DEBT RESOLVE INC
Form 10-Q
November 13, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

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

For the Transition Period from __________ to ___________

Commission File No.: **1-33110**

DEBT RESOLVE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**33-0889197**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

22 Saw Mill River, 2nd Floor

Hawthorne, New York	**10532-1549**
(Address of principal executive offices)	(Zip Code)

(914) 949-5500

(Issuer's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 x

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 x No ¨

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

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	x
		Emerging growth company	¨

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

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

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

As of November 13, 2017, 126,950,152 shares of the issuer’s Common Stock were outstanding.

DEBT RESOLVE, INC.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DEBT RESOLVE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2017 *(unaudited)*	December 31, 2016
ASSETS		
Current assets:		
Cash	$ 15,449	$ 593,101
Accounts receivable, net	3,189,262	3,913,945
Prepaid expenses	18,560	33,054
Total current assets	3,223,271	4,540,100
Long term assets:		
Accounts receivable, net	5,297,380	3,060,190
Total assets	$ 8,520,651	$ 7,600,290
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 4,694,292	$ 4,178,384
Due to shareholders	309,967	303,721
Deferred revenue	1,908,052	1,442,949
Due to factor	7,122,174	6,162,722
Notes payable, current portion	645,924	686,083
Notes payable-related party, net of unamortized discount of $49,098 and $47,598 as of September 30, 2017 and December 31, 2016, respectively	1,131,623	828,123
Convertible Short-term notes, net of deferred debt discount of $67,646 and $39,667 as of September 30, 2017 and December 31, 2016, respectively	2,462,354	1,433,833
Lines of credit, related parties	392,673	459,337
Total current liabilities	18,667,059	15,495,152
Long term debt:		
Notes payable, related party, net of unamortized debt discount of $0 and $51,370 as of September 30, 2017 and December 31, 2016, respectively	30,000	278,630
Convertible long-term notes, net of deferred debt discount of $5,134 and $162,841 as of September 30, 2017 and December 31, 2016, respectively	119,866	1,113,659
Total liabilities	18,816,925	16,887,441

Commitments and contingencies		-		-
Stockholders' deficiency:				
Preferred stock, $0.001 par value; 10,000,000 shares authorized				
Series A Convertible Preferred stock, $0.001 par value; 5,000,000 shares designated; -0- shares issued and outstanding as of September 30, 2017 and December 31, 2016		-		-
Common stock, $0.001 par value, 500,000,000 shares authorized; 126,950,152 and 121,264,809 shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively		126,950		121,265
Additional paid in capital		67,936,664		67,736,961
Accumulated deficit		(77,552,668)		(76,585,871)
Stockholders' deficiency attributable to Debt Resolve, Inc.		(9,489,054)		(8,727,645)
Non-controlling interest		(807,220)		(559,506)
Total stockholders' deficiency		(10,296,274)		(9,287,151)
Total liabilities and stockholders' deficiency	$	8,520,651	$	7,600,290

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

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DEBT RESOLVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Revenues:	$ 955,819	$ 1,336,870	$ 5,161,735	$ 2,342,344
Costs and expenses:				
Payroll, payroll taxes, penalties and related expenses	487,637	598,941	1,684,380	1,214,507
Selling and marketing expenses	227,372	262,562	1,021,106	387,062
General and administrative expenses	430,572	483,783	2,061,672	1,683,916
Total costs and expenses	1,145,581	1,345,286	4,767,158	3,285,485
Income (loss) from operations	(189,762)	(8,416)	394,577	(943,141)
Other income (expense):				
(Loss) gain on change in fair value of derivative liabilities	-	(122,901)	-	30,317
Interest expense	(209,739)	(296,582)	(1,038,717)	(745,531)
Amortization of debt discounts	(54,662)	(69,545)	(179,599)	(152,555)
Total other income (expense)	(264,401)	(489,028)	(1,218,316)	(867,769)
Net loss before provision for income taxes	(454,163)	(497,444)	(823,739)	(1,810,910)
Income tax (benefit)	-	-	-	-
Net loss	(454,163)	(497,444)	(823,739)	(1,810,910)
Net loss (income) attributable to non-controlling interest	72,902	(61,161)	(143,058)	222,957
NET LOSS ATTRIBUTABLE TO DEBT RESOLVE, INC.	$ (381,261)	$ (558,605)	$ (966,797)	$ (1,587,953)
Net loss per common share -basic and diluted	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.02)
Weighted average number of common shares outstanding, basic and diluted	126,950,152	107,553,862	125,765,330	105,599,833

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

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DEBT RESOLVE, INC.
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY
NINE MONTHS ENDED SEPTEMBER 30, 2017

	Common stock				Additional						
	Shares		Amount		Paid In Capital		Accumulated Deficit		Non-controlling Interest		Total
Balance, December 31, 2016	121,264,809	$	121,265	$	67,736,961	$	(76,585,871)	$	(559,506)	$	(9,287,151)
Common shares issued upon in conversion of notes payable and accrued interest	3,685,343		3,685		106,080		-		-		109,765
Common stock issued for services	2,000,000		2,000		25,000		-		-		27,000
Fair value of warrants issued for services	-		-		43,328		-		-		43,328
Fair value of vesting options issued to employees for services	-		-		25,295		-		-		25,295
Capital withdrawal by non-controlling interest	-		-		-		-		(390,772)		(390,772)
Net (loss) income	-		-		-		(966,797)		143,058		(823,739)
Balance, September 30, 2017 *(unaudited)*	126,950,152	$	126,950	$	67,936,664	$	(77,552,668)	$	(807,220)	$	(10,296,274)

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

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DEBT RESOLVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (823,739)	$ (1,810,910)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of debt discounts	179,599	152,555
Bad debts	909,296	274,085
Stock based compensation	95,623	244,200
Change in fair value of derivative liability	-	(30,317)
Loss on warrant modifications	-	37,447
Loss on debt modifications	-	34,145
Changes in operating assets and liabilities:		
Accounts receivable	(2,421,803)	(126,400)
Prepaid expenses	14,494	18,082
Accounts payable and accrued liabilities	530,672	748,843
Deferred revenue	465,103	(128,916)
Net cash (used in) operating activities	(1,050,755)	(587,186)
CASH FLOWS FROM INVESTING ACTIVITIES:	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (repayments) proceeds from shareholders	6,246	45,006
Net proceeds (repayments) to factor	959,452	95,295
Proceeds from short term notes	-	163,337
Proceeds from short term notes, related party	5,000	130,443
Net repayments from line of credit, related parties	(66,664)	-
Repayments of short term notes	(40,159)	-
Proceeds from long term notes	-	342,000
Distributed capital to non-controlling interest	(390,772)	(84,325)
Net cash provided by financing activities	473,103	691,756
Net (decrease) increase in cash and cash equivalents	(577,652)	104,570
Cash at beginning of period	593,101	30,480
Cash at end of period	$ 15,449	$ 135,050
Supplemental Disclosures of Cash Flow Information:		
Cash paid during period for interest	$ 40,385	$ 20,020
Cash paid during period for taxes	$ -	$ -
Non-cash financing and investing transactions:		
Beneficial conversion feature on convertible notes	$ -	$ 22,167

Convertible notes issued for settlement of accounts payable	$	-	$	75,000
Convertible notes issued for settlement of compensation	$	-	$	75,000
Reclassification of derivative liability to equity upon debt modification	$	-	$	327,905
Reclassification on non-recourse financing agreement to full recourse agreement	$	-	$	1,128,701
Common stock issued in settlement of convertible notes and accrued interest	$	109,765	$	-

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

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DEBT RESOLVE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1 – BASIS AND BUSINESS PRESENTATION

Debt Resolve, Inc. (the “Company”) was incorporated under the laws of the State of Delaware on April 21, 1997. The Company offers its service as a Software-as-a-Service (SaaS) model, enabling clients to introduce this collection or payment software option with no modifications to their existing collections computer systems. Its products capitalize on using the Internet as a tool for communication, resolution, settlement and payment of delinquent or defaulted consumer debt and as part of a complete accounts receivable management solution for consumer creditors.

In December 2014, the Company, jointly with LSH, LLC, organized Progress Advocates LLC, a Delaware limited liability company for the purpose to provide services in the student loan document preparation industry with ownership interests of 51% and 49% for the Company and LSH, LLC, respectively.

