NUTRA PHARMA CORP
Form 10-Q
November 15, 2010
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, 2010

¨ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file numbers 000-32141

NUTRA PHARMA CORP.
(Name of registrant as specified in its charter)

California	91-2021600
(State or Other Jurisdiction of Organization)	(IRS Employer Identification Number)
2776 University Drive, Coral Springs, Florida	33065
(Address of principal executive offices)	(Zip Code)

(954) 509-0911
(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 Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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.

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

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

The number of shares outstanding of the registrant's common stock, par value $0.001 per share, as of November 9, 2010, 2010 was 277,177,632.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NUTRA PHARMA CORP.

Condensed Consolidated Balance Sheets

	September 30, 2010 (Unaudited)	December 31, 2009
ASSETS		
Current assets:		
Cash	$ 78,760	$ 802,875
Accounts receivable	155,795	239,583
Inventory	268,998	165,786
Prepaid expenses	124,382	23,290
Total current assets	627,935	1,231,534
Property and equipment, net	73,123	12,369
Other assets	69,363	8,803
TOTAL ASSETS	$ 770,421	$ 1,252,706
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 524,207	$ 104,223
Accrued expenses	907,212	960,548
Due to officers	1,323,450	1,252,385
Other loans payable	332,507	80,000
Total current liabilities	3,087,376	2,397,156
Stockholders' deficit:		
Common stock, $0.001 par value, 2,000,000,000 shares authorized; 276,175,232 and 270,425,232 shares issued and outstanding, respectively	276,176	270,426
Additional paid-in capital	26,807,217	25,157,967
Deferred compensation	(531,250)	-
Accumulated deficit	(28,869,098)	(26,572,843)
Total stockholders' deficit	(2,316,955)	(1,144,450)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 770,421	$ 1,252,706

See the accompanying notes to the condensed consolidated financial statements.

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NUTRA PHARMA CORP.

Condensed Consolidated Statements of Operations - Unaudited

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net sales	$ 359,936	$ 900	$ 1,382,056	$ 27,528
Cost of sales	104,083	-	569,559	3,260
Gross profit	255,853	900	812,497	24,268
Costs and expenses:				
Salaries and employee benefits	317,041	127,532	904,758	382,434
Selling, general and administrative - including stock based compensation of $318,750, $195,000, $823,750 and $410,000	575,074	515,859	2,016,235	1,047,762
Research and development	17,553	91,580	174,801	126,955
Interest expense	36,922	20,957	62,958	55,243
Total costs and expenses	946,590	755,928	3,158,752	1,612,394
Loss from operations	(690,737)	(755,028)	(2,346,255)	(1,588,126)
Other income				
Consulting income	50,000	-	50,000	-
Net loss	$ (640,737)	$ (755,028)	$ (2,296,255)	$ (1,588,126)
Per share information - basic and diluted:				
Loss per common share	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average common shares outstanding	276,175,232	224,710,545	274,055,747	217,217,631

See the accompanying notes to the condensed consolidated financial statements.

NUTRA PHARMA CORP.

Condensed Consolidated Statements of Cash Flows - Unaudited

	Nine Months Ended September 30,	
	2010	2009
Net cash used in operating activities	$ (1,216,012)	$ (1,115,011)
Cash flows from investing activities:		
Acquisition of property and equipment	$ (72,003)	$ -
Cash flows from financing activities:		
Common stock issued for cash	300,000	3,060,275
Proceeds from notes payable	230,000	40,000
Repayment of notes payable	-	(80,000)
Loans from stockholders	190,300	546,530
Repayment of stockholder loans	(156,400)	(506,250)
Net cash provided by financing activities	$ 563,900	$ 3,060,555
Net (decrease) increase in cash	(724,115)	1,945,544
Cash - beginning of period	802,875	50,910
Cash - end of period	$ 78,760	$ 1,996,454
Supplemental Cash Flow Information:		
Cash paid for interest	$ 3,286	$ -
Cash paid for income taxes	$ -	$ -
Stock issued for deferred compensation	$ 1,275,000	$ -
Common stock issued for services	$ 823,750	$ 410,000

See the accompanying notes to the condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements - Unaudited
September 30, 2010

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Nutra Pharma Corp. ("Nutra Pharma" or "the Company") is a holding company that owns intellectual property and operations in the biotechnology industry. Nutra Pharma incorporated under the laws of the state of California on February 1, 2000, under the original name of Exotic-Bird.com.

Through its wholly-owned subsidiaries, ReceptoPharm, Inc. (“ReceptoPharm”) and Designer Diagnostics, Inc. (“Designer Diagnostics”), the Company conducts drug discovery research and development activities. In October 2009, the Company launched its first consumer product called Cobroxin, an over-the-counter pain reliever designed to treat moderate to severe chronic pain.

Principles of Consolidation

The condensed consolidated financial statements presented herein include the accounts of Nutra Pharma and its wholly-owned subsidiaries, Designer Diagnostics and ReceptoPharm.

All intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The condensed consolidated financial statements and notes are presented in accordance with the rules and regulations of the Securities and Exchange Commission and do not contain certain information included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2009. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal, recurring nature. Interim results are not necessarily indicative of results for a full year. Therefore, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K.

Liquidity

The Company's condensed consolidated financial statements are presented on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

The Company has experienced a net loss of $2,296,255 for the nine months ended September 30, 2010, and has an accumulated deficit of $28,869,098 at September 30, 2010. In addition, the Company used $1,216,012 of cash for operations during the nine months ended September 30, 2010 and had working capital and stockholders’ deficits at September 30, 2010 of $2,459,441 and $2,316,955, respectively.

The Company currently does not have sufficient cash to sustain itself for the next quarter and will require additional financing in order to execute its operating plan and continue as a going concern. Management’s plan is to attempt to secure adequate funding to bridge the commercialization of its Cobroxin and Nyloxin products. Management cannot predict whether additional financing will be in the form of equity, debt, or another form and the Company may be unable to obtain the necessary additional capital on a timely basis, on acceptable terms, or at all. In the event that these financing sources do not materialize, or that the Company is unsuccessful in increasing its revenues and profits, it may be unable to implement its current plans for expansion, repay its obligations as they become due or continue as

a going concern, any of which circumstances would have a material adverse effect on its business prospects, financial condition and results of operations.

