity in the common stock that potentially reflects manipulative or deceptive activities." The Company believes such trading suspension resulted in large part from the 3rd Party Promotional Report believed to be prepared and distributed by a 3rd party group named "Profit Play Stock". The Company had no prior knowledge and did not participate in the preparation and/or distribution of such 3rd Party Promotional Report. As a result of the above, no assurances can be given that the SEC and/or any other governmental and/or regulatory authority will not bring charges against the Company and/or any of its affiliates for violations of the Federal Securities Laws. Moreover, trading of stocks in the Grey Market is highly volatile, unpredictable, largely unregulated, generally illiquid with limited information available about the stocks, trading in and the issuer thereof and Grey Market stocks often have been targets of manipulative conduct.

13. EARNINGS PER SHARE

The following table summarizes basic and diluted earnings per share (EPS). Basic EPS excludes all potentially dilutive securities and is computed by dividing net income attributable to the Company by the weighted average number of common shares outstanding during the period. Diluted EPS includes the effect of stock options and restricted stock as calculated under the treasury stock method.

	<u>September 30 2017</u>	<u>September 30, 2016</u>
Net income (loss)	\$ (3,536,305)	\$ 728,068
Weighted average shares outstanding:		
Basic	45,308,191	24,939,097
Diluted	46,832,868	29,490,151
Basic EPS	(0.08)	\$ 0.03
Diluted EPS	(0.08)	\$ 0.02

14. SEGMENTS

When management examines the business, all analysis is based on flexitanks sold. All other product sales flow from this one statistic. It does not break down the business by different products such as either logistics revenues or ancillary product sales. Also, management does not analyze the business based on locations of its subsidiaries. The subsidiaries are primarily established to minimize tariffs and taxes and operate as a sales organization as all products are manufactured out of our Michigan based contract manufacturer. In the case that demand exceeds production for a specific month, management makes decisions on where to send product based on margins for specific customers as opposed to regional breakdowns. Although EPT does not analyze its business based on geographic breakdowns, the following table shows gross revenues generated based on locations:

Location	September 30, 2017	September 30, 2016
United States	\$ 7,186,750	\$ 6,371,295
Korea	5,156,886	5,301,878
Rest of the World	1,156,597	1,369,281
Total	\$ 13,500,233	\$ 13,042,454

The following table shows assets held at each of the Company's locations:

Location	September 30, 2017	September 30, 2016
United States	\$ 3,298,558	\$ 2,817,173
Korea	3,002,610	2,925,785
Europe	1,044,301	1,212,057
Rest of the World	17,839	13,096
Total	\$ 7,363,308	\$ 6,968,111

15. COMMITMENTS AND CONTINGENCIES

(a) Office leases

The Company and its subsidiaries lease certain office premises through October 2016. The lease was subsequently extended through October 2019. Future minimum lease payments under operating lease agreements are as follows:

	Amount
Twelve months ending December 31,	
2017	\$ 100,387
2018	79,489
2019	66,437
Thereafter	—
	<u>\$ 246,313</u>

Rent expense for the nine months ended September 30, 2017 and 2016 was \$111,026 and \$70,095, respectively.

(b) Litigation

The Company is a party to various litigation in the normal course of its business. The Company intends to vigorously pursue and defend its position in these matters. Management cannot predict or determine the outcome of this matter or reasonably estimate the amount or range of amounts of any fines or penalties that might result from an adverse outcome. It is possible, however, that an adverse outcome could have a material adverse impact on our consolidated results of operations, liquidity, and financial position.

During 2015, a few shareholders initiated legal proceedings for claims about ownership rights. The parties entered into an agreement in March 2016 whereby the Company would pay the plaintiffs \$445,000. On November 30, 2016, the Company made an initial payment of \$25,000 and a additional payments in the amount of \$325,000 leaving a balance of \$95,000, which is accrued as of September 30, 2017 within accrued liabilities in the accompanying consolidated balance The Company is working to facilitate a remaining payment schedule.