In February 2016, the Company, jointly with Patient Online Services, LLC, organized Payment Resolution Systems LLC, a Delaware limited liability company for the purpose of assisting Medical Groups and Hospitals in the online negotiation and settlement of delinquent accounts, with ownership interests of 51% and 49% for the Company and Patient Online Services, LLC, respectively.

In May 2016, the Company, jointly with Hutton Ventures LLC, organized Student Loan Care LLC, a Delaware limited liability company for the purpose of providing document preparation services for holders of Federal Direct Student Loans, with ownership interests of 51% and 49% for the Company and Hutton Ventures LLC, respectively.

The Company operates Payment Resolution Systems within Debt Resolve, Inc., whereas Progress Advocates LLC and Student Loan Care LLC operate as independent subsidiaries.

<u>Basis of Presentation</u>

These unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to the Form 10-Q and Article 10 of Regulation S-X, and therefore, do not include all the information necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the three and nine months ended September 30, 2017 are not necessarily indicative of the results that may be expected for the fiscal year ended December 31, 2017. The unaudited condensed financial statements should be read in conjunction with the consolidated December 31, 2016 financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC").

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant inter-company transactions and balances have been eliminated in consolidation. The non-controlling interest represents the minority owners' share of its net operating results.

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DEBT RESOLVE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the presentation of the accompanying unaudited condensed consolidated financial statements follows:

Revenue Recognition

In recognition of the principles expressed in Accounting Standards Codification subtopic 605-10, Revenue should not be recognized until it is realized or realizable and earned, and given the element of doubt associated with collectability of an agreed settlement on past due debt, the Company postpones recognition of all contingent revenue until the client receives payment from the debtor. As is required by SAB 104, revenues are considered to have been earned when the Company has substantially accomplished the agreed-upon deliverables to be entitled to payment by the client. For most current active clients, these deliverables consist of the successful collection of past due debts using the Company’s system and/or, for clients under a flat fee arrangement, the successful availability of the Company’s system to its customers.

Revenues for the preparation of student loan documentation are earned when the Company has substantially accomplished the agreed-upon deliverables to be entitled to payment by the client. For most current active clients, these deliverables consist of the completed, delivered and accepted student loan package. The Company may sell its products separately or in various bundles that include multiple elements such as initial application, monitoring and other services.

The Company also earns revenue from collection agencies, healthcare providers and lenders that implemented our online system. The Company’s current contracts provide for revenue based on a percentage of the amount of debt collected, a fee per settlement or through a flat monthly fee. Although other revenue models have been proposed, most revenue earned to date has been determined using these methods, and such revenue is recognized when the settlement amount of debt is collected by the client or at the beginning of the month for a flat fee. While the percent of debt collected will continue to be a revenue recognition method going forward, other payment models are also being offered to clients. Dependent upon the structure of future contracts, revenue may be derived from a combination of set up fees or flat monthly or annual fees with transaction fees upon debt settlement, fees per account loaded or fees per settlement.

Payment Resolution Systems, the Company’s 51% owned subsidiary, works as an extended business office to medical groups around the U.S. Revenue is earned in this business by the online negotiations and collection of group’s accounts receivable and paid via a service fee.

Revenues for set-up fees, percentage contingent collection fees, fixed settlement fees, monthly fees, etc. are accounted for as Multiple-Element Arrangements under ASC 605-10 which incorporates Accounting Standards Codification subtopic 605-25, Multiple-Element Arrangements (“ASC 605-25”). ASC 605-25 addresses accounting for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets.

The Company defers any revenue for which the product or service has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or no refund will be required. At September 30, 2017 and December 31, 2016, the Company had deferred revenues of $1,908,052 and $1,442,949, respectively.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, revenues and expenses and certain disclosures. The most significant estimates are those used in determination of the carrying value of accounts receivable, revenue recognition and stock compensation. Accordingly, actual results could differ from those estimates.

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DEBT RESOLVE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

Concentrations and Credit Risk

The Company’s financial instruments that are exposed to a concentration of credit risk are cash and accounts receivable.

Generally, the Company’s cash and cash equivalents in non-interest-bearing accounts may exceed FDIC insurance limits. The financial stability of these institutions is periodically reviewed by senior management.

The Company extends credit to large, mid-size and small companies for collection services. The Company did not have a concentration in receivables in 2017 or 2016. The Company does not generally require collateral or other security to support customer receivables. Accounts receivable are carried at their estimated collectible amounts. Accounts receivable are periodically evaluated for collectability and the allowance for doubtful accounts is adjusted accordingly. Management determines collectability based on their experience and knowledge of the customers. As of September 30, 2017 and December 31, 2016, allowance for doubtful accounts was $1,818,306 and $1,622,208, respectively.

The Company has no significant off-balance-sheet concentrations of credit risk such as foreign exchange contracts, options contracts or other foreign hedging arrangements.

Net Loss per Common Share, basic and diluted

The Company computes earnings (loss) per share under Accounting Standards Codification subtopic 260-10, Earnings Per Share (“ASC 260-10”). Net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share, if presented, would include the dilution that would occur upon the exercise or conversion of all potentially dilutive securities into common stock using the “treasury stock” and/or “if converted” methods as applicable.

The computation of basic and diluted income (loss) per share as of September 30, 2017 and 2016 excludes potentially dilutive securities when their inclusion would be anti-dilutive, or if their exercise prices were greater than the average market price of the common stock during the period.

Potentially dilutive securities excluded from the computation of basic and diluted net loss per share are as follows:

	September 30, 2017	**September 30, 2016**
Convertible notes payable	58,228,077	63,978,077
Options to purchase common stock	13,300,000	18,742,434
Warrants to purchase common stock	99,525,000	104,575,000
Warrants to purchase Series A preferred stock	21,845,000	25,645,000
Totals	192,898,077	212,940,511

Stock-based compensation

The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award. For employees and directors, the fair value of the award is measured on the grant date and for non-employees, the fair value of the award is generally re-measured on vesting dates and interim financial reporting dates until the service period is complete. The fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period. Stock-based compensation expense is recorded by the Company in the same expense classifications in the statements of operations, as if such amounts were paid in cash. As of September 30, 2017, there were outstanding stock options to purchase 13,300,000 shares of common stock, 9,283,334 shares of which were vested.

DEBT RESOLVE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

Defined Contribution (401k) Plan

The Company maintains a defined contribution (401k) plan for our employees. The plan provides for a company match in the amount of 100% of the first 3% of pre-tax salary contributed and 50% of the next 3% of pre-tax salary contributed. Due to the severe cash limitations that the Company has experienced, the match was suspended from mid-2008 to the present and will only be re-instated when business conditions warrant.

Income taxes

Income tax provisions or benefits for interim periods are computed based on the Company's estimated annual effective tax rate. Based on the Company's historical losses and its expectation of continuation of losses for the foreseeable future, the Company has determined that it is more likely than not that deferred tax assets will not be realized and, accordingly, has provided a full valuation allowance. As the Company anticipates or anticipated that its net deferred tax assets at December 31, 2017 and 2016 would be fully offset by a valuation allowance, there is no federal or state income tax benefit for the periods ended September 30, 2017 and 2016 related to losses incurred during such periods.

Fair value

Accounting Standards Codification subtopic 825-10, Financial Instruments ("ASC 825-10") requires disclosure of the fair value of certain financial instruments. ASC 825-10 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. ASC 825-10 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 825-10 establishes three levels of inputs that may be used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is disclosed and is determined based on the lowest level input that is significant to the fair value measurement.

The carrying value of the Company’s cash, accounts receivable, accounts payable, short-term borrowings (including lines of credit and notes payable), and other current assets and liabilities approximate fair value because of their short-term maturity.

As of September 30, 2017 and December 31, 2016, the Company did not have any items that would be classified as level 1, 2 or 3 disclosures.

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DEBT RESOLVE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

Recent accounting pronouncements

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

NOTE 3 – LIQUIDITY

The accompanying unaudited condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the accompanying unaudited condensed consolidated financial statements, the Company incurred a net loss of $966,797 for the nine months ended September 30, 2017. Additionally, the Company has negative working capital (total current liabilities exceeded total current assets) of $15,748,156 as of September 30, 2017. These factors among others raise substantial doubt about the Company's ability to continue as a going concern.

The Company has undertaken further steps as part of a plan to improve operations with the goal of sustaining our operations for the next twelve months and beyond to address its lack of liquidity by raising additional funds, either in the form of debt or equity or some combination thereof. However, there can be no assurance that the Company can successfully accomplish these steps and or business plans, and it is uncertain that the Company will achieve a profitable level of operations and be able to obtain additional financing.