After September 30, 2010, the Company entered into an agreement with an investor to purchase up to $10,000,000 worth of Nutra Pharma common stock. On November 9, 2010, the Company received $200,000 related to this transaction in exchange for 1,666,667 shares of common stock and warrants to purchase $1,666,667 additional shares of common stock at an exercise price of $0.15 per share. The remaining financing under this transaction deal will be unavailable until a registration statement becomes effective for the shares issued under the agreement.

The items discussed above raise substantial doubt about the Company's ability to continue as a going concern.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

NUTRA PHARMA CORP.
Notes to Condensed Consolidated Financial Statements - Unaudited
September 30, 2010

Use of Estimates

The accompanying condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense. Significant estimates include management's belief that it will be able to raise and/or generate sufficient cash to continue as a going concern, the allowance for doubtful accounts, the recoverability of long-lived assets and the fair value of stock-based compensation. Actual results could differ from those estimates.

Revenue Recognition

In general, the Company records revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at estimated net realizable value. Accounts receivable are comprised of balances due from customers net of estimated allowances for uncollectible accounts. In determining collectability, historical trends are evaluated and specific customer issues are reviewed to arrive at appropriate allowances. There was no allowance at September 30, 2010.

Inventories

Inventories are valued at the lower of cost or market on an average cost basis and consist primarily of raw materials and finished goods.

Research and Development

Research and development is charged to operations as incurred.

Reclassifications

Certain amounts in the accompanying condensed consolidated financial statements have been reclassified to conform with the current period presentation.

Stock-Based Compensation

The Company records stock-based compensation in accordance with FASB ASC 718, Stock Compensation. FASB ASC 718 requires that the cost resulting from all share-based transactions be recorded in the financial statements over the respective service periods. It establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value-based measurement in accounting for share-based payment transactions with employees. It also establishes fair value as the measurement objective for transactions in which an entity acquires goods or services from non-employees in share-based payment transactions.

Net Loss Per Share

Net loss per share is calculated in accordance with FASB ASC 260, Earnings per Share. Basic earnings (loss) per share are calculated by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share are calculated by dividing net income (loss) by the weighted average number of common shares and dilutive common stock equivalents outstanding. During periods in which we incur losses, common stock equivalents, if any, are not considered, as their effect would be anti-dilutive or have no effect on earnings per share.

NUTRA PHARMA CORP.
Notes to Condensed Consolidated Financial Statements - Unaudited
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Recent Accounting Pronouncements

The following Accounting Standards Codification Updates have been issued, or became effective, since the beginning of the current period covered by these financial statements:

Pronouncement	Issued	Title
ASSASU No. 2010-01	January 2010	Equity (Topic 505): Accounting for Distributions to Shareholders with Components of Stock and Cash – a consensus of the FASB Emerging Issues Task Force
AS ASU No. 2010-02	January 2010	Consolidation (Topic 810): Accounting and Reporting for Decreases in Ownership of a Subsidiary – a Scope Clarification
A ASU No. 2012-03	January 2010	Extractive Activities – Oil and Gas (Topic 932): Oil and Gas Reserve Estimation and Disclosures
AS ASU No. 2010-04	January 2010	Accounting for Various Topics: Technical Corrections to SEC Paragraphs
ASU No. 2010-05	January 2010	Compensation - Stock Compensation (Topic718): Escrowed Share Arrangements and the Presumption of Compensation
ASU No. 2010-06	January 2010	Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements
AS ASU No. 2010-07	January 2010	Not-for-Profit Entities (Topic 958): Not-for-Profit Entities – Mergers and Acquisitions
AS ASU No. 2010-08	February 2010	Technical Corrections to Various Topics
AS ASU No. 2010-09	February 2010	Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements
AS ASU No. 2010-10	February 2010	Consolidation (Topic 810): Amendments for Certain Investment Funds
AS ASU No. 2010-11	March 2010	Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives

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AS	ASU No. 2010-12	April 2010	Income Taxes (Topic 740): Accounting for Certain Tax Effects of the 2010 Health Care Reform Acts (SEC Update)
AS	ASU No. 2010-13	April 2010	Compensation—Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades—a consensus of the FASB Emerging Issues Task Force
AS	ASU No. 2010-14	April 2010	Accounting for Extractive Activities—Oil & Gas—Amendments to Paragraph 932-10-S99-1 (SEC Update)
AS	ASU No. 2010-15	April 2010	Financial Services—Insurance (Topic 944): How Investments Held through Separate Accounts Affect an Insurer's Consolidation Analysis of Those Investments—a consensus of the FASB Emerging Issues Task Force
A	ASU No. 2010-16	April 2010	Entertainment—Casinos (Topic 924): Accruals for Casino Jackpot Liabilities—a consensus of the FASB Emerging Issues Task Force
AS	ASU No. 2010-17	April 2010	Revenue Recognition—Milestone Method (Topic 605): Milestone Method of Revenue Recognition—a consensus of the FASB Emerging Issues Task Force
AS	ASU No. 2010-18	April 2010	Receivables (Topic 310): Effect of a Loan Modification When the Loan is Part of a Pool That is Accounted for as a Single Asset—a consensus of the FASB Emerging Issues Task Force
AS	ASU No. 2010-19	May 2010	Foreign Currency (Topic 830): Foreign Currency Issues: Multiple Foreign Currency Exchange Rates
AS	ASU No. 2010-20	July 2010	Receivables (Topic 310): Disclosure about the Credit Quality of Financing Receivables and the Allowance for Credit Losses
AS	ASU No. 2010-21	August 2010	Accounting for Technical Amendments to Various SEC Rules and Schedules Amendments to SEC Paragraphs Pursuant to Release No. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies
AS	ASU No. 2010-22	August 2010	Accounting for Various Topics-Technical Corrections to SEC Paragraphs
AS	ASU No. 2010-23	August 2010	Health Care Entities (Topic 954): Measuring Charity Care for Disclosure
AS	ASU No. 2010-24	August 2010	Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries
AS	ASU No. 2010-25	September 2010	Plan Accounting-Defined Contribution Pension Plans (Topic 962): Reporting Loans to Participants by Defined Contribution Pension Plans

AS	ASU No. 2010-26	October 2010	Financial Services-Insurance (Topic 944): Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts

To the extent appropriate, the guidance in the above Accounting Standards Codification Updates is already reflected in our condensed consolidated financial statements and management does not anticipate that these accounting pronouncements will have any future effect on our consolidated financial statements.