On April 7, 2017, the Company settled a lawsuit with a former investor. The parties reached a complex settlement agreement where the consideration included payment of monies in the amount of \$290,000. On April 4, 2017, the Company made the initial payment of \$145,000. Pursuant to the agreement, the Company has a remaining payment obligation in the amount of \$145,000 to be paid in twelve (12) equal monthly installments (with a contingency for acceleration). The Company paid the remaining \$145,000 over the course of Q2 2017 and all obligations have been met.

In September 2016, a former director of EPT and the representative of EDP EPT, LLC pled guilty to two counts of fraud in relationship to his duties as President of EDP Management. He has had no involvement in the Company since his resignation on January 5, 2016. The Company does not believe that any of this fraud is related to his actions as a director. The Company expensed the legal fees as they were incurred for these litigations. During the nine months ended September 30, 2017 and 2016 the Company incurred \$413,678 and \$130,613, respectively for legal costs associated with these loss contingencies.

16. INCOME TAXES

The Company is subject to U.S. federal, state, and foreign income taxes. The Company's income tax (benefit) expense for the nine months ended September 30, are as follows:

	<u>2017</u>	<u>2016</u>
Current		
Federal	\$ —	\$ —
State	293	223
Foreign	<u>- 25,701</u>	<u>- 201,999</u>
Total	<u>\$ 25,994</u>	<u>\$ 202,222</u>

The Company's effective tax rate was .71 and 21.74% for the nine months ended September 30, 2017 and 2016, respectively. The Company's effective tax rate for the nine months ended September 30, 2017 was positively impacted by operating losses incurred in both domestic and foreign jurisdictions giving rise to a net tax expense of \$25,994. The Company's effective tax rate for the nine months ended September 30, 2016 was negatively impacted by operating profits earned in foreign jurisdictions resulting in net tax expenses of \$202,222.

17. CONCENTRATION OF RISK

Major Customer

For the nine months ended September 30, 2017 and 2016, seven customers accounted for approximately 54% of the Company's revenues and eight customers accounted for approximately 54% of the Company's revenues, respectively. As of September 30, 2017, and December 31, 2016, one customer accounted for approximately 46% and 41%, of the Company's accounts, respectively.

Our largest customer is based out of Korea and accounted for 36% and 25% of sales for the nine months ended September 30, 2017 and 2016, respectively. Total revenue for this customer was \$4,905,351 and \$4,251,630 for the nine months ended September 30, 2017 and 2016, respectively.

Major Suppliers

For the nine months ended September 30, 2017 and 2016, seven suppliers accounted for 44% and 39% of the total cost of revenues, respectively.

Major Lenders

For the nine months ended September 30, 2017 and year ended December 31, 2016, three lenders accounted for \$3,932,965 and \$17,539,664, respectively, of the Company's total debt of \$3,932,965 and \$19,103,164, respectively.

18. FINANCIAL INSTRUMENTS

The FASB ASC topic 820 on fair value measurement and disclosures establishes three levels of inputs that may be used to measure fair value: quoted prices in active markets for identical assets or liabilities (referred to as Level 1), observable inputs other than Level 1 that are observable for the asset or liability either directly or indirectly (referred to as Level 2), and unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities (referred to as Level 3).

The carrying values and fair values of our financial instruments are as follows:

	Level	June 30, 2017		December 31, 2016	
		Carrying	Fair	Carrying	Fair
		Value	Value	Value	Value
Cash	1	\$ 747,217	\$ 747,217	\$ 814,778	\$ 814,778
Cash in Escrow	1	\$ 35,000	35,000	\$ --	--
Accounts receivable	2	\$ 2,926,270	\$ 2,926,270	\$ 2,878,469	\$ 2,878,469
Short-term deposits	1	\$ 245,250	245,250	--	--
Accounts payable	2	\$ 3,425,012	\$ 3,425,012	\$ 3,157,032	\$ 3,157,032
Accrued liabilities	2	\$ 1,178,449	\$ 1,178,449	\$ 1,141,849	\$ 1,141,849
Short-term notes	2	\$ 525,000	\$ 525,000	\$ 4,720,000	\$ 4,720,000
Short-term line of credit	2	\$ 3,407,966	\$ 3,407,966	\$ --	\$ --
Advance from customer	2	\$ --	\$ --	\$ 497,689	\$ 497,689
Other short-term liabilities	2	\$ 437,500	\$ 437,500	\$ 418,500	\$ 418,500
Short-term investment loan	2	\$ --	\$ --	\$ 13,964,664	\$ 13,964,664
Other long-term liabilities	2	\$ 63,665	\$ 63,665	\$ 48,333	\$ 48,333

