NUTRA PHARMA CORP
Form 10KSB
April 15, 2008

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

FORM 10-KSB

(Mark One)

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

For the fiscal year ended December 31, 2007

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

For the transition period from _____ to _____

Commission file number 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)

791 Park of Commerce Boulevard, Suite 300
Boca Raton, Florida 33487
(Address of principal executive offices)

(954) 509-0911
(Issuer's telephone number)

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, $0.001 par value

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. o

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

The registrant's revenues for the fiscal year ended December 31, 2007 were $0.

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of March 31, 2008 is $2,833,294.

As of March 31, 2008, there were 166,635,682 shares of common stock issued and outstanding.

Transitional Small Business Disclosure Format (Check one): Yes o No x

---

INDEX

This Annual Report on Form 10-KSB, most significantly, our "Plan of Operations" section, contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause the results of Nutra Pharma Corp. (hereafter referred to as "we", "our" or "us") 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 a working capital deficiency and our ability to continue as a going concern is dependent upon our ability to secure additional financing, 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 continued operations are dependent upon obtaining equity or other financing; should we be unable to obtain such financing, we will be unable to continue our operations; (d) we are subject to substantial Federal Food and Drug Administration ("FDA") and other regulations and related costs which may adversely affect our operations; (e) a market for our potential products 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 proposed products have received FDA approval; and (j) we may be unable to compete against our competitors in the medical device and biopharmaceutical markets since our competitors have superior financial and technical resources than we do.

All statements other than statements of historical fact, are statements that could be deemed forward-looking statements, including any projections of revenue, gross margin, expenses, earnings or losses from operations, synergies or other financial items; any statements of the plans, strategies and objectives of management for future operations; and 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.

PART I

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

Item 1. Business

General

Business Development

We were incorporated in the state of California on February 1, 2000. We have been conducting our operations as a development stage company under the name, Nutra Pharma Corp. since October 31, 2001. We have never been the subject of a bankruptcy, receivership, material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business, or similar such proceeding or event, apart from our merger with ReceptoPharm, Inc. discussed on pages 2 and 27 of this Form 10-KSB, which occurred after our December 31, 2007 year end, at which time ReceptoPharm, Inc. became our wholly owned subsidiary.

Our Business Model

We are a biopharmaceutical company that plans to engage in the acquisition, licensing and commercialization of pharmaceutical products and technologies for the management of neurological disorders, cancer, autoimmune and infectious diseases. ReceptoPharm, a biopharmaceutical company, which as of April 10, 2008, we own a 100% interest and is now our wholly owned subsidiary, has conducted research and development of two drugs, RPI-MN and

RPI-78M for the potential treatment of the following diseases:

- Multiple Sclerosis (MS);
- HIV/AIDS;
- Chronic pain;
- Myasthenia Gravis (Autoimmune Disease); and
- Adrenomyeloneuropathy (AMN).

From June 2001 to April 2005, ReceptoPharm was a Biopharmaceutical research and development company. Since April 2005, when ReceptoPharm began its AMN Trial in London, England, ReceptoPharm has been a clinical stage biopharmaceutical company. ReceptoPharm has developed two drugs: (a) RPI-78M, to treat the neurological diseases, Multiple Sclerosis (MS), Adrenomyeloneuropathy (AMN), Amyotrophic Lateral Sclerosis (ALS or *Lou Gehrig 's disease*) and Myasthenia Gravis, and (b) RPI-MN, to treat the viral diseases, HIV/AIDS and Hepatitis-C.

To date, none of these treatments have received FDA approval or approvals by any foreign country for the treatment of disease.

To date, we have not generated any significant revenues and we have generated no revenues during our 2007 Fiscal Year.

Additionally, we sell diagnostic test kits through our wholly owned subsidiary, Designer Diagnostics, Inc.

As detailed below, we have pursued our business model through ReceptoPharm, Inc. and Designer Diagnostics, Inc.

Description of Business

Equity Interest in ReceptoPharm - Drug Discovery Platform

In February 2004, we agreed to invest $2,000,000 in cash to acquire up to a 49.5% equity interest in ReceptoPharm Inc., a privately held development stage biopharmaceutical company located in Fort Lauderdale, Florida, which is developing technologies to treat the neorological diseases: multiple sclerosis; adrenomyeloneuropathy; amyotrophic lateral sclerosis; myasthenia gravis; and to treat the viral diseases, HIV and hepatitis-C. On February 10, 2006, we completed our $2,000,000 investment and at that date, we owned approximately 38% of the issued and outstanding common stock of ReceptoPharm. We received less than a 49.5% interest in ReceptoPharm because our interest was diluted as a result of ReceptoPharm issuing additional shares of its common stock to various consultants and employees in exchange for services rendered. After our 2007 year-end, on April 10, 2008, we entered into a Share Exchange Agreement with ReceptoPharm whereby we acquired the remaining approximately 62% interest in ReceptoPharm. ReceptoPharm is now our wholly-owned subsidiary.

Wholly Owned Subsidiary Designer Diagnostics, Inc. - Diagnostic Test Kits

Designer Diagnostics, a Nevada corporation we formed in January 2006, is our wholly owned subsidiary that is engaged in marketing diagnostic test kits that are used for the rapid identification of infectious human diseases such as Tuberculosis (TB) and Mycobacterium avium-intracellulare (MAI). Through Designer Diagnostics, we have developed the diagnostic test kits and to date we have sold approximately 10,000 units.

Business Strategy

We seek to develop proprietary pharmaceutical products for human illnesses that qualify for “fast-track” or “Orphan Drug” status under FDA regulations. For some conditions the FDA has created the “two animal rule” which permits us to collect data from ongoing animal research for human treatment applications. We plan to pursue the treatment of Rabies using this approach.

We believe the results from our research will assist in getting our applications processed through the FDA’s “Fast-track” approval process and enable us to plan the commercialization of each product independently and/or through joint ventures, partnerships and licensing arrangements. **“**Fast-Track” denotes life-threatening illnesses while “Orphan” status refers to serious ailments affecting less than 200,000 individuals nationwide. Adrenomyeloneuropathy (AMN) qualifies under both labels because it has no known cure. Statistically, 2500 new cases are reported each year. We

have preliminary results, which suggest that our product, RPI-78M is effective in alleviating this disease.

We believe that our proposed unique applications can be used alone or licensed for use in combination with other therapeutic products and may be of interest to other established pharmaceutical companies as a means of extending the patent life of their proprietary products.

Long-term goal - Our long-term goal is to the use of drugs developed by us and our affiliates in the field of neurological diseases, infectious diseases and autoimmune disorders. Due to our limited financial and operational resources, this goal will require us to establish strategic partners or alliances with pharmaceutical companies, academic institutions, biotechnology companies, and clinical diagnostic laboratories, which will: (a) complement our research and development efforts; (b) reduce the risks associated with undertaking the entire process of drug development and marketing; and (c) generate licensing based revenue streams.

We plan to identify and acquire intellectual property and companies in the biotechnology arena.

Midterm goal - Our midterm strategy is to license our AMN, MS and HIV technologies in our attempt to bring these technologies to market within the next five years.

Other Components of our Business Strategy - Compassionate Release Programs

Certain countries, such as Canada and the United Kingdom permit their citizens to have access to investigational medications without being approved for any application by their respective “FDA type” agencies, and permit physicians to prescribe drugs they believe are of possible benefits to the patients. Through these “Compassionate Release Programs” we have supplied RPI-78M, our drug under investigation for MS and AMN, to physicians in the United Kingdom. The United States FDA does not offer this program.

Clinical Trial Applications

We have developed Common Technical Documents (CTD) for both RPI-78M and RPI-MN that are used to support any clinical trial application. The CTD is a complete history of the individual drug, including all of the in-vitro and in-vivo work accomplished to date, as well as pre-clinical development work on the drug. Having these completed documents allows for expedited due diligence from regulatory bodies reviewing our applications for trials and approvals. With these documents, we have successfully applied for approval to conduct a clinical investigation in the United Kingdom under the regulation of the Medicines Health and Regulatory Agency (MHRA), which is the British equivalent of the US-FDA.

Potential Revenue Segments

Our potential revenue segments are composed of our attempt to generate revenues from license agreements, joint ventures, drug, and test kit sales with pharmaceutical companies, biotechnology companies and clinical diagnostic laboratories that generate license fees, as follows:

- License revenues developed through licensing agreements;
- Joint venture revenues developed through joint venture in foreign countries that will permit local clinical trials and regulatory approval outside the United States;
- Drug sales should we be successful in obtaining FDA approval; and
- Test kit sales sold through our wholly owned subsidiary, Designer Diagnostics, Inc.