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2. INVENTORIES

At September 30, 2010, inventory of $268,998 consisted of $252,829 of raw materials and $16,169 of finished goods. At December 31, 2009, inventory of $165,786 consisted entirely of raw materials.

3. DUE TO OFFICERS

Officers' Loans

During the year ended December 31, 2009, the Company borrowed $546,530 from its President, Rik Deitsch, and repaid him $709,663, bringing the total amount owed to Mr. Deitsch to $1,151,361 at December 31, 2009. Included in the amount owed to Mr. Deitsch is $211,119 of accrued interest.

During the nine month period ended September 30, 2010, the Company borrowed a total of $196,300 and repaid a total of $162,400 from Mr. Deitsch for a net borrowing of $33,900 during that nine month period. At September 30, 2010, we owe Mr. Deitsch the total amount of $1,218,627, which amount includes $244,485 of accrued interest. This loan is due on demand and bears interest at a rate of 4% per annum.

At September 30, 2010, the Company was indebted to Paul Reid, President of ReceptoPharm, in the amount of $104,823. This amount includes accrued interest of $24,996. This loan is due on demand and bears interest at a rate of 5% per annum. The loan is secured by certain intellectual property of ReceptoPharm. At December 31, 2009, the Company owed Mr. Reid $101,024, of which amount $21,197 was for accrued interest.

4. OTHER LOANS

Director's Loans
During the third quarter the Company borrowed $200,000 from one of its directors. This loan is expected to be repaid in six months to a year from the date of the loan along with interest calculated at 10% straight interest for the first month plus 12% annum calculated monthly after 30 days from funding.

5. RELATED PARTIES TRANSACTIONS

During the year ended December 31, 2008, ReceptoPharm, the Company's wholly-owned subsidiary, entered into a contract for the production of a drug (Crotoxin) with Celtic Biotech, Ltd a company based in Dublin, Ireland. An officer of ReceptoPharm is related to the Managing Director of Celtic Biotech, Ltd. The contract has a total budget of $134,336 and is expected to be completed in early 2011. The initial deposit of $40,301 has been deemed earned and has been recorded as revenue in the quarter ending September 30, 2010.

6. STOCKHOLDERS' DEFICIT

On February 26, 2010, the Company issued 2,500,000 shares to a consultant for services to be rendered from March 1, 2010 to February 28, 2011. Of this total, 2,000,000 shares were restricted and 500,000 shares were free-trading pursuant to the Company’s S-8 Registration Statement. The shares were valued at $0.51 per share which was the fair market value of the Company’s common stock on February 26, 2010. The expense is being recorded in selling, general and administrative over the service period of one year.

During April and May 2010, the Company sold an aggregate of 2,500,000 shares of restricted common stock to three investors at a price per share of $0.10 and received proceeds of $250,000. These shares were sold pursuant to warrant agreements between the Company and the investors. These shares were issued on May 7, 2010.

In May 2010, the Company issued 250,000 shares of restricted common stock to a consultant for services rendered. The shares were valued at $0.32 per share, which was the fair market value of the Company's common stock on the date of issuance.

In June 2010, the Company sold 500,000 shares of restricted common stock to an investor at a price per share of $0.10 and received proceeds of $50,000. These shares were sold pursuant to warrant agreements between the Company and the investor. These shares were issued on June 30, 2010.

7. STOCK OPTIONS AND WARRANTS

On September 30, 2010, the Company had a total of 45,315,000 stock options and warrants outstanding at a weighted average exercise price of $0.10. There were no awards of options or warrants during the nine months ended September 30, 2010 and all outstanding options are vested and exercisable.

NUTRA PHARMA CORP.
Notes to Condensed Consolidated Financial Statements - Unaudited
September 30, 2010

8. COMMITMENTS AND CONTINGENCIES

Patricia Meding, et. al. v. ReceptoPharm, Inc. f/k/a Receptogen, Inc.

On August 18, 2006, ReceptoPharm was named as a defendant in Patricia Meding, et. al. v. ReceptoPharm, Inc. f/k/a Receptogen, Inc., Index No.:18247/06 (New York Supreme Court, Queens County). The original proceeding claimed that ReceptoPharm owed the Plaintiffs, including Patricia Meding, a former ReceptoPharm officer and shareholder and several corporations that she claims to own, the sum of $118,928 plus interest and counsel fees on a series promissory notes that were allegedly executed in 2001 and 2002. On August 23, 2007, the Queens County New York Supreme Court issued a decision denying Plaintiffs' motion for summary judgment in lieu of a complaint, concluding that there were issues of fact concerning the enforceability of the promissory notes. On May 23, 2008, the Plaintiffs filed an amended complaint in which they reasserted their original claims and asserted new claims seeking damages of no less than $768,506 on their claims that in or about June 2004 ReceptoPharm wrongfully cancelled certain of their purported ReceptoPharm share certificates.

In late 2009, Plaintiffs filed a motion seeking to further amend their complaint alleging that ReceptoPharm violated Plaintiffs contractual and statutory rights by cancelling additional ReceptoPharm share certificates totaling 1,214,800 shares and failing to permit the Plaintiffs to exercise dissenting shareholder rights with respect to those share certificates. The court ultimately granted Plaintiffs permission to further amend their complaint in a decision and order dated July 14, 2010. ReceptoPharm has moved to dismiss and/or to strike portions of Plaintiffs' latest amended complaint, and the motion currently is pending.

The damages associated with the Plaintiffs' claims could rise as the result of increases in our share price as the ReceptoPharm shares may be convertible into shares of our common stock.