The Company's continued existence is dependent upon management's ability to develop profitable operations and resolve its liquidity problems. There can be no assurance that any additional financings will be available to the Company on satisfactory terms and conditions, if at all. In the event that the Company is unable to continue as a going concern, it may elect or be required to seek protection from its creditors by filing a voluntary petition in bankruptcy or may be subject to an involuntary petition in bankruptcy.

The accompanying unaudited condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

NOTE 4 – ACCOUNTS RECEIVABLE AND DUE TO FACTOR

Accounts receivable are receivables generated from sales to customers and progress billings on performance type contracts. Amounts included in accounts receivable are deemed to be collectible within the Company’s operating cycle. Management provides an allowance for doubtful accounts based on the Company’s historical losses, specific customer circumstances, and general economic conditions. Periodically, management reviews accounts receivable and adjusts the allowance based on current circumstances and charges off uncollectible receivables when all attempts to collect have been exhausted and the prospects for recovery are remote. As of September 30, 2017 and December 31, 2016, the Company’s accounts receivable was $8,486,642 and $6,974,135, net of allowance for doubtful accounts of $1,818,306 and $1,622,208, respectively.

The Company’s majority owned subsidiaries, Progress Advocates LLC and Student Loan Care, LLC entered into factoring agreements which had certain provisions that factor advances were based on a recourse basis. The Progress Advocates’ recourse agreements provide for the Company to receive an advance of between 30% - 96% of any accounts receivable that it factors with 62% - 0% held in reserve. The average amount received from these recourse agreements was 50.9% and the average amount reserved was 42.1%. The factoring agreements also provide for discount fees of 4% - 8% of the face value of any accounts receivable factored, plus additional charges for other transaction fees. The agreements may be terminated by either party at any time and will continue unless either party formally cancels.

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DEBT RESOLVE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

The Company’s majority owned subsidiary, Student Loan Care LLC, entered into a similar recourse factoring agreement during the second quarter of 2016. This agreement provides for the Company to receive an advance of between 45% - 90% of any accounts receivable that it factors with 45% - 5% held in reserve. The average amount received was 64% and the average amount reserved was 30%. The factoring agreement also provides for discount fees of 3% - 6% of the face value of any accounts receivable factored, plus additional charges for other transaction fees. The agreement may be terminated by either party at any time and will continue unless either party formally cancels. As of September 30, 2017 and December 31, 2016, the Company’s outstanding obligation under the factoring agreements was $7,122,174 and $6,162,722, respectively.

NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of September 30, 2017 and December 31, 2016 are comprised of the following:

	September 30, 2017	December 31, 2016
Accounts payable	$ 915,977	$ 698,435
Accrued interest	2,794,985	2,419,165
Payroll and related accruals, net of advance to employees	983,330	1,060,784
Total	$ 4,694,292	$ 4,178,384

NOTE 6 – NOTES PAYABLE

As of September 30, 2017 and December 31, 2016, short term notes are as follows:

	September 30,	December 31,

		2017		2016
Note payable, dated June 1, 2015, in default		41,667		41,667
Note payable, dated July 2, 2015, in default		12,500		12,500
Note payable, dated August 28, 2015, in default		32,967		32,967
Note payable, dated December 17, 2015, in default		50,000		50,000
Note payable, dated January 13, 2016, in default		50,000		50,000
Note payable, dated February 16, 2016, in default		25,000		25,000
Note payable, dated July 14, 2016		47,000		47,000
Equitable promissory note, dated March 1, 2016		8,923		49,082
Investor notes payable, 12% per annum, in default		377,867		377,867
Total		645,924		686,083
Less current portion		645,924		686,083
Long term portion	$	-0-	$	-0-

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DEBT RESOLVE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 7 – NOTES PAYABLE, RELATED PARTIES

As of September 30, 2017 and December 31, 2016, notes payable, related parties are as follows:

	September 30, 2017	December 31, 2016
Convertible note payable dated July 22, 2010, in default	$ 15,000	$ 15,000
Note payable dated January 14, 2011, in default	6,000	6,000
Note payable dated April 14, 2011, in default	25,000	25,000
Note payable dated April 15, 2011, in default	25,000	25,000
Note payable dated January 18, 2012, in default	5,000	5,000
Note payable dated January 20, 2012, in default	5,000	5,000
Note payable dated May 21, 2012, in default	15,000	15,000
Note payable dated May 30, 2012, in default	20,000	20,000
Series A Convertible note, in default	20,000	20,000
Convertible notes payable, dated July 6, 2012, in default	30,000	30,000
Convertible note payable, dated July 10, 2012, in default	15,000	15,000
Note payable, dated September 14, 2012, in default	6,000	6,000
Convertible note payable, dated September 7, 2012, in default	43,000	43,000
Convertible note payable, dated October 4, 2012, in default	50,000	50,000
Convertible note payable, dated September 5, 2013, in default	10,000	10,000
Convertible note payable, dated September 16, 2013, in default	3,000	3,000
Note payable dated September 17, 2013, in default	5,221	5,221
Note payable, dated October 24, 2013, in default	30,000	30,000
Note payable, dated November 7, 2013	40,000	40,000
Note payable. dated December 6, 2013, in default	5,000	5,000
Note payable, dated December 18, 2013	30,000	30,000
Note payable, dated January 9, 2014, in default	25,000	25,000
Convertible note payable, dated February 28, 2014	200,000	200,000
Convertible note payable, dated April 24, 2014	25,000	25,000
Convertible note payable, dated November 7, 2014	25,000	25,000
Convertible notes payable, dated December 4, 2014, in default	50,000	50,000
Note payable, dated January 25, 2015, in default	25,000	25,000
	50,000	49,609

Convertible note payable, dated March 3, 2015, net of unamortized debt discount of $-0- and $391, respectively, in default				
Convertible note payable, dated May 12, 2015, net of unamortized debt discount of $0 and $199, respectively		20,000		19,801
Note payable, dated June 18, 2015, in default		25,000		25,000
Note payable, dated July 13, 2015, in default		12,500		12,500
Note payable, dated August 5, 2015, in default		25,000		25,000
Note payable, dated August 19, 2015, in default		50,000		50,000
Convertible note payable, dated May 15, 2016, net of unamortized debt discount of $23,322 and $51,370, respectively		51,678		23,630
Note payable, dated June 9, 2016		15,000		15,000
Note payable, dated June 22, 2016		30,000		30,000
Note payable, dated June 30, 2016		25,000		25,000
Notes payable, dated September 28, 2016, net of unamortized debt discount of $25,776 and $47,008, respectively		74,224		77,992
Note payable, dated August 31, 2017		15,000		-
Note payable, dated September 19, 2017		15,000		-
Total		1,161,623		1,106,753
Less current portion		(1,131,623)		(828,123)
Long term portion	$	30,000	$	278,630

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DEBT RESOLVE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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On August 31, 2017, a stockholder loaned $15,000 (unsecured) to the Company due August 31, 2018 with interest at 10% per annum, paid monthly beginning January 2018 and principal payments beginning June 2018.

On September 19, 2017, a stockholder loaned $15,000 (unsecured) to the Company due September 19, 2018 with interest at 12% per annum, paid monthly beginning October 2016 and principal payments beginning July 2018.

For the three and nine months ended September 30, 2017, the Company amortized $16,607 and $49,870 of debt discount to operations as interest expense. For the three and nine months ended September 30, 2016, the Company amortized $11,098 and $21,919 of debt discount to operations as interest expense.

Total unpaid accrued interest on the notes payable to related parties as of September 30, 2017 and December 31, 2016 was $418,844 and $337,020, respectively. During the nine months ended September 30, 2017 and 2016, the Company recorded interest expense of $81,824 and $77,101, respectively, in connection with the notes payable to related parties.

NOTE 8 – LINE OF CREDIT- RELATED PARTY

On January 25, 2015, the Company issued an unsecured promissory note to certain members of the Company’s board of directors who provided the Company a line of credit up to $400,000 for working capital over a term of four years with an annualized interest rate of 5.25%. The promissory note is due 30 days upon written demand however, the Company is obligated to make monthly payments of principal and interest necessary to meet the minimal monthly principal and interest payments required by the bank on loans the lenders obtained to provide the financing. As of September 30, 2017 and December 31, 2016, the outstanding balance on this loan was $241,673 and $308,337, respectively.