To date, we have not earned any significant revenues regarding any of the above potential revenue segments.

3

Marketing

We currently do not have a marketing program for our drug products; however, if and when we have FDA approved drug treatments, we plan to develop a marketing strategy and market our products through pharmaceutical companies, other biotechnology companies, and diagnostic laboratories. Additionally, if and when a foreign joint venture receives local regulatory approval for our drug(s), we will participate in the marketing of those drugs in that country. Our Chief Executive Officer, Rik Deitsch, will market the treatments to licensing and development officers of those companies and will otherwise direct our marketing program. Additionally, we will attempt to secure consulting agreements with marketing consultants who will actively market our products to such companies and/or provide our Chief Executive Officer with marketing guidance. Our diagnostic test kits are currently being marketed through our wholly owned subsidiary, Designer Diagnostics, Inc., under Neil Roth's direction, who is Designer Diagnostics' President.

Employees

We have 3 full time employees consisting of: (a) Rik Deitsch, our President; (b) Neil Roth, President of Designer Diagnostics, Inc.; and (c) Nina Goldstein, our Executive Administrative Assistant.

Additionally, on an as needed basis, we utilize the services of consultants for financial analysis, human resources, and due diligence in licensing or acquisitions.

Our Current Technologies

ReceptoPharm, Inc.

ReceptoPharm, a clinical stage Biotech Company, has a process that safely modifies proteins derived from cobra venom for four drug products, two of which are proprietary, RPI-78M and RPI-MN. ReceptoPharm also has shared rights of a drug delivery method that uses an aerosol formulation, which is administered under the tongue. By using this shared aerosol delivery technology, oral delivery is attainable, an important step for a biologic product. The system is 50% efficient and affects drug delivery in approximately 40% of patients in which it was tested. Topical preparations are being examined for future applications in treatment of such conditions as pain and Rheumatoid arthritis.

We believe that ReceptoPharm's products have a wide range of applications in a number of chronic, inherited and/or life-threatening viral, autoimmune and neuromuscular degenerative diseases even though none of these products have FDA or other approval for the treatment of such diseases. What these disorders have in common is the targeting of nerve cells, especially one specific type of cell receptor that is sensitive to the neurotransmitter *acetylcholine* that plays an important role in the transmission of nerve impulses at synapses and myoneural (muscle-nerve) junctions.

ReceptoPharm believes its product focus will potentially expand the neuropharmaceutical segment of the peptide or protein (Biologics) market. ReceptoPharm has four novel anticholinergic therapeutic protein products in various stages of development for the treatment of Human Immunodeficiency Virus (HIV), Multiple sclerosis (MS) Adrenomyeloneuropathy (AMN), Drug Addiction and Pain. All these diseases demonstrate a clear involvement with the nicotinic acetylcholine receptor (NAchR).

ReceptoPharm is focusing its drug development efforts on initiating a Phase II human clinical trial for its HIV drug, RPI-MN. Phase II is meant to show preliminary efficacy in a human population and is usually a smaller trial in one or two locations. Phase III is the last step before potential regulatory approval and usually consists of a large, multi-center, multi-national trial and would provide data for proper dosage, potential side effects and potential contraindications. With HIV, the Phase II trial would most likely involve fewer than 50 patients and last fewer than 10 weeks. The trial would only need to show a reduction in viral load. We have set forth below a summary of

ReceptoPharm’s proposed drugs and their potential applications.

Drug Description

Drug	Potential Applications
RPI-78M	Multiple sclerosis (MS), Adrenomyeloneuropathy (AMN), Myasthenia gravis (MG) and Amyotrophic lateral sclerosis (ALS).
RPI-MN	HIV, Rabies, general anti-viral product
RPI-78	Pain
RPI-70	Pain

Disease Targets

Through ReceptoPharm's research program, our goal is to obtain required regulatory approvals of ReceptoPharm's HIV and MS products so that they can be marketed. We plan to apply for Orphan drug status with the FDA to expedite approvals; however there is no assurance we will obtain such status. ReceptoPharm secures confidentiality agreements prior to initiating contract research in order to protect any patentable opportunities.

HIV Infection.

HIV infection therapy currently uses antiviral drug therapies that are associated with the virus's attachment, fusion with and entry into the host cell. Attempts to develop a vaccine that prevents HIV infection have not been successful due to the mutational idiosyncrasies of the virus. At the present time there are 16 currently licensed antiretroviral drugs employed to combat HIV-1 infection and one drug licensed by the FDA that is a binding/entry inhibitory drug.

Decision Resources, Inc., a research and advisory firms focusing on pharmaceutical and health care issues, forecasts that the HIV drug market will grow to more than $8 billion by 2013. According to the latest Epidemic Update, an estimated 39.5 million people were living with HIV in 2006. There were 4.3 million new infections in 2006 with 2.8 million (65%) of these occurring in sub-Saharan Africa and important increases in Eastern Europe and Central Asia, where there are some indications that infection rates have risen by more than 50% since 2004. In 2006, 2.9 million people died of AIDS-related illnesses. Growth in the HIV therapy market will continue to be driven by the rapidly growing HIV and AIDS population. In the absence of therapeutic intervention, the vast majority of individuals infected with HIV will ultimately develop AIDS, on average in about 10 years, which has a mortality rate approaching 100%. Experts say that the drugs currently available only extend life on average 1.8 years. The foregoing information was obtained from the World Health Organization website at www.who.int.

To cause infection, HIV needs to gain entry into cells through the attachment to receptors on the cell membrane. These receptors are called chemokine receptors. There are two principal types, CCR5 and CXCR4. Different HIV strains use one of these types. A single drug that would block all of the chemokine receptors ("tropism-independent") could be more useful, for several reasons, than a mixture of molecules that would have to be used to do the same.

New drugs and adjunct therapies with novel mechanisms of action or unique resistance profiles are needed in the fight against HIV. Constant innovation, in terms of efficacy, side effect profile and dosing are occurring. Current research and development for HIV is focused on adjunctive therapy, which when combined with existing HAART (Highly Active Anti-Retroviral Therapy) regimens reduce side effects, enhance the efficacy of existing treatments and delay the progression of the HIV virus.

Both of ReceptoPharm's drugs inhibited HIV replication in MAGI cells by 50-60% and peripheral mononucular cells by 90% in testing conducted by Dr. Juan Lama of the La Jolla Institute for Molecular Medicine in San Diego, California. Separate Phase I studies by Cure Aids Now of Miami, Florida were also conducted by Dr. Jamal with orally and parentally administered RPI-78M in HIV patients confirmed safety, tolerability and provided preliminary evidence of efficacy.

5

RPI-MN recently demonstrated the ability to inhibit the replication of highly drug-resistant strains of HIV isolates (resistant to protease (PR) or reverse transcriptase (RT) inhibitors). Drug resistance has become a critical factor in long-term management of HIV infection with some viral strains developing resistance in as little as 3 weeks. Current treatment for HIV infection is a complicated regimen of anti-viral drugs, often consisting of what is referred to as the HAART cocktail, which is a Highly Active Anti-Retroviral Therapy. This regimen often requires taking different drugs at precise intervals throughout the day and involves an expensive and complex drug regime. We believe that RPI-MN may obviate the need for such complex regimes and act as a monotherapy by. We believe that our drug could be taken as a stand-alone or as a monotherapy for the treatment of HIV infection.

The raw material for RPI-MN, cobra venom, is widely available even in the geographic areas having a high occurrence of HIV.

Multiple Sclerosis

Multiple Sclerosis is thought to be an autoimmune disease that primarily causes central nervous system problems. In MS, the insulating fatty material surrounding the nerve fibers, also known as myelin, which functions to speed signaling from one end of the nerve cell to the other, is attacked by cells of the immune system causing problems in signal transduction. Multiple sclerosis is the most common of demyelinating disorders, having a prevalence of approximately 1 per 1000 persons in most of the United States and Europe. A conservative estimate suggests 400,000 people in the US are affected and another 2 million globally. It is a disease that mainly affects Caucasians. People with MS may experience diverse signs and symptoms. MS symptoms may include pain, fatigue, cognitive impairment, tremors, loss of coordination and muscle control, loss of touch sensation, slurred speech and vision impairment. The course of the disease is unpredictable and for most MS patients, the disease initially manifests a "relapsing-remitting" pattern. Periods of apparent stability are punctuated by acute exacerbations that are sudden unpredictable episodes that might involve impaired vision, diminished ability to control a limb, loss of bladder control, or a great variety of other possible neurologic deficits. In relapsing-remitting MS, some or all of the lost function returns, however, the patient sustains an unceasing, often insidious, accumulation of neuronal damage. As the burden of neural damage grows, new lesions are more likely to produce irreversible impairment of function. Typically, about eight to fifteen years after onset, MS patients enter the secondary-progressive phase. Eventually, progressive MS sufferers become wheelchair-bound, and may become blind and even incapable of speech. There is currently no FDA approved drug that reverses the course of the progressive form of MS.