ReceptoPharm believes the suit is without merit and has filed an answer denying the material allegations of the amended complaint and asserted a series of counterclaims against the Plaintiffs alleging claims for declaratory judgment, fraud, and breach of fiduciary duty, conversion and unjust enrichment as a result of the promissory notes. Discovery in this matter is ongoing. We intend to vigorously contest this matter.

Concentrations

During the nine months ended September 30, 2010, 96% of the Company’s sales were to a single customer.

9. SUBSEQUENT EVENTS

Additional Officer Loans

Subsequent to September 30, 2010 and through November 15, 2010, the date of the filing of its third quarter report the Company received additional advances from its President, Rik Deitsch in the amount of $25,000 and repaid Mr. Deitsch $49,900 for a net repayment of $24,900. The amount owed to Mr. Deitsch at November 15, 2010 was $1,197,802, which includes $248,559 of accrued interest

On October 29, 2010 the Department of the Treasury notified the Company that it had approved a grant in the amount of $244,479 based on the Company's application submitted to the Internal Revenue Service on July 20, 2010 requesting certification for qualified investments in a qualifying therapeutic discovery project under section 48D of

the Internal Revenue Code.

On November 8, 2010 the Company signed a $10 million dollar purchase agreement with Lincoln Park Capital Fund, LLC, an Illinois limited liability company. Upon signing the agreement Nutra Pharma received on November 9, 2010 $200,000 in exchange for 1,666,667 shares of common stock and warrants to purchase 1,666,667 shares of common stock at an exercise price of $0.15 per share. A copy of the agreement and description of the terms is included in Form 8-K which the Company filed on November 12, 2010.

Nutra Pharma Corp. is referred to hereinafter as “we”, “us” or “our”

Forward Looking Statements

This Quarterly Report on Form 10-Q for the period ending September 30, 2010 contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results of to differ materially from those expressed or implied by such forward-looking statements. The words or phrases "would be," "will allow, "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions are intended to identify "forward-looking statements." We are subject to the following risks in connection with our business: (a) we have experienced recurring net losses and have a working capital deficiency, which raises substantial doubt about our ability to continue as a going concern; (b) our history of losses makes it difficult to evaluate our current and future business and our future financial results; (c) our operations are dependent upon generating sufficient revenues from product sales and clinical research services and/or obtaining equity or other financing; (d) we are subject to substantial U.S. Food and Drug Administration ("FDA") and other regulations, which may subject us to substantial cost increases; (e) a market for our products and technologies may never develop; (f) if we fail to adequately protect our patents, we may be unable to proceed with development of potential drug products; (g) we are dependent upon patents, licenses and other proprietary rights from third parties; should we lose such rights our operations will be negatively affected; (h) to date, we have not generated any significant revenues; (i) to date, none of our prescription drug candidates have received FDA drug orphan status approval; (j) should we continue to have insufficient funds to conduct our operations, development of our possible future products will be negatively impacted; (k) we may be unable to compete against our competitors in the homeopathic product, medical device and biopharmaceutical markets since our competitors have superior financial and technical resources than we do; (l) we completed our acquisition of ReceptoPharm as our wholly owned subsidiary in April 2008; our operations and financial condition will be negatively affected if we fail to efficiently manage their operations and their expansion plans pending adequate financing; (m) if our distributor, XenaCare Holdings, Inc. (“XenaCare”) fails to accomplish its stated domestic advertising campaign for Cobroxin, our revenues will be negatively affected; and (n) if we fail to generate adequate revenues from our first products, Cobroxin and Nyloxin, our financial condition will be negatively affected.

All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including: (a) any projections of revenue, gross margin, expenses, earnings or losses from operations, synergies or other financial items; and (b) any statements of the plans, strategies and objectives of management for future operations; and (c) any statement concerning developments, plans, or performance. Unless otherwise required by applicable law, we do not undertake and we specifically disclaim any obligation to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

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

Introduction

Our business during the first, second and third quarter of 2010 has focused upon marketing our fully developed three homeopathic drugs for the treatment of pain:

- Cobroxin, an over the counter pain reliever designed to treat moderate to severe (Stage 2) chronic pain; and
- Nyloxin (Stage 2 Pain) and Nyloxin Extra Strength (Stage 3 Pain).

We will continue this focus during the remainder of 2010.

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During our third quarter of 2010, the following has occurred:

Patent Approved

The US Patent and Trademark Office issued us a patent for a method of preventing infectious diseases, including colds, flu viruses, and bacterial and parasitic infections, using modified and detoxified cobra venom and neurotoxins. The patent (US 7,758,894), titled “Modified elapid venoms as stimulators of the immune reaction,” describes a method for treating and inhibiting infections by influenza viruses through the use of subcutaneous, intramuscular, or intravenous injections of therapeutically effective amounts of a detoxified and neurotropically active oxidized alpha cobratoxin or alpha-cobrotoxin protein. The patent continues by explaining clinical evidence supporting marked increases in the expression of genes associated with the production of gamma interferon through exposure to these detoxified proteins. Gamma interferon is considered a potent antiviral agent and regulator of the immune response.

Pepteron, an Antiviral Therapy

During July 2010, ReceptoPharm presented its novel antiviral therapy, Pepteron, at the International AIDS Conference in Vienna, Austria. Pepteron is based on our leading drug candidate, RPI-MN, which has been shown to inhibit the entry of several viruses that are known to cause severe neurologic damages in diseases such as encephalitis and HIV.

Product Advertising/Product Distribution

According to our US distributor, XenaCare, the Cobroxin advertising campaign began during July 2010 and is scheduled to run through December 2010. To date, XenaCare has reported to us that Cobroxin advertising has appeared on CNN, Fox News, Food, Travel, ESPN, USA, Lifetime, CNBC, Comedy Central, AMC, History, Discovery, Fox Sports, Headline News (HLN), and Home and Garden as well as Los Angeles, Tampa, Atlanta and Houston based radio stations. As of October 31, 2010, XenaCare reported to us that Cobroxin has been aired in 690 television commercials, a difference of 1825 commercials from the 2515 forecasted by Xenacare at year-end December 31, 2010. After the year ended December 31, 2010 we will determine whether XenaCare has met its projected air time for Cobroxin and we retain the right to adjust certain provisions of the agreement.