On September 24, 2009, the Company entered into an unsecured short term loan with a stockholder for $150,000 to be used to discharge the bridge loans of another investor. Borrowings under the loan bear interest at 12% per annum, with interest accrued and payable on maturity. The Note was due on November 24, 2009 and is still outstanding. In conjunction with this line of credit, the Company also issued a warrant to purchase 150,000 shares of common stock at an exercise price of $0.15 per share with an expiration date of September 24, 2014. On April 6, 2010, a partial repayment of $25,000 of principal was paid. Also, as a result of the delinquent repayment of the note, a penalty of $69,000 was incurred on April 15, 2010. On August 17, 2010, a partial payment of $50,000 of principal was made on the line of credit. Unpaid accrued interest on this loan as of September 30, 2017 and December 31, 2016 was $150,962 and $137,409, respectively.

As of September 30, 2017 and December 31, 2016, the outstanding balance on this loan was $151,000. Since the loan matured on November 24, 2009, it is currently in default. During the nine months ended September 30, 2017 and 2016, the Company recorded $13,553 and $13,602, respectively, as interest expense.

NOTE 9 – CONVERTIBLE NOTES

Convertible notes of non-related party investors are comprised of the following:

	September 30, 2017	December 31, 2016
Series A Convertible Notes	$ 817,000	$ 817,000
Series B Convertible Notes	225,000	225,000
Series C Convertible Notes	245,000	245,000
Series D Convertible Notes	21,000	21,000
Bridge 2014 Convertible Notes	750,000	750,000
Bridge 2015 Convertible Notes, net of unamortized debt discount of $1,817 and $27,685, respectively	273,183	297,315

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	September 30, 2017	December 31, 2016
Bridge 2016 Convertible Notes, net of unamortized debt discount of $2,535 and $8,901, respectively	69,465	63,099
Bridge 2 (2016) Convertible Notes, net of unamortized debt discount of $68,428 and $153,940, respectively	181,572	96,060
Convertible promissory notes, net of unamortized debt discount of $11,982	-	33,018
Total	2,582,220	2,547,492
Less: Current portion	(2,462,354)	(1,433,833)
Long term portion	$ 119,866	$ 1,113,659

During the nine months ended September 30, 2017, the Company issued an aggregate of 3,685,343 shares of its common stock in settlement of $95,000 of convertible notes payable and $14,765 accrued interest.

For the nine months ended September 30, 2017 and 2016, the Company amortized $129,728 and $130,635 of debt discount to current period operations as interest expense.

NOTE 10 – STOCKHOLDERS' EQUITY

Preferred Stock

At September 30, 2017 and December 31, 2016, the Company has authorized 10,000,000 shares of Series A convertible preferred stock, par value $0.001, of which none are issued and outstanding as of September 30, 2017 and December 31, 2016. The Series A convertible preferred stock which has rank senior to common and all other preferred stock of the corporation and equal or junior to any preferred stock that may be issued in regard to liquidation; not entitled to dividends and is convertible, at the holders' option, at 10 shares of common stock for each share of Series A preferred stock.

Common stock

At September 30, 2017, and December 31, 2016, the Company has authorized 500,000,000 shares of common stock, par value $0.001, of which 126,950,152 and 121,264,809 are issued and outstanding as of September 30, 2017 and December 31, 2016, respectively.

During the nine months ended September 30, 2017, the Company issued 2,000,000 shares of its common stock for services valued at $27,000.

NOTE 11 – WARRANTS AND OPTIONS

Common stock warrants

The following table summarizes warrants outstanding and related prices for the shares of the Company's common stock issued to shareholders at September 30, 2017:

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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		Warrants Outstanding			Warrants Exercisable
Exercise Price	**Number Outstanding**	**Weighted Average Remaining Contractual Life (years)**	**Weighted Average Exercise price**	**Number Exercisable**	**Weighted Average Exercise Price**
$0.01 to 0.10	89,650,000	2.89	$ 0.08	59,650,000	$ 0.10
0.11 to 0.20	7,875,000	0.47	0.15	7,875,000	0.15
0.21 to 0.30	2,000,000	0.06	0.25	2,000,000	0.25
Total	99,525,000	2.64	$ 0.09	69,525,000	$ 0.11

Transactions involving the Company's warrant issuance for the nine months ended September 30, 2017 are summarized as follows:

	Number of Shares	**Weighted Average Price Per Share**
Outstanding at December 31, 2016	101,825,000	0.10
Issued	3,000,000	0.07
Exercised	-	-
Expired	(5,300,000)	(0.24)
Outstanding at September 30, 2017	99,525,000	$ 0.09

On April 25, 2017, the Company issued 1,000,000 common stock warrants in connection with services provided. The warrants are exercisable for five years from the date of issuance at an exercise price of $0.05 per common share. The warrants were valued using the Black Sholes option pricing method with the following assumptions: dividend yield $-0-, volatility of 339.59 %, risk free rate of 1.87% and expected life of 5.00 years. The determined estimated fair value of $14,996 was charged to operations during the nine months ended September 30 2017.

On April 25, 2017, the Company issued 1,000,000 common stock warrants in connection with services provided. The warrants are exercisable till August 7, 2019 at an exercise price of $0.10 per common share. The warrants were valued using the Black Sholes option pricing method with the following assumptions: dividend yield $-0-, volatility of 339.59 %, risk free rate of 1.29% and expected life of 2.29 years. The determined estimated fair value of $14,632 was charged to operations during the nine months ended September 30 2017.

On July 17, 2017, the Company issued 1,000,000 common stock warrants in connection with services provided. The warrants are exercisable till July 17, 2024 at an exercise price of $0.05 per common share. The warrants were valued using the Black Sholes option pricing method with the following assumptions: dividend yield $-0-, volatility of 335.45 %, risk free rate of 2.12% and expected life of 7.00 years. The determined estimated fair value of $13,700 was charged to operations during the nine months ended September 30 2017.

Total stock-based compensation expense for warrants for the nine months ended September 30, 2017 and 2016 amounted to $43,328 and $1,860, respectively.

Preferred stock warrants

The following table summarizes warrants outstanding and related prices for the shares of the Company’s Series A convertible preferred stock issued at September 30, 2017:

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		Warrants Outstanding					
Exercise Price	**Number Outstanding**	**Weighted Average Remaining Contractual Life (years)**		**Weighted Average Exercise price**	**Number Exercisable**		**Warrants Exercisable Weighted Average Exercise Price**
$0.50	2,0350,000	2.36	$	0.50	1,035,000	$	0.50
1.00	18,000	0.77		1.00	18,000		1.00
1.50	131,500	1.07		1.50	131,500		1.50
Total	2,184,500	2.27	$	0.58	1,184,500	$	0.62

Transactions involving the Company's preferred warrant issuance for the nine months ended September 30, 2017 are summarized as follows:

	Number of Shares		**Weighted Average Price Per Share**
Outstanding at December 31, 2016	2,564,500		0.66
Issued	-		-
Exercised	-		-
Expired	(380,000)		1.21
Outstanding at September 30, 2017	2,184,500	$	0.58

Options

The following table summarizes options outstanding and related prices for the shares of the Company's common stock issued at September 30, 2017:

Exercise Price	Number Outstanding	Option Outstanding Options Average Remaining Contractual Life (years)	Weighted Average Exercise price	Number Exercisable	Options Exercisable Weighted Average Exercise price
$0.0137	250,000	6.80	$ 0.0137	-	$ 0.0137
0.015	7,000,000	3.35	0.015	4,333,334	0.015
0.018	1,000,000	6.93	0.018	-	0.018
0.02	400,000	5.25	0.02	300,000	0.02
0.025	250,000	4.90	0.025	250,000	0.025
0.06	3,000,000	0.67	0.06	3,000,000	0.06
0.09	250,000	1.18	0.09	250,000	0.09
0.095	500,000	1.30	0.095	500,000	0.095
0.10	650,000	0.44	0.10	650,000	0.10
Total	13,300,000	2.91	$ 0.034	9,283,334	$ 0.042

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DEBT RESOLVE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Transactions involving the Company's option issuance for the nine months ended September 30, 2017 are summarized as follows:

	Number of Shares		Weighted Average Price Per Share
Outstanding at December 31, 2016	17,225,000		0.08
Issued	1,250,000		0.017
Exercised	--		--
Expired	(5,175,000)		0.17
Outstanding at September 30, 2017	13,300,000	$	0.034

On July 17, 2017, the Board granted stock options to purchase 250,000 shares of common stock of the Company at exercise price of $0.0137 with exercise period of seven years to an employee, vesting 1/3 each six month anniversary for eighteen months. The grant was valued using the Black-Scholes option pricing model and had a value of $3,425 and will be charged to operations through the vesting period.