RPI-78M has shown very promising efficacy in animal models (EAE) for MS and ReceptoPharm is planning new animal studies to gain more insight into the levels of protection that the drugs afford. In one study all members of an untreated animal control group developed signs of disease with different levels of paralysis/muscle weakness. A similar group treated with RPI-78M showed no disease in 90% of the animals in both acute and chronic applications of the test. Moreover, there were no toxicities reported though the animals received doses the equivalent of 280 times a human dose.

Furthermore, we believe that the ability to modulate the host immunostimulatory environment could form the basis of an effective strategy for the long-term control of autoimmunity in diseases like MS and Myasthenia gravis (MG) and is being studied as a therapeutic model for other neuromuscular diseases. Also, we believe our data suggest that it is possible that our novel therapeutic proteins could have a general application in autoimmune diseases based on human studies in Rheumatoid Arthritis and anecdotal reports from patients with Multiple sclerosis.

In August of 1984, Biogenix applied for and received an Intrastate Investigational Drug (FSDHRS Protocol RA-1 (002)) from the Department of Health and Rehabilitation (HRS) in Florida that permitted the 4-week study of RPI-MN in 13 patients with Rheumatoid arthritis ranging in age from 49 to 81. Patients were enrolled for a period of 4 weeks; the results showed 30% to 49% improvement in range of joint motion, early morning stiffness and stamina (this data is a small section of the acquired research referenced above). We believe that the data obtained from the examination

of clinical efficacy in these three diseases can augment information from prior clinical studies and lead to the future investigation of treatments for other chronic conditions.

AMN and Orphan Indications

Adrenoleukodystrophy, or ALD, is a genetically determined neurological disorder that affects 1 in every 17,900 boys worldwide. The presentation of symptoms occurs between the ages of 4 and 10, and affects the brain with demyelination. Demyelination is the stripping away of the fatty coating that keeps nerve pulses confined and maintains the integrity of nerve signals. This process inhibits the nerves' ability to conduct properly, thereby causing neurological deficits, including visual disturbances, auditory discrimination, impaired coordination, dementia and seizures. Demyelination is an inflammatory response and nerve cells throughout the brain are destroyed.

Boys develop normally until the onset of symptoms occurs. Symptoms typically rival those of attention deficit disorder before serious neurological involvement becomes apparent. The symptoms progress rapidly and lead to a vegetative state within two years, and death anytime thereafter.

AMN is the most common form of X-ALD, affecting about 40-45% of X-ALD patients and usually presents in adolescence or adult life and may be preceded by hypoadrenalism. It is characterized by spastic paraplegia and a peripheral neuropathy, often being diagnosed as MS. Nerve conduction studies in AMN show a predominant axonal neuropathy and show a loss of all axons. The restriction of dietary VLCFAs does not cause clinical improvement. Lorenzo's oil, a mixture of glyceryltrioleate and glyceryltrierucate, has been used for over a decade in an open, unblinded fashion with mixed results.

Rabies virus in acquired from the bite of an infected animal. Following a long incubation period the virus penetrates the central nervous system and destroys vital nerve cells. Once in the nervous system the disease is fatal and there is no current treatment. Vaccination shortly after the bite of a suspected rabid animal is very effective. Rabies is rare in the United States. However, as many as 18,000 Americans get rabies shots each year because they have been in contact with animals that may be rabid (rabies-infected).

Value Added Research

RPI-78 & RPI-70 Products for Pain

Products to control pain represent a huge market especially those products that reduce dependency on opiate-based drugs. Protein or peptide-based drugs are penetrating this market with neurotoxins taking the lead. Botox (Allergan) and Ziconitide (Elan) have the potential to substitute over the long-term for morphine and other opiates in chronic pain indications. Opiates, though potent painkillers, suffer from drawbacks. They are addictive, short acting, and drug-resistance inducing. We plan to assess the effects of several peptides in animal models of pain in association with Soochow University in China. Several peptides have demonstrated positive effects and the research and development continues.

Recently completed studies at Soochow University proved the potential of RPI-78 and RPI-70. When compared to Dolantin, an opiate-based drug subordinate to morphine, the effects were very encouraging. While Dolantin provided immediate pain relief it began wearing off just as RPI-70 began to take effect. The effects of RPI-70 do not seem dramatic in contrast to Dolantin until one considers the quantity of drug employed in this animal model. The concentration of RPI-70 was approximately 100 times less than the opiate product. Also, RPI-70 showed real potential for combining with other pain killing medications. RPI-78 was calculated to be 150,000 times more potent that aspirin. This product can be injected systemically providing evidence of a more practical application than Ziconitide, which must be administered intrathecally (into the spinal chord). Opiate drugs induce tolerance and dependence, a problem that is not encountered with RPI-70 and RPI-78.

Bio-Therapeutics, Inc.

We have a non-exclusive license to certain intellectual property of Bio Therapeutics, Inc, which consists of the following two distinct technology platforms:

- Alteration of Proteins and Peptides - These include patented methods for altering the 3-Dimensional structure of certain proteins and peptides. The natural peptides bind to receptors in the body with toxic effects. This technology allows us to alter the structure of these peptides, preserving their receptor-binding characteristics, while making them non-toxic and therapeutic. Different receptors have various functions in many disease states. By the peptides binding to these receptors in a controlled fashion certain symptoms of diseases may be treated. In connection with MS, binding to the acetylcholine receptor on the nerves allows for more efficient nerve conduction. With HIV, binding to chemokine receptors may prevent the virus from entering and infecting new cells;

- Innovative aerosolized drug delivery system - Many therapeutic agents cannot be effectively delivered by aerosol formulation due to their large size and/or irregular shapes. Since these therapeutic agents cannot be ingested orally without being degraded by the digestive system, patients have no alternative but to inject these drugs directly. We have a non-exclusive license to a proprietary aerosol formulation, for which a patent is now pending, which greatly enhances the permeability of the mucous membranes found on the roof of the mouth and the back of the throat. This allows for the easy and efficient systemic delivery into the bloodstream of a much wider variety of proteins and peptides. This non-exclusive license for "Buccal Delivery System" (patent-pending) includes claims that identify the active mucosal enhancer, its combination with therapeutic agents and the mode of delivery through aerosol. This may allow for the effective and pain-free delivery of peptide and protein therapeutics for the treatment of HIV and MS.

We have been involved in litigation with Bio Therapeutics, which is described herein under Item 3, Legal Proceedings.

Designer Diagnostics, Inc.

NonTuberculosis Mycobacterium (NTM)

NonTuberculosis Mycobacterium (NTM), also known as atypical Tuberculosis (Atypical TB) or Mycobacterium other than Tuberculosis (MOTT) are bacteria that can be found in water, some domestic and wild animals, and soil. NTM is a primary cause of respiratory disease in humans and is a leading cause of death in HIV/AIDS patients. In countries (such as the U.S. and Canada) that have dramatically reduced TB as a major disease, NTM bacteria have become a larger issue. National Jewish Medical Research Center in Denver has reported a major increase in the U.S., with over 800 patients infected in Denver in 2005 and 1500 regional centers around the country are using the National Jewish Research Center for NTM testing.

A study done in India on HIV/AIDS patients has shown that over 9% of HIV/AIDS patients that have TB also have some form of NTM that requires different antibiotic procedures.

The NTM bacteria usually enter the body through inhalation or by drinking water that has been contaminated by the NTM bacteria. Additionally, the NTM bacteria can enter the body through open wounds. These bacteria cannot be spread directly between people. There are over 20 different types of NTM, which include:

- Para-Tuberculosis
- Nocardia
- Pseudomonas
- MAC (M.avium Complex)

Tuberculosis (TB)

Tuberculosis (TB) is a contagious disease. Like the common cold, it spreads through the air. Only people who are sick with TB in their lungs are infectious. When infectious people cough, sneeze, talk or spit, they propel TB germs, known as bacilli, into the air. A person needs only to inhale a small number of these to be infected. Left untreated, each person with active TB disease will infect on average between 10 and 15 people every year. It is estimated that 1.7 million deaths resulted from TB in 2004. Strains of TB resistant to all major anti-TB drugs have recently emerged. A particularly dangerous form of drug-resistant TB is multidrug-resistant TB (MDR-TB), which is defined as the disease caused by TB bacilli resistant to at least isoniazid and rifampicin, the two most powerful anti-TB drugs. Rates of MDR-TB are high in some countries, especially in the former Soviet Union, and threaten TB control efforts. More recently, XDR-TB (Extensively drug-resistant tuberculosis) has been discovered. XDR-TB is a mutated form of MDR-TB that seems to be highly resistant to all of the known treatments for the disease.