Product Distribution

In June 2010, we entered into a partnership with the healthcare products distributor, Henry Schein, Inc., for distribution of our Nyloxin-branded pain relievers in the United States. Henry Schein, which ranks #339 on the Fortune 500 list, is one of the largest distributor of healthcare products and services to medical, dental, and veterinary office-based practitioners in the world (www.henryschein.com). With more than 12,500 “Team Schein Members” worldwide, Henry Schein currently serves approximately 45% of the estimated 250,000 U.S. office-based physician practices, surgical centers and other alternate-care sites.

In June 2010, Grupo Farmaceutico de Tijuana (“GTF”) became our exclusive distributor in Mexico for our Nyloxin branded pain relievers. GTF specializes in the distribution of pharmaceutical products to national retailers and to over 3,000 pharmacies throughout Mexico.

In August 2010, we selected Amarey Nova Medical S. A. to serve as our exclusive distributor in Colombia for our Nyloxin-branded pain relievers.

In August 2010, we began our drug registration process in India for Nyloxin. We have been seeking a relationship with an India-based pharmaceutical company to support the launch, marketing and sales of Nyloxin throughout India.

In September 2010, we introduced “Nyloxin for Pets”, a treatment for moderate to severe chronic pain in companion animals.

In October 2010, we announced Nutritional Alliance as our global sales agent for our Nyloxin pain relievers intended for the human and animal health markets. Nutritional Alliance is considered one of the premier sales brokerage firms in the United States according to its own website at www.nutritionalalliance.com and they specialize in products distributed through food, drug and mass retailers as well as medical product distributors.

Drug Registration

In June 2010, we began the drug registration process in Panama and Mexico for our Nyloxin Pain Reliever. In August 2010, we began the drug registration process in India for our Nyloxin Pain Reliever. Additionally, we have ongoing drug registrations being completed in Europe, Canada, Colombia, and Brazil.

Retail Sales and Distribution

During the third quarter of 2010, we generated revenues of $311,701 from Cobroxin sales. Our collective revenues for the first three quarters of 2010 are $1,326,283. During the first three 2010 quarters, we continued to focus on expanding brand awareness for our over-the-counter pain relievers, Cobroxin, Nyloxin and Nyloxin Extra Strength by: (a) coordinating marketing and awareness for those pain relievers through attendance at various conferences; (b) seeking out additional international distribution partners for our Nyloxin branded pain relievers, (c) assisting XenaCare, our U.S. Cobroxin distributor, with the creation of marketing and advertising materials, including print advertisements, television commercials, packaging enhancements and television interviews; and (d) coordinating our ongoing drug registration process in Europe, Canada, Brazil and Colombia, Panama, Mexico, and India, including reviewing distributor candidates within those territories. We plan to continue our brand development and operations during the remainder of 2010 by continuing the above efforts, researching potential product line extensions for our branded pain relievers and organizing clinical studies that support our current drug products and advance our current research and development pipeline.

Cobroxin

We offer Cobroxin, our over-the-counter pain reliever clinically proven to treat moderate to severe (Stage 2) chronic pain that was developed by ReceptoPharm, our drug discovery arm and wholly owned subsidiary. Cobroxin is marketed online and at retailers through our United States distributor, XenaCare. In August 2009, we completed an agreement with XenaCare granting it the exclusive license to market and distribute Cobroxin within the United States. In mid-October 2009, XenaCare began selling Cobroxin online through its product website, Cobroxin.com.

In November 2009, XenaCare began selling Cobroxin to brick-and-mortar retailers, including distribution to CVS in March 2010 and Walgreens in May 2010. To support ongoing sales, XenaCare intends to conduct a marketing campaign, consisting of print, online and broadcast advertising.

Cobroxin is available at the following retailers:

- CVS
- Walgreens
- Winn Dixie
- Support Plus
- e Vitamins
- Duane “Reade”
- Overstock.com
- Kerr Drug

- Meijer
- Quick2You.com
- Johnson Smith & Co
- Benchmark Brands
- Hannaford
- Kinney Drug
- Value Drug
- Amerimark
- Vitamin World

- Drugstore.com
- Sweetbay
- CDMA
- Amazon.com
- Dr. Leonard's
- Publix
- Rite Aid
- Cardinal Health
- Imperial
- DermaDoctor

Cobroxin is currently available as a two ounce topical gel for treating joint pain and pain associated with arthritis and repetitive stress, and as a one ounce oral spray for treating lower back pain, migraines, neck aches, shoulder pain, cramps, and neuropathic pain. Both the topical gel and oral spray are packaged and sold as a one-month supply.

Cobroxin offers several benefits as a pain reliever. With increasing concern about consumers using opioid and acetaminophen-based pain relievers, Cobroxin provides an alternative that does not rely on opiates or non-steroidal anti-inflammatory drugs, otherwise known as NSAIDs, for its pain relieving effects. Cobroxin also has a well-defined safety profile. Since the early 1930s, the active pharmaceutical ingredient (API) of Cobroxin, Asian cobra venom, has been studied in more than 46 human clinical studies. The data from these studies provide clinical evidence that cobra venom provides an effective treatment for pain with few side effects and has the following benefits:

- safe and effective;
- all natural;
- long-acting;
- easy to use;
- non-narcotic;
- non-addictive; and
- analgesic and anti-inflammatory

Potential side effects from the use of Cobroxin include headache, nausea, vomiting, sore throat, allergic rhinitis and coughing.