On September 2, 2017, the Board granted stock options to purchase 1,000,000 shares of common stock of the Company at exercise price of $0.018 with exercise period of seven years to an employee, vesting 1/2 each six month anniversary for one year. The grant was valued using the Black-Scholes option pricing model and had a value of $16,799 and will be charged to operations through the vesting period.

The Black-Scholes option pricing model used the following assumptions: Dividend yield: 0%; Volatility: 310.07% to 335.45%; and Risk Free rate: 1.99% to 2.12%, term: contractual terms.

Total stock-based compensation expense for options for the nine months ended September 30, 2017 and 2016 amounted to $25,295 and $24,021, respectively.

NOTE 12 – COMMITMENTS AND CONTINGENCIE

Litigation:

On April 11, 2016, a Decision was entered in the matter of a noteholder's claim (as described in Part 1, Item 3 (under "Lawsuits from Noteholders") against Debt Resolve Inc., granting the noteholder's motion for summary judgment in part, and denying it in part, and denying Debt Resolve's cross motion for summary judgment. A stipulation with respect to damages was entered by the Court on August 29, 2016 providing that the total outstanding principal and interest due the noteholder as of July 31, 2016 is $322,152. The noteholder is seeking an award of his attorneys' fees from the Court. On April 20, 2017, the Court awarded the plaintiff $115,516 in attorney’s fees and costs, therefore the Company has accrued, as of September 30, 2017, the liability which is included as accounts payable and accrued expenses in the accompanying financial statements. On May 4, 2017, the Company was notified that this claim became property of the Noteholder’s bankruptcy estate which was converted to chapter 7. The Company’s counsel has been in contact with the chapter 7 trustee.

From time to time, the Company is involved in various litigation matters in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company’s consolidated financial position or results of operations.

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DEBT RESOLVE, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Payroll and Payroll taxes

Due to a lack of capital, the Company has been unable to pay all of the compensation owed to its employees. In addition, in 2011, 2012 and the first quarter of 2013, the Company did not pay certain federal and state payroll tax obligations due for employees' compensation, and they have become delinquent. As a result, the Company has included in accrued expenses an amount of approximately $52,500 at September 30, 2017 that represents an estimate that could be expected upon settlement of these payroll taxes with the respective taxing authorities. In April, 2015, an agreement was reached with the IRS that details an agreed upon amount owed and a 17 month payment plan for same. All payments have been made and the IRS liability has been satisfied. In addition, the Company has contacted the state involved and anticipates settlement discussions in the near future.

NOTE 13 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2016, certain Company directors personally guarantee the Company's notes payable and its' bank loan (Note 8). Also, certain directors and officers made short-term or longer term loans as discussed in Note 7 and 8. Total interest expense in connection with notes payable to related parties and related party lines of credit amounted $95,377 and $90,703 for the nine months ended September 30, 2017 and 2016, respectively.

Progress Advocates

The Company reimburses the 49% owner (non-controlling interest party) for payroll, marketing and general expenses incurred by Progress Advocates. For the three and nine months ended September 30, 2017 and 2016, the Company reimbursed $-0- and $289,311 in incurred costs, respectively. Included in accounts payable and accrued liabilities at September 30, 2017 and December 31, 2016 is $73,807 and $73,807, respectively.

NOTE 14 – NON CONTROLLING INTEREST

In December 2014, the Company organized Progress Advocates, LLC, a Delaware limited liability company for the purpose to provide services in the student loan document preparation industry. At the time of formation, Progress Advocates, LLC did not have any significant assets or liabilities. In connection with entering into the Progress Advocates LLC joint venture with LSH, LLC (minority owner), the Company issued to LSH, LLC two five-year warrants to purchase an aggregate of 1,500,000 shares of series A convertible preferred stock of Debt Resolve at an exercise price of $0.50 per preferred share.

In February 2016, the Company, jointly with Patient Online Services, LLC, organized Payment Resolution Systems LLC, a Delaware limited liability company for the purpose of assisting Medical Groups and Hospitals in the online negotiation and settlement of delinquent accounts, with ownership interests of 51% and 49% for the Company and Patient Online Services, LLC, respectively.

In May 2016, the Company, jointly with Hutton Ventures LLC, organized Student Loan Care LLC, a Delaware limited liability company for the purpose of providing document preparation services for holders of Federal Direct Student Loans, with ownership interests of 51% and 49% for the Company and Hutton Ventures LLC, respectively.

In connection with entering into the Student Loan Care LLC joint venture with Hutton Ventures, LLC, the Company issued to Hutton Ventures LLC three seven-year warrants to purchase an aggregate of 30,000,000 shares of common stock of the Company at an exercise price of $0.05 per share. The first warrant for 5,000,000 shares of Debt Resolve common stock vests and becomes exercisable upon the achievement by Student Loan Care of specific increasing revenue goals. The second warrant for 20,000,000 shares of Debt Resolve common stock vests and becomes exercisable when Student Loan Care achieves specific cumulative “operating income” goals. The third warrant for 5,000,000 shares of Debt Resolve common stock vests and becomes exercisable upon the achievement by Student Loan Care and affiliates of revenue for the year ending December 31, 2018 equal to or greater than 75% of Debt Resolve’s total revenue for the year ending December 31, 2018.

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DEBT RESOLVE, INC.

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A reconciliation of the non-controlling income (loss) attributable to the Company:

Net loss attributable to non-controlling interest for the three months ended September 30, 2017:

	Progress Advocates, Inc.	Student Loan Care LLC	Patient Online Services, LLC
Net income (loss)	$ 112,573	$ (261,253)	$ (99)
Average Non-controlling interest percentage	49%	49%	49%
Net Income (loss) attributable to the non-controlling interest	$ 55,161	$ (128,014)	$ (49)

Net loss attributable to non-controlling interest for the nine months ended September 30, 2017:

	Progress Advocates, Inc.	Student Loan Care LLC	Patient Online Services, LLC
Net income (loss)	$ 41,462	$ 251,428	$ (934)
Average Non-controlling interest percentage	49%	49%	49%
Net Income (loss) attributable to the non-controlling interest	$ 20,316	$ 123,200	$ (458)

Net loss attributable to non-controlling interest for the three months ended September 30, 2016:

	Progress Advocates, Inc.	Student Loan Care LLC	Patient Online Services, LLC
Net income (loss)	$ (55,179)	$ 179,464	$ 534

Average Non-controlling interest percentage		49%		49%		49%
Net Income (loss) attributable to the non-controlling interest	$	(27,038)	$	87,937	$	262

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DEBT RESOLVE, INC.

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Net loss attributable to non-controlling interest for the nine months ended September 30, 2016:

	Progress Advocates, Inc.	Student Loan Care LLC	Patient Online Services, LLC
Net income (loss)	$ (458,402)	$ 9,159	$ (5,771)
Average Non-controlling interest percentage	49%	49%	49%
Net Income (loss) attributable to the non-controlling interest	$ (224,617)	$ 4,488	$ (2,828)

The following table summarizes the changes in non-controlling interest from January 1, 2017 to September 30, 2017:

	Progress Advocates	Student Loan Care, LLC	Patient Online Services, Inc.	Total
Balance, December 31, 2016	(561,325)	4,692	(2,873)	(559,506)
Net capital withdrawal by non-controlling interest	-	(390,772)	-	(390,772)
Net income (loss) attributable to the non-controlling interest	20,316	123,200	(458)	143,058
Balance, September 30, 2017	$ (541,009)	$ (262,880)	$ (3,331)	$ (807,220)

NOTE 15 - SUBSEQUENT EVENTS

In accordance with ASC 855-10, Subsequent events, we have analyzed our operations subsequent to September 30, 2017, through the date financial statements were issued, and have determined that there were no material subsequent events to disclose in these financial statements.