Designer Diagnostics' kits are being developed to detect the NTM and TB bacteria. If this product development is successful, it may lead to the treatment of patients before dangerous (often fatal) symptoms appear.

On January 24, 2006, we entered into an Agreement with NanoLogix whereby we exchanged our holding of NanoLogix common stock for the intellectual property pertaining to the manufacture of test kits for the rapid isolation, detection and antibiotic sensitivity testing of certain microbacteria. We then placed that intellectual property into our wholly owned subsidiary, Designer Diagnostics. Designer Diagnostics owns 11 issued patents and has licensing rights to 18 issued patents related to the rapid isolation, growth, identification and antibiotic sensitivity of disease causing pathogens such as Tuberculosis ("TB") and Mycobacterium avium-intracellulare ("MAI"). The patented technologies are related to a technique known as "paraffin baiting". The researchers discovered that certain grades of paraffin wax, when used in conjunction with a microscope slide, and combined with a nutrient broth, provides for the rapid isolation, growth and identification of various disease causing pathogens. Designer Diagnostics markets a diagnostic test kit based on this technology. Designer Diagnostics plans to market its products to hospitals, clinical laboratories, medical research institutions, medical schools, physician's offices, and even pharmaceutical companies, as the antibiotic sensitivity testing methodology may be useful in creating new drugs to treat paraffinophilic microorganisms.

Compliance with Government Regulations and Need for Government Approval

The production and marketing of potential drug products as well as research and development activities generally are subject to regulation by numerous governmental authorities in the United States and other countries. In the United States, vaccines, drugs and certain diagnostic products are subject to Food an d Drug Administration ("FDA") review of safety and efficacy. The Federal Food, Drug and Cosmetic Act, the Public Health Service Act and other federal statutes and regulations govern or influence the testing, manufacture, safety, labeling, storage, record keeping, approval, advertising and promotion of such products. Noncompliance with applicable requirements can result in criminal prosecution and fines, recall or seizure of products, total or partial suspension of production, or refusal of the government to approve Biological License Applications ("BLAs"), Product License Applications ("PLAs"), New Drug Applications ("NDAs") or refusal to allow a company to enter into supply contracts. The FDA also has the authority to revoke product licenses and establishment licenses previously granted.

In order to obtain FDA approval to market a new biological or pharmaceutical product, proof of product safety, purity, potency and efficacy, and reliable manufacturing capability must be submitted. This requires companies to conduct extensive laboratory, pre clinical and clinical tests. This testing, as well as preparation and processing of necessary applications, is expensive, time-consuming and often takes several years to complete. There is no assurance that the FDA will act favorably in making such reviews. Our potential partners or we may encounter significant difficulties or costs in their efforts to obtain FDA approvals, which could delay or preclude from marketing any products that may be developed. The FDA may also require post-marketing testing and surveillance to monitor the effects of marketed products or place conditions on any approvals that could restrict the commercial applications of such products.

Product approvals may be withdrawn if problems occur following initial marketing, such as, compliance with regulatory standards is not maintained. Delays imposed by governmental marketing approval processes may materially reduce the period during which a company will have the exclusive right to exploit patented products or technologies. Refusals or delays in the regulatory process in one country may make it more difficult and time consuming to obtain marketing approvals in other countries.

The FDA approval process for a new biological or pharmaceutical drug involves completion of preclinical studies and the submission of the results of these studies to the FDA in an Initial New Drug application, which must be approved before human clinical trials may be conducted. The results of preclinical and clinical studies on biological or pharmaceutical drugs are submitted to the FDA in the form of a BLA, PLA or NDA for product approval to commence commercial sales. In responding to a BLA, PLA or NDA, the FDA may require additional testing or information, or may deny the application. In addition to obtaining FDA approval for each biological or chemical product, an Establishment License Application ("ELA") must be filed and the FDA must inspect and license the manufacturing facilities for each product. Product sales may commence only when both BLA/ PLA/ NDA and ELA are approved. In certain instances in which a treatment for a rare disease or condition is concerned, the manufacturer may request the FDA to grant the drug product Orphan Drug status for a particular use. "Orphan" status refers to serious ailments affecting less than 250,000 individuals. In this event, the developer of the drug may request grants from the government to defray the costs of certain expenses related to the clinical testing of such drug and be entitled to marketing exclusivity and certain tax credits.

In order to gain broad acceptance in the marketplace of a medical device, our partners or we will need to receive approval from the FDA and other equivalent regulatory bodies outside of the United States. This approval will be based upon clinical testing programs at major medical centers. Data obtained from these institutions will enable us, or our partners, to apply to the FDA for acceptance of its technology as a "device" through a 510(k) application or exemption process. Once the data have been fully gleaned, it is expected that this process would take ninety days.

According to the FDA, a "device" is: "an instrument, apparatus, implement, machine, contrivance, implant, in vitro reagent, or other similar or related article, including a component part, or accessory which is recognized in the official National Formulary, or the United States Pharmacopoeia, or any supplement to them, intended for use in the diagnosis of disease or other conditions, or in the cure, mitigation, treatment, or prevention of disease, in man or other animals, or intended to affect the structure or any function of the body of man or other animals, and which does not achieve any of its primary intended purposes through chemical action within or on the body of man or other animals and which is not dependent upon being metabolized for the achievement of any of its primary intended purposes."

The FDA classifies devices as either Class I/II-exempt, Class II, or Class III.

Class III: Pre-Marketing Approval, or PMA: A Pre-Marketing Approval or PMA is the most stringent type of device marketing application required by FDA. A PMA is an application submitted to FDA to request clearance to market, or to continue marketing of a Class III medical device. A PMA is usually required for products with which FDA has little previous experience and in such cases where the safety and efficacy must be fully demonstrated on the product. The level of documentation is more extensive than for a 510(k) application and the review timeline is usually longer. Under this level of FDA approval, the manufacturing facility will be inspected as well as the clinical sites where the clinical trials are being or have been conducted. All the appropriate documents have to be compiled and available on demand by the FDA. The manufacturing facility is registered with the FDA and the product or device is registered with the FDA.

Class II: 510(k). This is one level down from the PMA and it is applied to devices with which the FDA has had previous experience. A 510(k) is a pre-marketing submission made to FDA to demonstrate that the device to be marketed is as safe and effective, that is, substantially equivalent, to a legally marketed device that is not subject to pre-market approval. Applicants must compare their 510(k) device to one or more similar devices currently on the U.S. market and make and support their substantial equivalency claims. The legally marketed device to which equivalence is drawn is known as the "predicate" device. Applicants must submit descriptive data and, when necessary, performance data to establish that their device is SE to a predicate device. Again, the data in a 510(k) is to show comparability, that is, substantial equivalency (SE) of a new device to a predicate device. Under this level of approval, the manufacturing facility is registered with the FDA and the product or device is registered with the FDA. Inspections under this classification are possible. All the appropriate cGMP and clinical data backing the claims made

must be on file and available on demand by the FDA.

Class I/II Exemption: This is the lowest level of scrutiny. Most Class I devices and a few Class II devices are exempt from the pre-marketing notification requirements subject to the limitations on exemptions. However, these devices are not exempt from other general controls. All medical devices must be manufactured under a quality assurance program, be suitable for the intended use, be adequately packaged and properly labeled, and have establishment registration and device listing forms on file with the FDA. However, as described above, all the appropriate documentation including cGMP and clinical data supporting the claims being made has to be on hand and available on demand by the FDA. The data must be available to support all the product claims.

Sales of biological and pharmaceutical products and medical devices outside the United States are subject to foreign regulatory requirements that vary widely from country to country. Whether or not FDA approval has been obtained, approval of a product or a device by a comparable regulatory authority of a foreign country must generally be obtained prior to the commencement of marketing in that country.

Designer Diagnostics is also subject to regulation by the Occupational Safety and Health Administration ("OSHA") and the Environmental Protection Agency ("EPA") and to regulation under the Toxic Substances Control Act, the Resource Conservation and Recovery Act and other regulatory statutes, and may in the future be subject to other federal, state or local regulations. Designer Diagnostics believes that they are in compliance with regulations regarding the disposal of its biological, radioactive and chemical waste. Designer Diagnostics voluntarily complies with NIH guidelines regarding research involving recombinant DNA molecules. Such guidelines, among other things, restrict or prohibit certain recombinant DNA experiments and establish levels of biological and physical containment that must be met for various types of research.