Nyloxin/Nyloxin Extra Strength

Nyloxin and Nyloxin Extra Strength are similar to Cobroxin in that they both contain the same active ingredient as Cobroxin, Asian cobra venom. The primary difference between Nyloxin, Nyloxin Extra Strength and Cobroxin is the dilution level of the venom. The approximate dilution levels for Nyloxin, Nyloxin Extra Strength and Cobroxin are as follows:

Nyloxin

- Topical Gel: 30 mcg/mL
- Oral Spray: 70 mcg/mL

Nyloxin Extra Strength

- Topical Gel: 60 mcg/mL
- Oral Spray: 140 mcg/mL

Cobroxin

- Topical Gel: 20 mcg/mL
- Oral Spray: 35 mcg/mL

We intend to market Nyloxin and Nyloxin Extra Strength as treatments for moderate to severe chronic pain during our fourth quarter of 2010, pending successful completion of international drug applications. Nyloxin will be available as an oral spray for treating back pain, neck pain, headaches, joint pain, migraines, and neuralgia and as a topical gel for treating joint pain, neck pain, arthritis pain, and pain associated with repetitive stress. Nyloxin Extra Strength will be available as an oral spray and gel application for treating the same physical indications, but is aimed at treating the most severe (Stage 3) pain that inhibits one's ability to function fully.

We intend to begin selling Nyloxin Extra Strength in the form of topical gel and oral spray products outside of the United States upon completion of international drug registrations, which we estimate will be completed during the fourth quarter of 2010. Additionally, we plan to complete two human clinical studies aimed at comparing the ability of Nyloxin Extra Strength to replace prescription pain relievers. We originally believed that these studies would begin during the second quarter of 2010; however, these studies have been delayed because of lack of funding. We expect that these studies will begin by the second quarter of 2011.

In December 2009, we began marketing Nyloxin and Nyloxin Extra Strength at www.nyloxin.com. Both Nyloxin and Nyloxin Extra Strength will be packaged in a roll-on container, squeeze bottle and as an oral spray. Additionally, Nyloxin topical gel will be available in an 8oz pump bottle.

Critical Accounting Policies and Estimates

Our consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") applied on a consistent basis. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our consolidated financial statements. In general, management's estimates are based on historical experience, information from third party professionals, and various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management under different and/or future circumstances.

We believe that our critical accounting policies and estimates include our ability to continue as a going concern, revenue recognition, accounts receivable and allowance for doubtful accounts, inventory obsolescence, accounting for long-lived assets and accounting for stock based compensation.

Ability to Continue as a Going Concern: Our ability to continue as a going concern is contingent upon our ability to secure additional financing, increase ownership equity, and attain profitable operations. In addition, our ability to continue as a going concern must be considered in light of the problems, expenses and complications frequently encountered in established markets and the competitive environment in which we operate.

Revenue Recognition: In general, the Company records revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. There was no provision for sales returns at September 30, 2010 as all products sold as of that date have been accepted by our customer and contractually we are not obligated to accept returns.

Accounts Receivable and Allowance for Doubtful Accounts: Our accounts receivable are stated at estimated net realizable value. Accounts receivable are comprised of balances due from customers net of estimated allowances for uncollectible accounts. In determining collectability, historical trends are evaluated and specific customer issues are reviewed to arrive at appropriate allowances. There was no allowance for doubtful accounts at September 30, 2010.

Inventory Obsolescence: Inventories are valued at the lower of cost or market value using the average cost method. We periodically perform an evaluation of inventory for excess and obsolete items. At September 30, 2010, our inventory consisted of finished goods and raw materials that are utilized in the manufacturing of finished goods. These raw materials generally have expiration dates in excess of 10 years. We performed an evaluation of our inventory and determined that at September 30, 2010, there were no obsolete or excess items.

Long-Lived Assets: The carrying value of long-lived assets is reviewed annually and on a regular basis for the existence of facts and circumstances that may suggest impairment. If indicators of impairment are present, we determine whether the sum of the estimated undiscounted future cash flows attributable to the long-lived asset in question is less than its carrying amount. If less, we measure the amount of the impairment based on the amount that the carrying value of the impaired asset exceeds the discounted cash flows expected to result from the use and eventual disposal of the impaired assets. We do not believe there to be any impairments of long-lived assets as of September 30, 2010.

Stock Based Compensation: We record stock based compensation in accordance with FASB ASC 718, Stock Compensation. FASB ASC 718 requires that the cost resulting from all share-based transactions be recorded in the financial statements over the respective service periods. It establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value-based measurement in accounting for share-based payment transactions with employees. FASB ASC 718 also establishes fair value as the measurement objective for transactions in which an entity acquires goods or services from non-employees in share-based payment transactions.

Results of Operations – Comparison of Three Month Periods Ended September 30, 2010 and September 30, 2009

Net sales for the three months ended September 30, 2010 were $359,936 compared to $900 for the three months ended September 30, 2009. Of the total sales during the three months ended September 30, 2010, $311,701 was related to sales of our consumer product Cobroxin and $48,235 was related to clinical research services provided to third parties by our wholly owned subsidiary, ReceptoPharm.

Cost of sales for the three months ended September 30, 2010 was $104,083 compared to $0 for the three months ended September 30, 2009. Our cost of sales includes the direct costs associated with the manufacturing of Cobroxin. Our gross profit margin for the three months ended September 30, 2010 was $255,853 or 71%. A comparison of gross profit from 2010 to 2009 is not meaningful since we did not sell Cobroxin during the quarter ended September 30, 2009.

Salaries and employee benefits for the three months ended September 30, 2010 were $317,041 compared to $127,532 for the comparable period in 2009. The increase of $189,509 was attributable to the increase in the number of full-time employees from four in 2009 to eleven in 2010.

Selling, general and administrative expenses (“SG&A”) increased $59,215 or 11% from $515,859 for the quarter ended September 30, 2009 to $575,074 for the quarter ended September 30, 2010. Our SG&A expenses include office expenses such as rent and utilities, product liability insurance and outside legal and accounting services. Also included in SG&A expenses is stock based compensation expense which increased $123,750 or 63 % from $195,000 for the three month period ended September 30, 2009 to $318,750 for the three month period ended September 30, 2010. This accounted for all of the dollar increase in G&A expenses.

Research and development expenses decreased $74,027or 81% from $91,580 for the quarter ended September 30, 2009 to $17,553for the comparable period in 2010. Our research expenses are primarily related to ongoing research activities pertaining to ReceptoPharm’s leading drug compound, RPI-78 and costs associated with a clinical trial related to Cobroxin.