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ITEM 2. MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business Growth Strategy Update

During the quarter ending September 30, 2017, progress was made in the implementation of our new strategies. While individual setbacks were expected and did occur, each was addressed and positive momentum resumed for the respective strategy. The following is a brief review of the important progress achieved in each strategy:

- **Student Loan Care LLC was launched in June 2016 and has already established itself as a financially viable company.** This new joint venture is a partnership with Hutton Ventures LLC., a California based company with extensive experience in the federal student loan document preparation industry. The business model for Student Loan Care, specifically addresses the issues of high marketing costs and customer churn, both of which were significant negative impacts on the Company's majority owned joint venture, Progress Advocates LLC.

  The quarter ending September 30, 2017 was a challenging quarter for Student Loan Care. As the Company was slowly recovering from the seasonality of the Direct Mail industry that slowed response rates to our marketing campaigns in the second quarter ending June 30, 2017, a number of sales personnel unexpectedly left the Company during the month of August 2017. New sales management was put in place and the hiring and training of new sales personnel was completed by quarter end. However, the transition caused certain delays that could not be recovered. This resulted in Student Loan Care revenue falling from $1,154,074 in the period ending September 30, 2016 to $815,992 in the period ending September 30, 2017. While expense control recovered some of the revenue loss, Student Loan Care had its first quarterly operating loss in the period ending September 30, 2017.

  While the events of this quarter impacted our current financial results, the strength of the Student Loan Care business helped the Company achieve significant year over year financial improvement in the nine month period ending September 30, 2017. For the nine months ending September 30, 2017, the Company increased revenue to $5,161,735 from $2,342,244 for the comparable period in 2016. For the nine months ending September 30, 2017, the Company increased operating income to $394,577 from a loss of ($943,141) for the same period in 2016.

- **Progress Advocates continues to support its current customers as it evaluates other business options.** As previously reported in both the Company's 2015 Form 10-K and Form 10-Q for the quarter ending March 31, 2016, the Company suspended all marketing and sales activities during February of 2016. After continued discussions with our joint venture partner who was also the operator of Progress Advocates, the

Company reached the conclusion that the changes necessary to reach profitability were not going to be made by our partner. By the beginning of 2016, it was evident that high marketing and sales costs, along with a higher than expected default of customer payments, resulted in a business cost structure that was unsupportable by current revenues. Progress Advocates will continue to support its current customers and provide to them all contracted services.

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- **Leverage our technology and knowledge of consumer debt collection to launch a new internet based product in the small business to consumer debt negotiation and collection space.** As resources were diverted to support the launch and development of Student loan Care LLC (see above), the development effort on Settl.it/Pro was postponed to the fourth quarter of 2017. A soft launch of this small business product is scheduled for January 2018.

- **Leverage our public equity financial structure by purchasing equity interests in private companies that will benefit from the experience and skills of our management and consultants as well as from holding our publicly traded equity.** During the second quarter of 2016, , Student Loan Care LLC was formed with Hutton Ventures LLC to offer document preparation services for Federal student loan holders wanting to apply for various U.S. Department of Education Student loan payment consolidation and modification programs. The principles of Hutton Ventures are experienced in the federal student loan document preparation industry and in the use of advanced communications techniques to increase productivity and profitability in a traditional people based business environment. To reward their successful participation in Student Loan Care LLC, goals for Student Loan Care revenue growth and net profit attainment have been established. Hutton Venture partners will be granted warrants for Debt Resolve common stock upon the attainment of each of these goals.

For additional information on the Company's product, visit these websites; 1. The Settl.it Family of Products website, www.settl.com, and 2. Payment Resolution Systems, www.paymentresolutionsystems.com. In addition, the Settl.it consumer to consumer product can be utilized at www.settl.it and our Student Loan Care federal student loan document preparation services can be obtained at www.studentloancare.com.

Results of Operations for the Three Months Ended September 30, 2017 Compared to the Three Months Ended September 30, 2016

Revenues

Revenues totaled $955,819 and $1,336,870 for the three months ended September 30, 2017 and 2016, respectively. We earned revenue during the three months ended September 30, 2017 and 2016 as a percent of debt collected, on a fee per settlement and on a flat monthly fee basis. In addition, we earn revenue from fees for providing student loan document preparation services. The decreased revenue mainly resulted from our majority owned subsidiary, Student Loan Care, LLC of $815,992 for the three month ending September 30, 2017 as compared to $1,154,074 for the same period last year.

Costs and Expenses

Payroll and related expenses. Payroll and related expenses amounted to $487,637 for the three months ended September 30, 2017, as compared to $598,941 for the three months ended September 30, 2016, a decrease of $111,304. The decrease is primarily related to reduced staff in our Student Loan Care subsidiary which started in June 2016 and the winding down of our Progress Advocates subsidiary. Stock based compensation was $26,862 and $90,121 for the three months ended September 30, 2017 and 2016, respectively.

Selling and marketing expenses. Selling and marketing expenses decreased from $262,562 for the three months ended September 30, 2016 to $227,372 for the same period in 2017. The significant decrease is due to the decreased sales and marketing activities of Student Loan Care LLC., our majority owned subsidiary.

General and administrative expenses. General and administrative expenses amounted to $430,572 for the three months ended September 30, 2017, as compared to $483,783 for the three months ended September 30, 2016, a decrease of $53,211. The most significant decrease was due to decreased costs associated with Student Loan Care, LLC and Progressive Advocates, LLC as compared to 2016.

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Loss on change in fair value of derivative liabilities. In 2016, we issued convertible promissory notes with certain embedded derivatives, as such, any issued convertible instruments issued subsequently require us to fair value the conversion feature as derivatives each reporting period and mark to market as a non-cash adjustment to our current period operations. For the three months ended September 30, 2016, we incurred a $122,901 loss on change in fair value of our derivative liabilities. On August 17, 2016, we eliminated the embedded derivatives through note amendments.

Interest (expense). We recorded interest expense of $209,739 for the three months ended September 30, 2017 compared to interest expense of $296,582 for the three months ended September 30, 2016. Interest expense decreased primarily from our financing of accounts receivable with Student Loan Care, LLC.

Amortization of deferred debt discount. Amortization expense of $54,662 and $69,545 was incurred for the three months ended September 30, 2017 and 2016, respectively, for the amortization of the value of the deferred debt discount associated with certain of our notes payable. Amortization expense decreased due to aging of notes issued in earlier periods.

Results of Operations for the Nine Months Ended September 30, 2017 Compared to the Nine Months Ended September 30, 2016

Revenues

Revenues totaled $5,161,735 and $2,342,344 for the nine months ended September 30, 2017 and 2016, respectively. We earned revenue during the nine months ended September 30, 2017 and 2016 as a percent of debt collected, on a fee per settlement and on a flat monthly fee basis. In addition, we earn revenue from fees for providing student loan document preparation services. The increased revenue mainly resulted from our majority owned subsidiary, Student Loan Care, LLC of $4,691,925 for the nine month ending September 30, 2017 as compared to $1,258,892 for the same period last year. To offset this revenue gain, our majority owned subsidiary, Progress Advocates is winding down and had revenues of $449,360 and $1,009,434 in the nine months ending September 30, 2017 and 2016, respectively.

Costs and Expenses

Payroll and related expenses. Payroll and related expenses amounted to $1,684,380 for the nine months ended September 30, 2017, as compared to $1,214,507 for the nine months ended September 30, 2016, an increase of $469,873. The increase is primarily related to our Student Loan Care subsidiary which started in June 2016, offset by the winding down of our Progress Advocates subsidiary. Stock based compensation was $95,623 and $244,200 for the nine months ended September 30, 2017 and 2016, respectively.

Selling and marketing expenses. Selling and marketing expenses increased from $387,062 for the nine months ended September 30, 2016 to $1,021,106 for the same period in 2017. The significant increase is due to the increased sales and marketing activities of Student Loan Care LLC., our majority owned subsidiary.

General and administrative expenses. General and administrative expenses amounted to $2,061,672 for the nine months ended September 30, 2017, as compared to $1,683,916 for the nine months ended September 30, 2016, a an increase of $377,756. The most significant increase was due to increased costs associated with Student Loan Care, LLC, net with a decrease due to Progressive Advocates, LLC as compared to 2016.

Loss on change in fair value of derivative liabilities. In 2016, we issued convertible promissory notes with certain embedded derivatives, as such, any issued convertible instruments issued subsequent require us to fair value the conversion feature as derivatives each reporting period and mark to market as a non-cash adjustment to our current period operations. For the nine months ended September 30, 2016, we incurred a $30,317 gain on change in fair value of our derivative liabilities. On August 17, 2016, we eliminated the embedded derivatives through note amendments.