The following method was used to estimate the fair values of our financial instruments:

The carrying amount of level 1 and level 2 financial instruments approximates fair value because of the short maturity of the instruments. There were no changes in valuation techniques for the nine months ended September 30, 2017 and year ended December 31, 2016.

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies, or similar techniques, and at least one significant model assumption or input is unobservable. Level 3 financial assets also include certain investment securities for which there is limited market activity such that the determination of fair value requires significant judgment or estimation. During the nine months ended September 30, 2017 and year ended December 31, 2016 the Company had no Level 3 financial instruments.

The Company reviews the fair value hierarchy classification on a quarterly basis. Changes in the ability to observe valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. The Company's policy is to recognize transfers into and out of levels within the fair value hierarchy at the end of the fiscal quarter in which the actual event or change in circumstances that caused the transfer occurs. There were no significant transfers between Level 1, or Level 2 during the nine months ended September 30, 2017 and year ended December 31, 2016, respectively.

The carrying amount of level 1 and level 2 financial instruments approximates fair value because of the short maturity of the instruments. There

19. MERGER AGREEMENT

Merger Agreement – On December 28, 2016 the Company agreed to complete a Reverse Merger (the “Merger”) into Environmental Packaging Technologies Holdings, Inc. (formerly International Metals Streaming Corp), a Nevada Corporation (“Pubco”). At the conclusion of the Merger EPT shall be the surviving corporation and a direct wholly owned subsidiary of Pubco.

Terms of the Merger include:

- i. At the effective date of the Merger EPT shall pay \$500,000 to the shareholder of the controlling block of Pubco common stock for the cancellation of 11,810,830 shares of Parent common stock and for services related to the completion of the Merger.
- ii. Immediately prior to the Merger, Pubco shall have issued and outstanding 12,000,000 shares of Pubco Common Stock and no other securities (as defined under the Securities Act).
- iii. Immediately following the Merger, Pubco shall have issued and outstanding (i) 52,000,000 shares of Pubco Common Stock of which (a) 40,000,000 such shares will be owned by the former EPT Stockholders, and (b) 12,000,000 shares will be owned by the Pubco shareholders immediately prior to the Merger, (ii) warrants to purchase approximately 795,000 shares of Pubco Common Stock issuable upon exercise of EPT warrants, and (iii) EPT convertible notes convertible into shares of Pubco Common Stock (consisting of (A) approximately 1,590,000 shares upon conversion of \$795,000 aggregate principal amount of EPT convertible notes, and (B) approximately 160,000 shares issuable upon conversion of a \$200,000 aggregate principal amount of EPT convertible note) shares of Pubco Common Stock (the “\$200,000 EPT Convertible Note”). The 200,000 EPT Convertible Note shall be converted prior to the Merger and the converted shares shall be included in the 40,000,000 shares to be issued to EPT Stockholders.
- iv. In June 2017, the Company completed the merger into the public company, Environmental Packaging Technologies Holdings Corp (formerly International Metals Streaming Corp) and began trading under the symbol EPTI. The Company did an exchange offering of 1 share of the Company for 10 shares of EPTI. As part of the merger, the Company paid a shareholder of EPTI \$550,000 for the retirement of his shares. After the offering, EPTI shareholders were left with 12 million shares outstanding, and shareholders of the Company had 40 million shares for a total of 62 million shares outstanding. See 8k filed June 12, 2017 for detailed discussion of the merger.