Interest expense increased $15,965 or 76%, from $20,957 for the quarter ended September 30, 2009 to $36,922 for the comparable period in 2010.

Our net loss decreased by $114,291 or 15%, from $755,028 for the quarter ended September 30, 2009 to $640,737 for the comparable period in 2010.

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Results of Operations – Comparison of Nine Month Periods Ending September 30, 2010 and September 30, 2009

Net sales for the nine months ended September 30, 2010 were $1,382,056 compared to $27,528 for the nine months ended September 30, 2009. Of the total sales during the nine months ended September 30, 2010, $1,326,283 was related to sales of our consumer product, Cobroxin, and $55,773 was related to clinical research services provided to third parties by our wholly owned subsidiary, ReceptoPharm.. During the nine months ended September 30, 2009, all of our sales were related to the provision of clinical research services since we did not commence selling Cobroxin until the fourth quarter of 2009.

Cost of sales for the nine months ended September 30, 2010 was $569,559 compared to $3,260 for the nine months ended September 30, 2009. Our cost of sales includes the direct costs associated with the manufacturing of Cobroxin. Our gross profit margin for the nine months ended September 30, 2010 was $812,497 or 59%.

Salaries and employee benefits for the nine months ended September 30, 2010 were $904,758 compared to $382,434 for the comparable period in 2009. The increase of $522,324 or 136% was attributable to the increase in the number of full-time employees from four in 2009 to eleven in 2010.

Selling, general and administrative expenses ("SG&A") increased $968,473 or 92% from $1,047,762 for the nine months ended September 30, 2009 to $2,016,235 for the nine months ended September 30, 2010. Our SG&A expenses include office expenses such as rent and utilities, product liability insurance and outside legal and accounting services. Also included in SG&A expenses is stock based compensation expense which increased $413,750 or 100% from $410,000 for the nine month period ended September 30, 2009 to $823,750 for the nine month period ended September 30, 2010. This accounted for approximately 43% of the overall dollar increase in SG&A expenses. The remaining increase in SG&A expenses is due primarily to the expansion of our operations, including increased marketing expenses related to our upcoming launch of our Nyloxin products both domestically and internationally.

Research and development expenses increased $47,846 or 38% from $126,955 for the nine months ended September 30, 2009 to $174,801 for the comparable period in 2010. Our research expenses are primarily related to ongoing research activities pertaining to ReceptoPharm's leading drug compound, RPI-78, and costs associated with a clinical trial related to Cobroxin.

Interest expense increased $7,715 or 14%, from $55,243 for the nine months ended September 30, 2009 to $62,958 for the comparable period in 2010. This increase is due to an increase in short term loans used for working capital.

Our net loss increased by $708,129 or 45%, from $1,588,126 for the nine months ended September 30, 2009 to $2,296,255 for the comparable period in 2010. This increase is due principally to an increase in non-stock compensation and salaries.

Liquidity and Capital Resources

Our independent registered public accounting firm noted in their report on our consolidated financial statements for the year ended December 31, 2009 that our significant losses from operations and working capital and stockholders' deficits raise substantial doubt about our ability to continue as a going concern. Further, as stated in Note 1 to our condensed consolidated financial statements for the period ended September 30, 2010, we have an accumulated deficit of $28,869,098 and working capital and stockholders' deficits of $2,459,441 and $2,316,955, respectively. In addition, we used $1,216,012 of cash for operations during the nine months ended September 30, 2010.

We currently have insufficient cash on hand to sustain us for the next quarter and we will require additional funds in order to execute our operating plan and continue as a going concern. We estimate that we will require approximately $1,600,000 to fund our existing operations and the operations of our subsidiaries, ReceptoPharm and Designer

Diagnostics, over the next twelve months. These costs include: (i) compensation for our full-time employees; (ii) compensation for two consultants who we deem critical to our business; (iii) general office expenses including rent and utilities; (iv) product liability insurance; and (v) outside legal and accounting services. These costs reflected in (i) – (v) do not include research and development costs or other costs associated with clinical studies.

Our ability to meet our future operating expenses is highly dependent on the amount of future revenues. To the extent that future revenues are insufficient to cover our operating expenses we will need to raise additional capital. Our management's plan is to attempt to secure adequate funding to bridge the further commercialization of our Cobroxin and Nyloxin products. We cannot predict whether this additional financing will be in the form of equity, debt, or another form and we may be unable to obtain the necessary additional capital on a timely basis, on acceptable terms, or at all. If we are successful at securing additional equity financing, it could result in substantial dilution to existing shareholders. We may also seek additional loans from our officers and directors; however, there can be no assurance that we will be successful in securing such additional loans.

After September 30, 2010, we entered into an agreement with an investor to purchase up to $10,000,000 worth of our common stock. We received $200,000 related to this transaction on November 9, 2010 in exchange for 1,666,667 shares of common stock and warrants to purchase $1,666,667 additional shares of common stock at an exercise price of $0.15 per share. The remaining financing under the transaction will not be available until a registration statement becomes effective for the shares issued under the agreement.

In the event that additional financing sources do not materialize, or that we are unsuccessful in increasing our revenues and profits, we may be unable to implement our current plans for expansion, repay our obligations as they become due or continue as a going concern, any of which circumstances would have a material adverse effect on our business, prospects, financial condition and results of operations.

Historically, we have relied upon loans from our Chief Executive Officer Rik Deitsch, to fund costs associated with our operations. These loans are unsecured, accrue interest at a rate of 4.0% per annum and are due on demand. During the year ended December 31, 2009, we borrowed $546,530 from Mr. Deitsch and repaid him $709,663 bringing the total amount owed to him to $1,151,361 at December 31, 2009. During the nine month period ended September 30, 2010, we borrowed $196,300 and repaid $162,400 for a net borrowing of $33,900 from Mr. Deitsch, bringing the total amount owed to Mr. Deitsch to $1,218,627 at September 30, 2010. This amount includes $244,485 of accrued interest. After September 30, 2010, we received additional advances in the amount of $25,000 and repaid Mr. Deitsch $49,900 for a net repayment of $24,900. The amount owed to Mr. Deitsch at November 15, 2010 was $1,197,802, which includes $248,559 of accrued interest.