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Interest (expense). We recorded interest expense of $1,038,717 for the nine months ended September 30, 2017 compared to interest expense of $745,531 for the nine months ended September 30, 2016. Interest expense increased primarily from our financing of accounts receivable with Student Loan Care, LLC.

Amortization of deferred debt discount. Amortization expense of $179,599 and $152,555 was incurred for the nine months ended September 30, 2017 and 2016, respectively, for the amortization of the value of the deferred debt discount associated with certain of our notes payable. Amortization expense increased due to new notes added in latter part of 2016.

Liquidity and Capital Resources

As of September 30, 2017, we had a working capital deficiency (total current liabilities exceeded total current assets) in the amount of $15,748,156 and cash and cash equivalents totaling $15,449. We reported a net loss of $966,797 for the nine months ended September 30, 2017. Net cash used in operating activities was $1,050,755 for the nine months ended September 30, 2017. Cash flow provided by financing activities was $473,103 for the nine months ended September 30, 2017. As of December 31, 2016, we had a working capital deficiency (total current liabilities exceeded total current assets) in the amount of $10,955,052 and cash and cash equivalents totaling $593,101.

Our working capital as of the date of this report is negative and is not sufficient to fund our plan of operations for the next year. The aforementioned factors raise substantial doubt about our ability to continue as a going concern.

We have successfully raised capital for our day-to-day operations since our inception; however, no assurance can be provided that we will continue to be able to do so. There is no assurance that any funds secured will be sufficient to enable us to attain profitable operations or continue as a going concern. To the extent that we are unsuccessful, we may need to curtail our operations and implement a plan to extend payables and reduce overhead until sufficient additional capital is raised to support further operations. At any time until substantial capital is raised or we reach cash flow breakeven, there is also a significant risk of bankruptcy. There can be no assurance that any plan to raise additional funding will be successful. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Application of Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires our management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. These estimates and assumptions are based on our management's judgment and available information and, consequently, actual results could be different from these estimates. The significant accounting policies that we believe are the most critical to aid in fully understanding and evaluating our reported financial results are as follows:

Revenue Recognition

We earn revenue from collection agencies, collection law firms and lenders that implemented our online system. Our current contracts provide for revenue based on a percentage of the amount of debt collected, a fee per settlement or through a flat monthly fee. Although other revenue models have been proposed, most revenue earned to date has been determined using these methods, and such revenue is recognized when the settlement amount of debt is collected by the client or at the beginning of the month for a flat fee. For the early adopters of our product, we have waived set-up fees and other transactional fees that we anticipate charging in the future. While the percent of debt collected will continue to be a revenue recognition method going forward, other payment models are also being offered to clients and may possibly become our preferred revenue model. Dependent upon the structure of future contracts, revenue may be derived from a combination of set up fees or flat monthly or annual fees with transaction fees upon debt settlement, fees per account loaded or fees per settlement. We are currently marketing our system to three primary markets. The first and second are financial institutions and collection agencies or law firms, our traditional markets. We are also expanding into healthcare, particularly hospitals, which is our third market.

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Revenues for the preparation of student loan documentation are earned when the Company has substantially accomplished the agreed-upon deliverables to be entitled to payment by the client. For most current active clients, these deliverables consist of the successful completion and delivery of the student loan modification and consolidation documentation package on behalf of the client to the U.S. Department of Education. The Company may sell its products separately or in various bundles that include multiple elements such as initial application and consolidation, monitoring, annual renewals and other services.

We defer any revenue for which the product or service has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or no refund will be required.

Accounts Receivable

Accounts receivable are receivables generated from sales to customers and progress billings on performance type contracts. Amounts included in accounts receivable are deemed to be collectible within the Company’s operating cycle. Management provides an allowance for doubtful accounts based on the Company’s historical losses, specific customer circumstances, and general economic conditions. Periodically, management reviews accounts receivable and adjusts the allowance based on current circumstances and charges off uncollectible receivables when all attempts to collect have been exhausted and the prospects for recovery are remote.

As of September 30, 2017 and December 31, 2016, the Company's accounts receivable was $10,304,948 and $8,596,343 and the allowance for doubtful accounts was $1,818,306 and $1,622,208, respectively.

The Company’s majority owned subsidiaries, Progress Advocates LLC and Student Loan Care LLC entered into factoring agreements which had certain provisions that factor advances were based on either a non-recourse and recourse basis. During the first quarter of 2016, the Company agreed to modify the terms of the existing factoring agreement whereby the outstanding advances which were originally based upon a non-recourse basis will be reclassified to a full recourse advances. Accordingly, the Company reclassified the outstanding advances of $1,128,701 to a full recourse liability to the factor, increased the carrying value of accounts receivable by $1,128,701, net of an allowance for doubtful accounts of $212,388.

Stock-based compensation

We follow Accounting Standards Codification subtopic 718-10, Stock-based Compensation ("ASC 718-10"). The standards require the measurement of compensation cost at the grant date, based upon the estimated fair value of the award, and requires amortization of the related expense over the employee's requisite service period.

Fair Values

Accounting Standards Codification subtopic 825-10, Financial Instruments ("ASC 825-10") requires disclosure of the fair value of certain financial instruments. The carrying value of cash and cash equivalents, accounts payable and accrued liabilities, and short-term borrowings, as reflected in the balance sheets, approximate fair value because of the short-term maturity of these instruments. All other significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk. Where practicable the fair values of financial assets and financial liabilities have been determined and disclosed; otherwise only available information pertinent to fair value has been disclosed.

We follow Accounting Standards Codification subtopic 820-10, Fair Value Measurements and Disclosures ("ASC 820-10") and Accounting Standards Codification subtopic 825-10, Financial Instruments ("ASC 825-10"), which permits entities to choose to measure many financial instruments and certain other items at fair value. None of these statements had an impact on the Company's financial position, results of operations or cash flows.

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Recently-Issued Accounting Pronouncements

See recently adopted and issued accounting standards in “Note 2—Significant accounting policies” in Item 1. Financial statements of this report.

Statement Relating to Forward-Looking Statements

This report contains forward-looking statements that are based on our beliefs as well as assumptions and information currently available to us. When used in this report, the words “believe,” “expect,” “anticipate,” “estimate,” “potential” a similar expressions are intended to identify forward-looking statements. These statements are subject to risks, uncertainties and assumptions, including, without limitation, the risks and uncertainties concerning our recent research and development activities; the risks and uncertainties concerning acceptance of our services and products, if and when fully developed, by our potential customers; our present financial condition and the risks and uncertainties concerning the availability of additional capital as and when required; the risks and uncertainties concerning the Limited License Agreement with Messrs. Brofman and Burchetta; the risks and uncertainties concerning our dependence on our key executives; the risks and uncertainties concerning technological changes and the competition for our services and products; the risks and uncertainties concerning general economic conditions; and the risks and uncertainties described in our Annual Report on Form 10-K for the year ended December 31, 2016, filed on April 17, 2017, in the section labeled “Risk Factors.” Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. We caution you not to place undue reliance on any forward-looking statements, all of which speak only as of the date of this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We evaluated the design and operation of our disclosure controls and procedures to determine whether they are effective in ensuring that we disclose required information in a timely manner and in accordance with the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules and regulations promulgated by the SEC. Our Chief Executive Officer has participated in such evaluation. Management concluded, based on such review, that our disclosure controls and procedures, as defined by Exchange Act Rules 13a-15(e) and 15d-15(e), were not effective as of the end of the period covered by this Quarterly Report on Form 10-Q. The ineffectiveness of these disclosure controls is due to the matters described below in “Internal Control over Financial Reporting.”

Limitations on the Effectiveness of Controls

We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Our disclosure controls and procedures are designed to provide a reasonable assurance of achieving their objectives and our Chief Executive Officer has concluded that such controls and procedures are not effective at the “reasonable assurance” level. The ineffectiveness of these disclosure controls is due to the matters described below in “Internal Control over Financial Reporting.”

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Internal Control over Financial Reporting

Segregation of duties within our Company is limited due to the small number of employees that are assigned to positions that involve the processing of financial information. Specifically, certain key financial accounting and reporting personnel had an expansive scope of duties that allowed for the creation, review, approval and processing of financial data without independent review and authorization for preparation of consolidation schedules and resulting financial statements and related disclosures. We did not maintain a sufficient depth of personnel with an appropriate level of accounting knowledge, experience and training in the selection and application of Generally Accepted Accounting Principles commensurate with financial reporting requirements.