20. SUBSEQUENT EVENTS

- 1) In December 2017, the Company completed the financing of \$400,000 of 10% convertible notes with warrants to purchase 1.5 shares for every dollar invested. The Notes convert at \$0.50 per share and the warrants have a strike price of \$0.50 and an expiration date of 18 months from issuance. In January 2018, the Company sold an additional \$200,000 of the same convertible notes.

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

COMPARISON OF THE QUARTER ENDED SEPTEMBER 30, 2017 AND THE QUARTER ENDED SEPTEMBER 30, 2016

The following table summarizes our results of operations for the quarters ended September 30, 2017 and 2016, together with the changes in those items in dollars and as a percentage:

	2017	2016	% Change
Revenues	\$ 4,415,899	\$ 4,561,908	(3.2)%
Cost of Sales	3,399,722	3,386,495	.4%
Gross Profit	1,016,177	1,175,413	(13.5)%
SG&A	1,244,164	957,730	29.9%
Operating Income	(227,987)	217,683	(204.7)%
Interest Expense	(370,052)	(511,667)	(27.7)%
Net Income (Loss)	\$ (679,911)	\$ (480,564)	n/a

Revenues

Consolidated revenue decreased \$150,000 in third quarter 2017 as compared to second quarter of 2016. This decrease was due to a decrease in US sales associated with plant shutdowns of a number of our customers due to Hurricanes Harvey, Irma and Maria that all occurred during the third quarter of 2017. These plants slowly became operational over the fourth quarter of 2017 where we began to see revenues recover.

Cost of Sales

Cost of Sales for the quarters ended September 2017 and 2016 stayed flat despite a decrease in revenues discussed above. These improved gross margins were a result of an increase in sales of our newer Liquiride product which carries a higher gross margin than our other flexitanks.

SG&A Expenses

Sales, general and administrative expenses increased by approximately \$300,000 in the third quarter of 2017 as compared to the third quarter of 2016 primarily because of an increase in professional fees associated with being public and with the SEC investigation that began in the third quarter of 2017. SG&A as it related sole to the operations of the business remained essentially the same as third quarter of 2016.

Operating Income (Loss)

Operating Losses increased by approximately \$450,000 as a result of the decreased revenues and increased SG&A as discussed above.

Interest and Financing Expenses

Interest expenses decreased from the same quarter in 2016 by \$150,000. In the third quarter of 2016 we were paying interest on several short term, high interest loans that were ultimately repaid during 2017. For the third quarter of 2017, interest primarily consisted of the interest paid as part of our senior secured loan from ExWorks and the Ex/Im Bank.

Net Income (Loss)

In the third quarter of 2017, the reduction in revenues with increased professional fees associated with being public created a greater loss as compared to the same quarter in 2016.

Liquidity and Capital Resources

Sources of Liquidity

In the third quarter of 2017, we operated on the cash generated from the closing an equity financing arranged by Colorado Financial that closed at the end of the second quarter.

Based on our current level of operations along the new A/R and Inventory based borrowing facility with ExWorks and the Export/Import Bank and with the proceeds from a financing that we closed in the second quarter of 2017, we believe that we will still require several million in financing over the next twelve months to be able to expand our manufacturing facility to satisfy what we believe to be an increase in demand over that period.

Cash Flows

The following table sets forth the significant sources and uses of cash for the quarters ended September 30 as set forth below:

	2017	2016
Cash used in Operating Activity	\$ (1,428,732)	\$ (707,706)
Cash used in Investing Activity	-	-
Cash provided by Financing Activity	883,648	86,389

Operating Activities

The change in cash from operating activities from third quarter of 2017 as compared to the similar quarter in 2016 was due from a combination of increased net losses and the use of capital that was raised at the end of the second quarter to reduce the Company's accounts payables.

Investing Activities

For 2016 and 2017 there no cash from investing activities.

Financing Activities

In the third quarter of 2017, cash provided by financing activities were primarily a result of a small amount of the Colorado Financial fund raising that did not close until the third quarter of 2017.

Supplement disclosure

During the quarter, the Company received notice from the SEC that the trading of its stock was subject to an investigation and trading of its stock was halted for a ten-day period [to be reviewed by GKN].