During the year ended December 31, 2009, we raised a total of $3,060,275 through private placements of shares of our common stock. Of the total, $2,795,900 was raised through the sale of 34,948,750 shares at a price per share of $0.08 and $264,375 was raised through the sale of 10,575,000 shares at a price per share of $0.025. During the nine months ended September 30, 2010 we raised a total of $300,000 through the sale of 3,000,000 shares of our common stock at a price per share of $0.10. These shares were sold to accredited investors in connection with warrant agreements previously entered into between us and the investors.

Uncertainties and Trends

Our operations and possible revenues are dependent now and in the future upon the following factors:

- whether Cobroxin, Nyloxin, and Nyloxin Extra Strength will be accepted by retail establishments where they are sold;

- because Cobroxin is a novel approach to the over-the-counter pain market, whether it will be accepted by consumers over conventional over-the-counter pain products;

- whether our international drug applications will be approved and in how many countries;

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whether we will be successful in marketing Cobroxin, Nyloxin and Nyloxin Extra Strength in our target markets and create nationwide and international visibility for our products;

· whether our drug delivery system, i.e. oral spray and gel, will be accepted by consumers who may prefer a pain pill delivery system;

- whether competitors' pain products will be found to be more attractive to consumers;

- whether we successfully develop and commercialize products from our research and development activities;
- whether we compete effectively in the intensely competitive biotechnology area;
- whether we successfully execute our planned partnering and out-licensing products or technologies;
- whether the recent economic downturn and related credit and financial market crisis will adversely affect our ability to obtain financing, conduct our operations and realize opportunities to successfully bring our technologies to market;
- whether we are subject to litigation and related costs in connection with use of products;
- whether we will have to replace our domestic distributor/advertiser, XenaCare with another distributor and whether that will cause interruptions in our operations;
- whether we comply with FDA and other extensive legal/regulatory requirements affecting the healthcare industry.

Off-Balance Sheet Arrangements

We have not entered into any transaction, agreement or other contractual arrangement with an entity unconsolidated with us under whom we have:

- An obligation under a guarantee contract.
- A retained or contingent interest in assets transferred to the unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets.
- Any obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument.
- Any obligation, including a contingent obligation, arising out of a variable interest in an unconsolidated entity that is held by us and material to us where such entity provides financing, liquidity, market risk or credit risk support to, or engages in leasing, hedging or research and development services with us.

We do not have any off-balance sheet arrangements or commitments that have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (“Exchange Act”) we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. This evaluation was carried out under the supervision of our Chief Executive Officer who is also our Principal Financial and Accounting Officer. Following this inspection, this officer concluded that our disclosure controls and procedures were

effective as of September 30, 2010, the end of the period covered by this report.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer, who also acted as our Principal Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting

There was no change in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We are aware that any system of controls, however well designed and operated, can only provide reasonable, and not absolute, assurance that the objectives of the system are met, and that maintenance of disclosure controls and procedures is an ongoing process that may change over time.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On August 18, 2006, ReceptoPharm was named as a defendant in Patricia Meding, et. al. v. ReceptoPharm, Inc. f/k/a Receptogen, Inc., Index No.:18247/06 (New York Supreme Court, Queens County). The original proceeding claimed that ReceptoPharm owed the Plaintiffs, including Patricia Meding, a former ReceptoPharm officer and shareholder and several corporations that she claims to own, the sum of $118,928 plus interest and counsel fees on a series promissory notes that were allegedly executed in 2001 and 2002. On August 23, 2007, the Queens County New York Supreme Court issued a decision denying Plaintiffs' motion for summary judgment in lieu of a complaint, concluding that there were issues of fact concerning the enforceability of the promissory notes. On May 23, 2008, the Plaintiffs filed an amended complaint in which they reasserted their original claims and asserted new claims seeking damages of no less than $768,506 on their claims that in or about June 2004 ReceptoPharm wrongfully cancelled certain of their purported ReceptoPharm share certificates.

In late 2009, Plaintiffs filed a motion seeking to further amend their complaint alleging that ReceptoPharm violated Plaintiffs contractual and statutory rights by cancelling additional ReceptoPharm share certificates totaling 1,214,800 shares and failing to permit the Plaintiffs to exercise dissenting shareholder rights with respect to those share certificates. The court ultimately granted Plaintiffs permission to further amend their complaint in a decision and order dated July 14, 2010. ReceptoPharm has moved to dismiss and/or to strike portions of Plaintiffs' latest amended complaint, and the motion currently is pending.

The damages associated with the Plaintiffs' claims could rise as the result of increases in our share price as the ReceptoPharm shares may be convertible into shares of our common stock.

ReceptoPharm believes the suit is without merit and has filed an answer denying the material allegations of the amended complaint and asserted a series of counterclaims against the Plaintiffs alleging claims for declaratory judgment, fraud, and breach of fiduciary duty, conversion and unjust enrichment as a result of the promissory notes. Discovery in this matter is ongoing. We intend to vigorously contest this matter.

Item 1A. Risk Factors

As a Smaller Reporting Company, we are not required to provide the information required by this item; however, our disclosure under Forward Looking Statements of this report contains various risks that we are subject to.

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

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

Subsequent Event

As noted in footnote 9 to our financial statements contained herein, on November 8, 2010, we signed a $10 million dollar purchase agreement with Lincoln Park Capital Fund, LLC, an Illinois limited liability company. On the following day, we received $200,000 in exchange for 1,666,667 shares of common stock and warrants to purchase 1,666,667 shares of our common stock at an exercise price of $0.15 per share. A copy of the agreement and description of the terms are included in Form 8-K, which we filed on November 12, 2010.

Item 6. Exhibits

Exhibit No.	Title
31.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

NUTRA PHARMA CORP.
Registrant

Dated: November 15, 2010

/s/ Rik J. Deitsch
Rik J. Deitsch
Chief Executive Officer/Chief Financial Officer