Product Liability

Although ReceptoPharm and Designer Diagnostics have product liability insurance detailed below, we individually have no product liability insurance. Consequently, product liability claims may result in significant legal costs related to our defense of such actions and/or damage amounts exceeding our product liability insurance coverage. The design, development, and manufacture of drug products or diagnostic tests involves an inherent risk of product liability claims and corresponding damage to our brand name reputation, including claims of product failure or harm caused by the drug product. ReceptoPharm has product liability insurance for purpose of manufacturing the drugs currently under clinical trials; however, there is no assurance that such insurance would protect us against any product liability claims. Designer Diagnostics has product liability insurance for its portfolio of test kits; however, there is no assurance that such insurance would protect us against any product liability claims. We have no product liability insurance and product liability claims may result in significant legal costs related to our defense of such actions and/or damage amounts exceeding the product liability insurance coverage of ReceptoPharm or Designer Diagnostics.

Research and Development

During 2006, we spent $410,921 on research and development activities, most of which was funded by our President. All of these costs were incurred by ReceptoPharm during 2006, at which time our financial statements were consolidated with ReceptoPharm’s financial results. Because our financial statements for our 2007 Fiscal Year are not consolidated with ReceptoPharm’s financial results, we have no research and development costs during 2007.

Effect of Compliance with Federal, State, and Local Provisions for the Protection of the Environment

We have no present or anticipated direct future costs associated with environmental compliance, since we are not and will not be directly involved in manufacturing drug products as result of our research and development; however, we may be affected in the percentage licensing fees we receive, since a company may consider the environmental expense as an offset to a determination of the percentage amount we receive. ReceptoPharm produces a drug that has limited waste issues and related costs, but handles environmentally related matters through the FDA's Good Manufacturing Practices, the FDA mandated guidelines pertaining to the production of drugs in the United States.

Sources and Availability of Raw Materials

ReceptoPharm uses the raw material, cobra venom, which is the main ingredient for the drugs being studied by ReceptoPharm. Apart from that, we do not currently use raw materials in our business.

Dependence on one or a Few Major Customers

Our potential customers consist of men and women using the drugs that are developed through relationships with pharmaceutical and other companies; as such, we do not plan on being dependent upon one single customer or just a few customers. Nonetheless, one of our revenue segment models seeks to develop licensing fees with pharmaceutical companies; should we be successful in securing such a licensing agreement, the termination of such an agreement with one or a few such companies may negatively affect our ability to generate revenues.

Patents, Trademarks, Licenses and Intellectual Property

We seek patent and other intellectual property rights to protect and preserve our proprietary technology and our right to capitalize on the results of our research and development activities. We also rely on trade secrets, know-how, continuing technological innovations and licensing opportunities to develop new products.

Bio Therapeutics Patents

We hold the license to certain intellectual property patented by Bio Therapeutics as follows:

- U.S. Patent No. 5,989,857, which was granted in November 1999 with 10 claims.

- U.S. Patent No. 6,670,148, which was granted in December 2003, with 9 claims. The patent further describes the method for preparing a bioactive peptide (protein) found in cobra venom, in a stable, inactivated form, by treating the peptide with ozone.

- Buccal Delivery System, on which a patent is pending. This application describes a throat spray that permits efficient delivery of the modified peptide drugs to the body through oral mucosa.

- Technology contained in one pending U.S. patent application for the further development of bioactive peptides in cobra venom for use in the treatment of HIV and MS.

- Technology contained in two pending U.S. patent applications for Immunokine Composition and Method, which describes a method for developing modified peptides from alpha-cobratoxin.

- Technology contained in two patents pending for the topical delivery of our proprietary wound healing treatment, which was developed in conjunction with Bio Therapeutics. One of these products is in the form of an ointment style skin protectant and the other a foaming aerosol.

ReceptoPharm Patents

ReceptoPharm has 7 patents pending with the United States Patent and Trademark Office. These patents include:

- Modified venom and venom components as anti-retroviral agents. The present invention relates to a class of proteins, and a method for treatment of neurological and viral diseases in humans and animals.

.

Modified anticholinergic neurotoxins as modulators of the autoimmune reaction. The invention has application to the treatment of certain human autoimmune diseases, including especially multiple sclerosis, myasthenia gravis, and rheumatoid arthritis.

- Method of use of crotoxin as an anti-retroviral agent. Provides a composition of matter and a method of using the composition for treating and preventing of retroviral infections of mammalian cells.

- Method of production and use of crotoxin as an analgesic. A pharmaceutical composition including one of crotoxin, mojavetoxin or a related toxin and a carrier for use in the treatment of chronic pain,

- Modified alpha-neurotoxins as painkillers. A composition of matter, a process of production thereof, and a method for the treatment of chronic pain.

- Modified neurotoxins as therapeutic agents for the treatment of diseases and methods of making. a method for treatment of neurological and viral diseases and especially to the treatment of heretofore intractable diseases.

Patents Assigned to Us by Nanologix, Inc. and Used by Designer Diagnostics

On January 24, 2006 we entered into an Agreement with NanoLogix whereby we exchanged our entire holding of NanoLogix common stock for intellectual property pertaining to the manufacture of test kits for the rapid isolation, detection and antibiotic sensitivity testing of certain mycobacteria. The agreement provides that: (a) NanoLogix has reassigned to us 11 key patents protecting the diagnostics test kit technology in exchange for our entire holding of NanoLogix stock represented by 4,556,174 shares of that stock; (b) NanoLogix has licensed to us the remaining 18 patents that protect the diagnostics test kit technology in exchange for a 6% royalty on the gross sales of the products based on the licensed technology or a minimum of $20,000 annually; (c) we issued to NanoLogix 1 million options of our restricted common stock at $.20 per share; and (d) we will allow NanoLogix to continue their use of these patents for development of their hydrogen technology and other technologies unrelated to medical diagnostic test kits.

We own 11 issued U.S. patents and have licensing rights to 18 issued U.S. patents covering technologies related to growing, detecting, identifying, defining antibiotic sensitivity and designing apparatus for the detection of 32 different paraffin-eating microorganisms that were assigned to us by Nanologix, Inc.. These patents are used by our wholly owned subsidiary, Designer Diagnostics.

Owned Patents

U.S. Patent Nos.	Description
#5,989,902	Method for determining the antimicrobial agent sensitivity of a nonparaffinophilic hydrophobic microorganism and an associated apparatus
#5,981,210	Method for determining a presence or absence of a nonparaffinophilic hydrophobic microorganism in a body specimen by using a DNA extraction procedure and a novel DNA extraction procedure
#5,935,806	Method and apparatus for speciating and identifying MAI (Mycobacterium Avium Intracellulare) and testing the same for antibiotic sensitivity
#5,882,920	Apparatus for determining the presence or absence of a paraffinophilic microorganism
#5,854,014	Apparatus for testing paraffinophilic microorganisms for antimicrobial sensitivity
#5,846,760	Method for determining a presence or absence of a nonparaffinophilic hydrophobic microorganism in a body specimen and an associated kit
#5,776,722	Method of testing a body specimen taken from a patient for the presence or absence of a microorganism a further associated method and associated apparatus
#5,569,592	Apparatus for testing MAI (Mycobacterium Avium Intracellulare) for antimicrobial agent sensitivity

13

#5,472,877	Apparatus for determining the presence or absence of MAI (Mycobacterium Avium Intracellulare)
#5,316,918	Method and apparatus for testing MAI (Mycobacterium Avium Intracellulare) for antimicrobial agent sensitivity
#5,153,119	Method for speciating and identifying MAI (Mycobacterium Avium Intracellulare)

Licensed Patents

U.S. Patent Nos.	Description
#5,962,306	Method of determining the presence or absence of a nonparaffinophilic microorganism in a specimen and an associated apparatus
#5,891,662	Method for determining the antimicrobial agent sensitivity of a nonparaffinophilic hydrophobic microorganism
#5,882,919	Apparatus for determining the presence or absence of a nonparaffinophilic microorganism in a specimen
#5,854,013	Method of determining presence or absence of a nonparaffinophilic microorganism in a specimen
#5,804,406	Determining sensitivity of paraffinophilic microorganisms to antimicrobials
#5,801,009	Method for determining the antimicrobial sensitivity of a paraffinophilic microorganism using various milieus and an associated apparatus
#5,750,363	Method for determining the antibiotic agent sensitivity of a nonparaffinophilic microorganism and an associated apparatus
#5,726,030	Method for automatically testing the antibiotic sensitivity of a nonparaffinophilic microorganism
#5,721,112	Method of determining the presence or absence of a nonparaffinophilic microorganism in a specimen and an associated apparatus
#5,707,824	Method of determining the presence or absence of a paraffinophilic microorganism
#5,698,414	Method and apparatus for testing paraffinophilic microorganisms for antimicrobial agent sensitivity
#5,677,169	Method for determining the antimicrobial agent sensitivity of a nonparaffinophilic microorganism and an associated apparatus
#5,668,010	Method for determining the antimicrobial agent sensitivity of a nonparaffinophilic microorganism using various milieus and an associated apparatus
#5,663,056	Method for determining the antimicrobial agent sensitivity of a nonparaffinophilic microorganism and an associated apparatus