Comparison of the nine months ended September 30, 2017 and the nine months ended September 30, 2016

The following table summarizes our results of operations for the nine months ended September 30, 2017 and 2016, together with the changes in those items in dollars and as a percentage:

	2017	2016	% Change
Revenues	\$ 13,500,233	\$ 13,042,454	3.5 %
Cost of Sales	11,175,895	7,971,036	40.2 %
Gross Profit	2,324,338	5,071,418	(54.2 %)
SG&A	3,537,288	2,953,605	19.8 %
Operating Income (Loss)	(1,212,950)	2,117,813	n/a
Interest and Finance Expense	2,153,910	839,962	156.4 %
Net Income (Loss)	\$ (3,536,305)	\$ 728,068	n/a

Revenues

Consolidated revenue increased by approximately \$500,000 in the first nine months of 2017 as compared to the first nine months of 2016. This increase was due to additional sales resulting from our joint venture with a major shipping line and sales resulting from a new major customer.

Cost of Sales

Cost of Sales for the first nine months ended September 2017 and 2016 increased approximately \$3.2 million primarily due to a negative adjustment of approximately \$2.2 million to the Q1 2016 cost of goods sold due to the inability of the auditors to perform audit procedures to verify inventory balances. This inventory was subsequently recorded during Q1 2016 after the Company performed procedures to verify the inventory that was written off for the 2015 audit. The additional increase occurred due to the increase in sales for the nine months ended 2017 as compared to 2016.

SG&A Expenses

Sales, general and administrative expenses increased by approximately \$600,000 in the first nine months of 2017 as compared to the second quarter of 2016 primarily because of an increase in professional fees associated with the refinancing of debt that closed in April 2017 and the reverse merger into a public shell that closed in June 2017 and professional fees associated with being public. SG&A as it related solely to the operations of the business remained essentially the same as first nine months of 2016.

Operating Income (Loss)

Operating Losses increased by approximately \$3.3 million primarily as a result of the anomaly of cost of sales during the first half of 2016. In addition, the increase of losses resulted from the increase of professional fees during the second quarter of 2017 in order to complete the debt restructuring and the equity financing.

Interest and Financing Expenses

Interest expenses increased from the same first nine months of 2016 by \$1.3 million as we had interest from the \$795,000 bridge loan that was closed in November 2016 and was repaid and/or converted to common stock in May 2017, repayment and refinancing costs associated with the senior secured facility with ExWorks and Export/Import Bank and associated repayment, including penalties, with the GPB loans and financing costs associated with the closing of the equity financing arranged by Colorado Financial.

Net Income (Loss)

In the first nine months of 2017 as compared to the first nine months of 2016, the increased losses were primarily due to the \$2.2 million in changes to cost of sales for 2016 due to the adjustment of inventory as described above and from the large increase in interest and financing expenses in the second quarter of 2017.

Liquidity and Capital Resources

Sources of Liquidity

In first nine months of 2017, we generated cash primarily from the closing an equity financing arranged by Colorado Financial that closed at the end of the second quarter.

Based on our current level of operations along the new A/R and Inventory based borrowing facility with ExWorks and the Export/Import Bank and with the proceeds from a financing that we closed in the second quarter of 2017, we believe that we will still require several million in financing over the next twelve months to be able to expand our manufacturing facility to satisfy what we believe to be an increase in demand over that period.

Cash Flows

The following table sets forth the significant sources and uses of cash for the nine months ended September 30 as set forth below:

Consolidated revenue increased by \$455,000 for the period ended September 30, 2017 as compared to the same period in 2016. This increase was due to additional sales resulting from our joint venture with a major shipping line.

Cost of Sales

Cost of Sales for the nine months ended September 2017 and 2016 increased approximately \$3.2 million primarily due to a negative adjustment of approximately \$2.2 million to the Q1 2016 cost of goods sold due to the inability of the auditors to perform audit procedures to verify inventory balances. This inventory was subsequently recorded during Q1 2016 after the Company performed procedures to verify the inventory that was written off for the 2015 audit. The additional increase occurred due to the increase in sales for the nine months ended 2017 as compared to 2016.