Accordingly, we place undue reliance on the finance team at corporate headquarters, specifically the executive who is our Chief Executive Officer and outside accounting professionals.

Accordingly, management has determined that this control deficiency constitutes a material weakness. This material weakness could result in material misstatements of significant accounts and disclosures that would result in a material misstatement to our interim or annual consolidated financial statements that would not be prevented or detected. In addition, due to limited staffing, we are not always able to detect minor errors or omissions in reporting.

Going forward, management anticipates that additional staff will be necessary to mitigate these weaknesses, as well as to implement other planned improvements. Additional staff will enable us to document and apply transactional and periodic controls procedures, permit a better review and approval process and improve quality of financial reporting. However, the potential addition of new staff is contingent on obtaining additional financing, and there is no assurance that we will be able to do so.

Management believes that its unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2017 and 2016 are fairly presented, in all material respects, its financial condition and results of operations. During the three months ended September 30, 2017, there were no changes to our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 1. LEGAL PROCEEDINGS

Lawsuits from Noteholders

On April 11, 2016, a Decision was entered in the matter of a noteholder's claim against Debt Resolve Inc., granting the noteholder's motion for summary judgment in part, and denying it in part, and denying Debt Resolve's cross motion for summary judgment. A stipulation with respect to damages was entered by the Court on August 29, 2016 providing that the total outstanding principal and interest due the noteholder as of July 31, 2016 is $322,152. The noteholder is seeking an award of his attorneys' fees from the Court. On April 20, 2017, the Court awarded the plaintiff $115,516 in attorney's fees and costs. On May 4, 2017, the Company was notified that this claim became property of the Noteholder's bankruptcy estate which was converted to chapter 7. The Company's counsel has been in contact with the chapter 7 trustee.

Lawsuits from vendors

There are currently no lawsuits from vendors.

New York State Attorney General Subpoena

In December 2015, the Company and Progress Advocates, its majority owned subsidiary, received a subpoena requesting documents regarding the operations of Progress Advocates. It is our understanding that this request was one of several requests sent to companies operating in the Federal Student Loan document preparation space in New York State. We have provided the requested information that was available, both from Progress Advocates and its vendors. Additional information has been provided subsequent to the Company's initial response. We are confident that our compliance with payments aligned to the consumer's receipt of benefit and our vendor's responsible marketing has been accurately demonstrated in the information provided.

In August 2017, the Company and Student Loan Care LLC, its majority owned subsidiary, received a subpoena requesting documents regarding the operation Of Student Loan Care. We have provided the requested information regarding Student Loan Care and respective vendors' services. We are confident that our compliance with regulations regarding marketing, sales, advanced payments, and our focus on helping consumers select the best programs for their financial situation supported by on-going people-based customer service, demonstrates our commitment to helping federal student loan holders.

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ITEM 1A. RISK FACTORS

As a “small reporting company” as defined by Item 10 of Regulation S-K, we are not required to provide information required by this item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Investor Note 1:

On December 21, 2007, an unaffiliated investor loaned us $125,000 on an unsecured 18-month note with a maturity date of June 21, 2009. The note has a provision requiring repayment once we raised an aggregate of $500,000 following issuance of this note. As a result, this note is currently in default as it has not been repaid and we reached the $500,000 threshold in September, 2008. The note carries interest at a rate of 12% per annum, with interest accruing and payable at maturity. In conjunction with the note, we granted to the investor a warrant to purchase 37,500 shares of common stock at an exercise price of $1.07 and an expiration date of December 21, 2012. This note is guaranteed by, a shareholder and former Company director. On April 10, 2008, we borrowed an additional $198,000 from this investor. Please see discussion below.

On April 10, 2008, an unaffiliated investor loaned us an additional $198,000 on an amendment of the prior unsecured note with a maturity date of June 21, 2009 for the entire balance of the first note plus the amendment ($323,000 total). The note carries interest at a rate of 12% per annum, with interest accruing and payable at maturity. The outstanding principal and interest may be repaid, in whole or in part, at any time without prepayment penalty. In conjunction with the note, we also issued a warrant to purchase 99,000 shares of common stock at an exercise price of $2.45 and an expiration date of April 10, 2013. This warrant has a “cashless” exercise feature. This note is guaranteed by a Director of the Company. The amended note maintains the provision requiring repayment of the note upon raising gross proceeds of $500,000 subsequent the issuance of the note.

At September 30, 2008, we had raised in excess of $500,000 subsequent to this amended note, and as a result, this note is in default. We also issued 50,000 shares of common stock valued at $122,130 in order to induce the investor to forbear on the note, which was included in expenses.

On February 12, 2010, we converted $74,867 of accrued interest through January 2010 and $65,133 of principal on the note to stock.

On August 27, 2010, the investor was paid $80,000 in principal through partial sale of the note, leaving a remaining balance of $177,867 plus accrued interest due on the note as of September 30, 2017. As of September 30, 2017, this note has matured and is still outstanding and is in default at this time.

Convertible Notes:

From June 2009 to March 2010, unaffiliated investors loaned the Company an aggregate of $1,237,459 (including $20,000 related party) on three-year Series A Convertible Notes with an interest rate of 14% with an aggregate of $837,000 (including $20,000 related party) remaining at September 30, 2017. The interest accrues and is payable at maturity, which range in dates from August 2012 to March 2013. The conversion price is set at $0.15 per share. The Notes carry a first lien security interest in all of the assets of the Company. In 2015 and 2016, the Company extended for 18 months $837,000 of the outstanding debt.

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During year ended December 31, 2010, unaffiliated investors loaned the Company an aggregate of $275,000 on three-year Series B Convertible Notes with an interest rate of 14%. During the year ended December 31, 2010, $50,000 was repaid in cash, leaving a balance of $225,000 on these notes at September 30, 2017. The interest accrues and is payable at maturity. The conversion price is set at $0.15 per share. The Notes carry a first lien security interest in all of the assets of the Company with the Series A notes above. In 2014 and 2015, the Company extended for 18 months $175,000 of the outstanding debt and in 2016 extended $75,000 till May/June 2018.

During the year ended December 31, 2010, unaffiliated investors loaned the Company an aggregate of $260,000 ($15,000 related party) on three-year Series C Convertible Notes with an interest rate of 14%. The interest accrues and is payable at maturity. The conversion price was set at $0.15 per share. The notes carry a first lien security interest with the Series A and B notes above in all of the assets of the Company. In 2014 and 2015, the Company extended for 18 months $155,000 of the outstanding debt and in 2016 extended $90,000 till May 2018.

During the year ended December 31, 2011, the Company issued an aggregate of $25,000 of Series D Convertible Notes with an interest rate of 14% due three years from the date of issuance of which $21,000 remains as of September 30, 2017. The interest accrues and is payable at maturity. The conversion price is set at $0.12 per share. The investors have a second lien position behind the Series A, B and C notes. In 2014 and 2015, the Company extended for 18 months $15,000 of the outstanding debt and in 2016 extended $5,000 till July 2018.

During the year ended December 31, 2014, the Company issued an aggregate of $1,050,000 of 2014 Bridge Convertible Notes with an interest rate of 10% due two years from the date of issuance of which $1,050,000 remains as of September 30, 2017. The interest accrues and is payable at maturity. The conversion price is set at $0.05 per share. In 2016, the Company extended $775,000 of the outstanding debt till May-October 2018. As of September 30, 2017, $275,000 of the notes has matured and is in default at this time.

ITEM 4. MINING SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

None

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ITEM 6. EXHIBITS

31.1	Certification of Chief Executive Officer required by Rule 13(a)-14(a).
32.1	Certifications required by Rule 13(a)-14(b) and 18 U.S.C. Section 1350.
101.INS **	XBRL Instance Document
101.SCH **	XBRL Taxonomy Extension Schema Document
101.CAL **	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF **	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB **	XBRL Taxonomy Extension Label Linkbase Document
101.PRE **	XBRL Taxonomy Extension Presentation Linkbase Document

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

DEBT RESOLVE, INC.

Dated: November 13, 2017

By: */s/ Bruce E. Bellmare*
Bruce E. Bellmare
Chief Executive Officer/

Principal Accounting Officer

(Principal executive officer/

Principal accounting officer)