14

#5,654,194	Method of identifying a nonparaffinophilic microrganism using various milieus and an associated apparatus
#5,641,645	Method for determining the antimicrobial agent sensitivity of a nonparaffinophilic microrganism using various milieus and an associated apparatus
#5,639,675	Method of identifying a nonparaffinophilic microorganism using various mileus and an associated apparatus
#5,637,501	Apparatus for automatically testing the antibiotic sensitivity of a paraffinophilic microorganism

Our business is dependent upon our ability to protect our proprietary technologies and processes. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to obtain and use proprietary information. We will rely on patent and trade secret law and nondisclosure and other contractual arrangements to protect such proprietary information. We will file patent applications for our proprietary methods and devices for patient treatments. Our efforts to protect our proprietary technologies and processes are subject to significant risks, including that others may independently develop equivalent proprietary information and techniques, gain access to our proprietary information, our proprietary information being improperly disclosed, or that we may ineffectively protect our rights to unpatented trade secrets or other proprietary information.

Markets

Target Market - ReceptoPharm

CDC figures indicate that HIV, the virus that causes AIDS, globally infects 39.5 million people. The continent of Africa has the greatest concentration of infected individuals while the subcontinent of India has experienced dramatic growth in the number of new infections. It is estimated that within the next few years over 10 million Indians will be infected. The affected US population numbers 900,000 over 50% of who are on current AIDS-related therapy. Europe has slightly lower numbers of infected individuals with approximately 30% on retroviral therapy. Current drugs have proven effective at delaying the onset of AIDS though the HIV virus has demonstrated the ability to develop resistance to these new drugs and their ability to prevent the infection of the central nervous system seems limited. Once in the nervous system, the virus is capable of causing sufficient damage to result in dementia. There is no drug to prevent this occurrence. Historically, as a result of pressure groups, AIDS-related drugs are rapidly adopted, leading to rapid increases in drug sales.

According to current estimates approximately 2.5 million people worldwide have MS, with 350,000 cases in the United States, 50,000 cases in Canada, 130,000 cases in Germany, 85,000 cases in the United Kingdom, 75,000 cases in France, 50,000 cases in Italy, and 11,000 cases in Switzerland (www.myelin.org). Drug prescription use is higher in the USA due to fewer restrictions on prescriptions and the market is larger. Several European nations impose strict rules governing the distribution of drugs to patients with MS due to issues on the cost/benefit aspects of the drugs associated with this disease.

Adrenoleukodystrophy, or ALD, is a genetically determined neurological disorder that affects 1 in every 17,900 boys worldwide or 1 in 50,000 of the population. ALD in boys is usually lethal whereas AMN, while rarely life threatening, can be quite debilitating. There are no drugs for these conditions though Lorenzo’s Oil has been studied extensively. In the USA 5,000 new cases are diagnosed each year, half being AMN.

Although rabies in humans is rare in the United States, as many as 18,000 Americans get rabies shots each year because they have come in contact with animals that may be rabid (rabies-infected). In 2006, according to the U.S. Centers for Disease Control and Prevention (CDC), only one person died of rabies in this country. In other parts of the

world, however, many people die of rabies each year. The World Health Organization (WHO) estimates that 40,000 people worldwide die every year from rabies. WHO also estimates 10 million people worldwide are treated after being exposed to animals that may have had rabies.

Market Values

Human Healthcare

The World Health Organization estimates that 39.5 million people worldwide are HIV positive with the majority of these occurring in third world countries. In the United States alone, an estimated 900,000 people are infected and the majority undergoes treatment for HIV-related conditions at an individual cost of $14,000 (HAART) to $34,000 (AIDS patients). The worldwide market for HIV drugs exceeds $5 billion annually.

Multiple sclerosis affects an estimated 2.5 million people globally. There are 5 approved drugs for the treatment of this disease. The average annual cost of these drugs is $12,000 per person. In 2004, sales by one manufacturer, Biogen, were reported to be $1.4 billion for its drug, Avonex. Total drugs sales for MS exceed $4 billion annually.

AMN/ALD affects an estimated 30,000 people in the US with some estimates exceeding this number. A realistic market value would be somewhere between $100-200 million per year.

The World Health Organization estimates that 10 million people per year are treated for rabies with the majority of these occurring in third world countries. In the United States alone, an estimated 18,000 people undergo treatment for rabies at an individual cost of $1,000 to $2,300, dependent upon location, for an aggregate US market value of $18 to $41 million annually.

Market Competition - ReceptoPharm

Competition is intense among companies that develop and market products based on advanced cellular and molecular biology. ReceptoPharm has a number of competitors, including Amgen, Aventis, Cephalon, Genetech, Genzyme, Immunex Corp. (a subsidiary of Amgen), Novartis, Regeneron and Schering-Plough Corp. For products that we manufacture and market we faces significant competition from these and other biotechnology and pharmaceutical firms in the United States, Europe and elsewhere. Certain specialized biotechnology firms have also entered into cooperative arrangements with major companies for development and commercialization of products, creating an additional source of competition.

Any products or technologies that successfully address viral or neurological indications could negatively impact the market potential for RPI-78M or RPI-MN. These include products that could receive approval for indications similar to those for which RPI-78M or RPI-MN seeks approval, development of biologic or pharmaceutical treatments that are more effective than existing treatments and the development of other modalities with reduced toxicity and side effects.

Interferon-based drugs and their indications represent target markets for ReceptoPharm. Sales of interferon-based drugs annually exceed $6 billion and have attracted the participation of several major drug companies. Schering-Plough Corp. and Roche are major suppliers of interferons. Currently, there are five interferon-based drugs licensed in Canada and the U.S.; three for the treatment of the milder Relapsing-Remitting form of Multiple sclerosis and two for Hepatitis C. These interferons are also used in the treatment of other conditions where treatment options are limited. The interferons for MS are Betaseron (Berlex/Schering), Avonex (Biogen) and Rebif (Serono). Current global estimates for the number of patients taking these drugs are 120,000 on Avonex, 80,000 on Betaseron and 80,000 on Rebif. However, one must note that since the launching of these drugs, the number of patients undergoing treatment has stabilized at current levels, indicating that there is a high turnover rate of patients in the administration of these individual drugs due to cost and side effects. Biogen developed Avonex in the early 1990’s and has been shipping the drug since late 1996. In the U.K., the National Institute for Clinical Efficiency (NICE) has called for the withdrawal of Betaseron and another unrelated drug, Copaxone (Teva), from the market based on poor cost/effectiveness.

16

Schering Plough manufactures alpha-interferon (Intron-A) and Roche produces Roferon as the only treatments for Hepatitis C. Schering also developed the drug Ribavirin as a general antiviral agent which, when combined, with Intron-A, is a treatment for Hepatitis C. This combination is called Ribitron. Treatment with Intron-A costs $19,000 per year though initial treatment periods are usually for 6 months. It is the high cost and significant side effects that prevents the widespread uptake of this drug by the 4 million Hepatitis C sufferers in the US. Other companies producing interferon-based products are Amgen (INFERGEN) and Viragen.

Main Competitors - ReceptoPharm

Employing venoms as therapeutics is not new and is growing rapidly. A large number of well-known pharmaceutical companies are developing novel therapies derived from snake venoms and other reptiles. Most of those using snake venoms employ the anticoagulant enzymes usually from viperids (adders and rattlesnakes) though elapids (cobra family) are also being investigated. Knoll Pharmaceuticals (acquired recently by Abbot) is employing an anticoagulant from rattlesnakes. Ancrod is derived from the venom of a family of snakes known as pit vipers. These include deadly rattlesnakes, such as the Diamondback, that live in the US and Mexico. Researchers observed that the blood of people bitten by rattlesnakes failed to clot. Based on that observation, the venom was extracted and turned into an anti-coagulant. Ancrod is not yet approved by the FDA for stroke treatment. The only FDA-approved acute stroke treatment is Tissue Plasminogen Activator (TPA). Other heart drugs are also based on snake venom, notably Merck's Aggrastat and COR Therapeutics' Integrilin. The approval of extendin-4 from the Gila Monster lizard (Amylin Pharmaceuticals) for type 2 diabetes represents another successful application of a venom-based product. It was licensed to Eli Lilly for $325 million.