SG&A Expenses

Sales, general and administrative expenses increased by approximately \$600,000 for the nine months ended September 2017 as compared to the nine months ended September 2016 primarily because of an increase in professional fees associated with the refinancing of debt that closed in April 2017 and the reverse merger into a public shell that closed in June 2017. SG&A as it related sole to the operations of the business remained essentially the nine months ended September 2016.

Operating Income (Loss)

Operating Losses increased by approximately \$3.3 million primarily as a result of the anomaly of cost of sales during the first half of 2016. In addition, the increase of losses resulted from the increase of professional fees during the second quarter of 2017 in order to complete the debt restructuring and the equity financing.

Interest and Financing Expenses

Interest expenses increased from the same first half in 2016 by \$1.3 million as we had interest from the \$795,000 bridge loan that was closed in November 2016 and was repaid and/or converted to common stock in May 2017, repayment and refinancing costs associated with the senior secured facility with ExWorks and Export/Import Bank and associated repayment, including penalties, with the GPB loans and financing costs associated with the closing of the equity financing arranged by Colorado Financial.

Net Income (Loss)

For the period ended September 30, 2017 as compared to the period ended September 30, 2016, the increased losses were primarily due to the \$2.2 million in changes to cost of sales for 2016 due to the adjustment of inventory as described above and from the large increase in interest and financing expenses in the second quarter of 2017.

Liquidity and Capital Resources**Sources of Liquidity**

For the period ended September 30, 2017, we generated cash primarily from the closing an equity financing arranged by Colorado Financial that closed at the end of the second quarter.

Based on our current level of operations along the new A/R and Inventory based borrowing facility with ExWorks and the Export/Import Bank and with the proceeds from a financing that we closed in the second quarter of 2017, we believe that we will still require several million in financing over the next twelve months to be able to expand our manufacturing facility to satisfy what we believe to be an increase in demand over that period.

Cash Flows

The following table sets forth the significant sources and uses of cash for the nine months ended September 30 as set forth below:

	2017	2016
Cash used in Operating Activity	\$ (4,851,209)	\$ (368,644)
Cash used in Investing Activity		
Cash provided by Financing Activity	4,598,981	542,735

Operating Activities

The change in cash from operating activities from first nine month of 2017 as compared to the similar half in 2016 was primarily due to the increased cash from the creation of the credit facility in the second quarter of 2017. It was also effected by the adjustment to Cost of Goods that occurred in 2016 as discussed above.

Investing Activities

For 2015 and 2016 there no cash from investing activities.

Financing Activities

In second quarter of 2017, we generated cash from financing activities the sale of approximately \$5 million in additional shares. In addition, we also restructured our debt in which we replaced a senior secured short term note with a new line of credit issued to us by ExWorks and the Export/Import Bank.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not Applicable

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Treasurer, as appropriate, to allow timely decisions regarding required disclosure. 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, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of June 30, 2018, our Chief Executive Officer and Treasurer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act). Based on such evaluation, our Chief Executive Officer and Treasurer concluded that our disclosure controls and procedures were effective as of September 30, 2018.

Changes in Internal Control over Financial Reporting

Our management has evaluated whether any change in our internal control over financial reporting occurred during the last fiscal quarter. Based on that evaluation, management concluded that there has been no change in our internal control over financial reporting during the relevant period that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we may become party to litigation or other legal proceedings that we consider to be a part of the ordinary course of business. We are not currently involved in legal proceedings that we believe could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations.

Item 1A. Risk Factors

Commencing June 28, 2017, the Securities and Exchange Commission (the “SEC”) suspended trading in the Company’s common stock on the OTC Link (previously the Pink Sheets) operated by the OTC Markets Group, Inc. pursuant to an Order of Suspension of Trading issued by the SEC, captioned, In the Matter of Environmental Packaging Technologies Holdings, Inc., File No. 500-1, dated June 27, 2017 (the “Order”). On July 13, 2017, the Company’s common stock began trading again on the Grey Market. According to the Order, such trading suspension was issued because of concerns regarding: “(i) the accuracy and adequacy of publicly available information in the marketplace since at least June 9, 2017 regarding statements in third party stock promotion materials [(the “3rd Party Promotional Report”)] pertaining to the Company’s 2016 revenues, projected 2017 revenues, and the Company’s buyout potential; and (ii) recent trading activity in the common stock that potentially reflects manipulative or deceptive activities.” The Company believes such trading suspension resulted in large part from the 3rd Party Promotional Report believed to be prepared and distributed by a 3rd party group named “Profit Play Stock”. The Company had no prior knowledge and did not participate in the preparation and/or distribution of such 3rd Party Promotional Report. As a result of the above, no assurances can be given that the SEC and/or any other governmental and/or regulatory authority will not bring charges against the Company and/or any of its affiliates for violations of the Federal Securities Laws. Moreover, trading of stocks in the Grey Market is highly volatile, unpredictable, largely unregulated, generally illiquid with limited information available about the stocks, trading in and the issuer thereof and Grey Market stocks often have been targets of manipulative conduct.

Item 2. Unregistered Sales Of Equity Securities And Use Of Proceeds.

During the second quarter of fiscal 2017, the Company issued 1,045,000 shares upon exercise of 522,500 options held by shareholders. The Company received proceeds \$1,045

During the second quarter of fiscal 2017, the Company issued 1,120,000 shares of common stock upon the conversion of \$560,000 aggregate principal amount of EPT convertible notes

During the second quarter of fiscal 2017, the Company issued 998 shares of Series B Convertible Preferred stock as partial payment equating to \$998,000 for the retirement of outstanding debentures and associates penalties and fees.

During the second quarter of fiscal 2017, the Company issued 1,000,474 shares of common stock in exchange for the retirement of \$13.965 million of subordinated debt.

During the second quarter of fiscal 2017, the Company issued 900,000 shares of common stock from the conversion of \$200,000 of Convertible Notes

During the second quarter of fiscal 2017, an employee of the company was issued 50,000 shares of common stock as a bonus

During the second quarter of fiscal 2017, the Company issued 10,723,040 shares of common stock and received proceeds of \$5,361,520

During the second quarter of fiscal 2017, the Company issued 40 million shares of common stock for the acquisition of Environmental Packaging Technologies, Inc.

During the fourth quarter of fiscal 2017, the Company issued \$400,000 of Convertible Notes at a conversion price of \$0.50 per share and an accompanying warrant to purchase an additional 600,000 shares of common stock at an exercise price of \$0.50 per share for a period of 18 months.

Item 3. Defaults Upon Senior Securities.

Not Applicable

Item 4. Mine Safety Disclosures.

Not Applicable

Item 5. Other Information.

None

Item 6. Exhibits

Exhibit No.	Description Of Document
31.1	Certification of David Skriloff pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of David Skriloff of Periodic Financial Report under Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase

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

SIG NATURES

In accordance with the requirements of the Exchange Act, the Registrant caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Environmental Packaging Technologies Holdings, Inc.

Dated: March 15, 2018

By: /s/ David Skriloff

David Skriloff
(Principal Executive Officer and Principal
Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Dated: March 15, 2018

By: /s/ David Skriloff

David Skriloff
(Principal Executive Officer and Principal
Financial and Accounting Officer)

CERTIFICATION
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I David Skriloff, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Environmental Packaging Technologies Holdings, 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(s) 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(s) 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 the 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.

/s/ David Skriloff

Date: March 15, 2018

Environmental Packaging Technologies Holdings, Inc

(principal executive, financial and accounting officer)

**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 of Environmental Packaging Technologies Holdings, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Skriloff, in my capacity as Chief Executive Officer hereby certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) of the Securities and Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Report and the results of operations of the Company for the period covered by the Report .

/s/ David Skriloff

Date: March 15, 2018

Environmental Packaging Technologies Holdings, Inc.

(principal executive, financial and accounting officer)

A signed original of this written statement required by Section 906, or other documents authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by section 906, has been provided to Siebert Financial Corp. and will be retained by Siebert Financial Corp. and furnished to the Securities and Exchange Commission or its staff upon request.