Keluoqu, a pain-killing drug on the market in China since 1978, contains cobrotoxin (from cobra venom) as its primary ingredient. It is used to control severe pain in advanced cancer patients and for post-operative pain. Several companies are working with scorpion toxins mainly in the anticancer field. Botox (botulinum toxin), a bacterial neurotoxin, is the most toxic biological product. It is being developed for a number of applications by Allergan and Elan but has been increasingly popular for cosmetic applications.

We view our main competitors as those who also engage in the development of protein-based neurotoxins as therapeutics. Abbot's new drug under development, epibatidine, while derived from a poisonous frog, is not a protein. Elan Pharmaceuticals acquired Neurex Corporation specifically for the biologic drug development of Ziconitide, which is a highly effective, peptide-based drug derived from poisonous cone snails. Neurex has enabled Elan to enter the significant markets of acute care and pain management. This drug's impressive characteristic is selectivity in blocking sensations of pain without side effects. Most painkillers today function as narcotics, making sufferers feel good enough that they forget about the pain but the pain is still there. In contrast, Ziconitide simply stops the pain. There is no addiction, no drug interactions, and no build up of resistance. Ziconitide is expected to replace morphine within the next few years. Cognetix (Utah), a company similar to Neurex, has also focused on Conus venoms as potential therapeutic agents for pain management.

Ability to Compete - ReceptoPharm

The biotechnology research and development field is extremely competitive and is characterized by rapid change. Our competitors have substantially greater financial, scientific, and human resources, and as a result greater research and product development capabilities. Our competitors have competitive advantages with greater potential to develop revenue streams. Our competitors are located in the United States as well as around the world. We will attempt to complete by establishing strategic partners or alliances with pharmaceutical companies, academic institutions, biotechnology companies, and clinical diagnostic laboratories, which will enter into joint ventures, emphasizing that the drugs RPI-MN and RPI-78M possess the following properties:

1)

They lack measurable toxicity but are still capable of attaching to and affecting the target site on the nerve cells. This means that patients cannot overdose.

2) They display no adverse side effects following years of investigations in humans and animals.

17

3) The products are stable and resistant to heat, which gives the drug a long shelf life. The drugs' stability has been determined to be over 4 years at room temperature.

4) RPI-78M can be administered orally. It has been routinely delivered by injection in a manner similar to insulin, but recent research and development has given rise to administration by mouth. Oral delivery presents patients with additional "quality of life" benefits by eliminating or decreasing the requirement for routine injections.

Additionally, the only competing products to Designer Diagnsotics' test kits are the conventional solid media, such as Lowenstein Jensen and Middlebrook Media.

Competitive Weaknesses - ReceptoPharm

The primary weakness associated with a company at ReceptoPharm's stage of development is not having the necessary funds to complete the requirements of a drug development business. Furthermore, the management/founders do not have an established track record in the pharmaceutical business, although the installation of Dr. Dorothy Bray, formerly of GlaxoSmithKline, as ReceptoPharm's Clinical Development Advisor has somewhat addressed this deficiency.

Market Competition – Designer Diagnostics

We view the main competition to Designer Diagnostics' Test Kit technology to be divided into two areas: Tuberculosis and Non-Tubercular Mycobacterium. In the TB (Tuberculosis) Test Kit arena. Designer Diagnostics' main competition is Becton, Dickinson and Company and their TB test kit is widely used throughout the world.

We intend to emphasize the advantages of our Designer Diagnostic kit on the basis of lower cost and that it does not require refrigeration or specialized equipment for utilization. When looking at NTM (Non-Tubercular Mycobacterium) Test Kits, there is no competition with a kit that will work on all 15 identified types of NTMs. Becton, Dickinson and Company is a purveyor and major competition for kits that can be used for NTMs, but they require different tests for most types. The Designer Diagnostics NTM Test Kit can be used to identify all types and subtypes of NTMs in a single test. Additionally, there is currently no competition for the use of an NTM test for environmental applications. Designer Diagnostics has begun marketing the first ever diagnostic test for identifying NTMs in soil, water and other environmental media.

REPORTS TO SECURITY HOLDERS

We are subject to the informational requirements of the Securities Exchange Act of 1934. Accordingly, we file annual, quarterly and other reports and information with the Securities and Exchange Commission. You may read and copy these reports in Washington, D.C. Our filings are also available to the public from commercial document retrieval services and the Internet world wide website maintained by the Securities and Exchange Commission at www.sec.gov.

Item 2. Description of Property

Our March 2004 verbal lease agreement between Stan Cherelstein, on Waiora, Inc.'s behalf as its President and Rik Deitsch, as our President and on our behalf, provides for our use of Waiora's lease space at any location that Waiora occupies. From March 2004 to May 2006, we occupied approximately 800 square feet of Waiora's lease office space at 1829 Corporate Drive, Boynton Beach, Florida 33426. As of May 2006, we occupied approximately 800 square feet of Waiora's lease office space at 791 Park of Commerce Boulevard, Suite 300, Boca Raton, Florida 33487. We make no cash payment for the use of this space; instead, we are permitted to use such space in return for our President

serving as Waiora’s Chairman of its Scientific Advisory Board. The verbal lease agreement further provides that: (a) there is no expiration date to this agreement, but Waiora, Inc may terminate the lease at any time, and it is subject to Waiora's own lease term, which expires May 2008; (b) 800 square feet of office space is allotted specifically to us; (b) Waiora provides us with access to a conference room, office equipment, and a T-1 Internet connection; and (c) Stan Cherelstein serves as one of our Directors and is Chairman of our Audit and Compensation Committees. Our offices are in good condition and are sufficient to conduct our operations.

We have no investments in real estate, real estate mortgages or any other real estate related investments and we have no intention of making any such investments or establishing related invested policies.

Item 3. Legal Proceedings

On April 4, 2005, a Motion to Enforce Settlement Agreement was filed against us in the Circuit Court of Broward County Florida by Bio Therapeutics, Inc. f/k/a Phylomed Corp. in Nutra Pharma Corp. v. Bio Therapeutics, Inc. (17th Judicial Circuit, Case No. 03-008928 (03). This proceeding results from our alleged breach of a settlement agreement that was entered into between Bio Therapeutics and us in resolution of a previous lawsuit between us and Bio Therapeutics that was resolved by entering into a Settlement Agreement. In conjunction with the settlement agreement, we also entered into a related License Agreement and Amendment to the License Agreement ("License Agreement") with Bio Therapeutics regarding certain pieces of intellectual property owned by Bio Therapeutics. In the April 4, 2005 motion, Bio Therapeutics alleges we breached certain provisions of the License Agreement and requests that the Court grant its motion to enforce the Settlement Agreement by declaring the License Agreement terminated, enjoining us from further use of license products that was granted to us by the License Agreement, and awarding attorneys' fees and costs to Bio Therapeutics.

During the last quarter of 2007, we moved for summary judgment regarding Bio Therapeutics' Motion to Enforce Settlement Agreement and the Court, at oral argument, granted our summary judgment motion. We are waiting for the Court to enter an order granting our motion for summary judgment and denying Bio Therapeutics' Motion to Enforce Settlement.

There are no other legal proceedings that occurred during our Fiscal Year 2007 that are reportable.

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

There were no matters submitted during the fourth quarter of 2007 for a vote of our security holders through the solicitation of proxies or otherwise.

PART II

Item 5. Market Price of and Dividends on our Common Equity and Related Stockholder Matters.

Market Information

Our common stock is quoted on the over-the-counter bulletin board under the trading symbol "NPHC." The following table sets forth the high and low bid prices for each quarter within the last two fiscal years.

	2006		2007	
	High Bid	Low Bid	High Bid	Low Bid
First Quarter	.33	.17	$ .13	$ .09
Second Quarter	.26	.14	$ .10	$ .07
Third Quarter	.16	.08	$ .07	$ .05
Fourth Quarter	.14	.08	$ .05	$ .03

The above quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

Penny Stock Considerations

Our shares of common stock are "penny stocks" as that term is generally defined in the Securities Exchange Act of 1934 as equity securities with a price of less than $5.00. Our shares are subject to rules that impose sales practice and disclosure requirements on broker-dealers who engage in certain transactions involving a penny stock.

Under the penny stock regulations, a broker-dealer selling a penny stock to anyone other than an established customer or "accredited investor" must make a special suitability determination regarding the purchaser and must receive the purchaser's written consent to the transaction prior to the sale, unless the broker-dealer is otherwise exempt. Generally, an individual with a net worth in excess of $1,000,000 or annual income exceeding $200,000 individually or $300,000 together with his or her spouse is considered an accredited investor.

In addition, under the penny stock regulations the broker-dealer is required to:

- Deliver, prior to any transaction involving a penny stock, a disclosure schedule prepared by the Securities and Exchange Commission relating to the penny stock market, unless the broker-dealer or the transaction is otherwise exempt;

- Disclose commission payable to the broker-dealer and its registered representatives and current bid and offer quotations for the securities;

- Send monthly statements disclosing recent price information pertaining to the penny stock held in a customer's account, the account's value and information regarding the limited market in penny stocks; and

- Make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction, prior to conducting any penny stock transaction in the customer's account.

Because of these regulations, broker-dealers may encounter difficulties in their attempt to sell shares of our common stock, which may affect the ability of shareholders to sell their shares in the secondary market and have the effect of reducing the level of trading activity in the secondary market. These additional sales practice and disclosure requirements could impede the sale of our securities. In addition, the liquidity for our securities may be adversely affected, with a corresponding decrease in the price of our securities. Our shares are subject to such penny stock rules and our shareholders will, in all likelihood, find it difficult to sell their securities.

Holders

As of March 31, 2008, based upon records obtained from our transfer agent, there were 246 holders of record of our common stock. Our transfer agent records does not account for other holders of our common stock that are held in street name or by broker dealers as custodian for individual holders of our stock. We have one class of common stock outstanding.

Dividends

We have not declared any cash dividends on our common stock since our inception and do not anticipate paying such dividends in the foreseeable future. We plan to retain any future earnings for use in our business. Any decisions as to future payment of dividends will depend on our earnings and financial position and such other factors as our Board of Directors deems relevant. There are no restrictions contained in our bylaws or otherwise pertaining to our issuing dividends.

20

Equity Compensation Plan Information

Securities authorized per issuance under Equity Compensation Plans as of December 31, 2007.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	0	N/A	N/A
Equity compensation plans not approved by security holders	13,000,000	$ 0.59	17,005,000
Total	13,000,000	$ 0.59	17,005,000

The figures contained in the above chart are composed of the following 5 equity compensation plans that were not approved by our stockholders:

2003 Plan

On December 3, 2003, our Board of Directors approved the Employee/Consultant Stock Compensation Plan (the "2003 Plan"). The purpose of the 2003 Plan is to further our growth by allowing us to compensate employees and consultants who have provided bona fide services to us through the award of our common stock. The maximum number of shares of common stock that may be issued under the 2003 Plan is 2,500,000. As of December 31, 2007, we had issued a total of 2,495,000 shares under the 2003 Plan.

2007 Plan

On June 6, 2007, our Board of Directors approved the 2007 Employee/Consultant Stock Compensation Plan (the "2007 Plan"). The purpose of the 2007 Plan is to further our growth by allowing us to compensate employees and consultants who have provided bona fide services to us through the award of our common stock. The maximum number of shares of common stock that may be issued under the 2007 Plan is 25,000,000. As of December 31, 2007, we had issued a total of 8,000,000 shares under the 2007 Plan, with 17,000,000 shares remaining under the 2007 Plan. These shares were issued in exchange for services rendered to us during 2007.

Our Board of Directors is responsible for the administration of the 2003 and 2007 Plans and has full authority to grant awards under the Plans. Awards may take the form of stock grants, options or warrants to purchase common stock. The Board of Directors has the authority to determine: (a) the employees and consultants that will receive awards under the Plan, (b) the number of shares, options or warrants to be granted to each employee or consultant, (c) the exercise price, term and vesting periods, if any, in connection with an option grant, and (d) the purchase price and vesting period, if any, in connection with the granting of a warrant to purchase shares of common stock of the Company.

Five Year Option to Nanologix Inc.

On January 25, 2006, we and Nanologix entered into a definitive agreement pursuant to which Nanologix agreed to assign its ownership of 11 patents to us which protect Nanologix' infectious disease diagnostic test kit technology. In connection with this agreement, we also issued Nanologix a five-year option to purchase 1,000,000 of the Company's common stock at an exercise price of $.20. This option vested immediately on January 25, 2006, the date of grant.

Five Year Option to Doherty & Company, LLC

On June 1, 2005, we retained Doherty & Company, LLC ("Doherty & Company"), to provide the services of Michael Doherty as executive Chairman of the Company. Concurrently, the Company also retained Doherty & Company to act as our agent in connection with prospective private capital-raising activities. On April 1, 2006, the Company and Mr. Doherty entered into a termination agreement whereby Mr. Doherty agreed to resign his position as our Chairman of Board. Upon the effectiveness of the termination agreement on April 1, 2006, we issued a five-year option to Mr. Doherty to purchase 2,000,000 shares of common stock at an exercise price of $.27 per share. The option vested immediately on the date of grant.

Warrants issued to Xinhua Financial Network

In October 2005, the Company entered into a one-year consulting agreement with Xinhua Financial Network ("Xinhua"), providing that Xinhua will introduce us to potential strategic and operational partners in The People's Republic of China and elsewhere in Asia. In connection with this agreement, we issued a 5-year warrant to Xinhua to purchase 10,000,000 shares of our common stock at an exercise price of $.70. The warrant is callable by us a price of $1.00 in the event that our market price exceeds $1.00.

Recent Sales of Unregistered Securities

In December 2007, we sold an aggregate of 4,800,000 shares of restricted common stock shares at $0.025 per share and received total gross proceeds of $120,000. These shares were not issued to the purchasers until March 13, 2008.

We relied upon Sections 4(2) and 4(6) of the Securities Act of 1933, as amended ("the Securities Act") for the offer and sale of the above shares as well as those previously reported in our periodic filings. We believed Section 4(2) was available because: (a) there was no general solicitation in the offer or sale; (b) all purchasers were accredited investors; (c) we placed restrictive legends on the certificates representing these securities issued to the accredited investors stating that the securities were not registered under the Securities Act and are subject to restrictions on their transferability and resale; and (d) the offer and sale did not involve a public offering.

We did not repurchase any of our securities during our 2007 Fiscal Year nor have we done so since our inception.

Item 6. Management's Discussion and Analysis of Plan of Operations

PLAN OF OPERATIONS

Pending adequate financing, we plan on spending total estimated expenses of $500,000 for the next 12 months, which will include: (a) $380,000 pertaining directly to our operations; and (b) $120,000 pertaining the operations of our subsidiary, Designer Diagnostics. Our Plan of Operations does not involve: (a) any expected purchase or sale of a plant or significant equipment; and/or (b) any expected significant changes in the number of our employees.

EXPENSES PERTAINING TO OUR OPERATIONS

Type Expenditure	Total Expenditure	Monthly Expenditure
Salaries*	$ 175,000	$ 14,583
Travel related expenses for our Chief Executive Officer pertaining to research and due diligence	40,000	3,333
Professional Fees - Legal and Accounting	165,000	13,750
Total	$ 380,000	$ 31,666

* Salaries include the following: (a) Chief Executive Officer - $130,000; and (b) Administrative Assistant - $45,000

FUNDING OF DESIGNER DIAGNOSTICS, INC.

Type Expenditure	Total Expenditure	Monthly Expenditure
Operating Expenses		
(Rent, supplies, utilities)	$ 50,000	$ 4,167
Salaries (President)	70,000	5,833
Total:	$ 120,000	$ 10,000

OUR PLAN OF OPERATIONS TO DATE:

To date, we have accomplished the following in our Plan of Operations:

In approximately October 2005, we completed pre-clinical studies with various companies that ReceptoPharm has agreements with pertaining to ReceptoPharm’s Multiple Scherosis (MS) and HIV drugs, which consist of (a) and (b) below:

(a) MS Drug under Development (RPI-78M) - ReceptoPharm conducted microarray and histoculture studies and related analysis of the cells of Multiple Sclerosis patients to ascertain how RPI-78M affected the cells of these patients. Microarray analysis is the study of the gene expression of cells. Histoculture is the study of the entire cellular environment. We measured the effect of RPI-78M on gene expression using cDNA microarray technology to identify any potentially unique changes in gene expression that may be caused by RPI-78M. After statistical evaluation of the data, the researchers found more than sixty genes with significant changes in expression as compared to the control. In analyzing the affected genes, at least thirty of them may have a specific role in the progression of the disease and symptoms of MS; and

(b) HIV Drug under Development (RPI-MN) - Viral isolates are common mutations of HIV. ReceptoPharm, through an agreement with the University of California, San Diego, conducted research to study the effect of ReceptoPharm's drug under development on different viral isolates to determine the drug's efficacy in mutated forms of the HIV virus. The ability of the HIV virus to establish resistance to therapeutic drugs through genetic mutation is a major concern in the treatment of HIV/AIDS. HIV does not always make perfect copies of itself. With billions of viruses being made every day, lots of small, random differences can occur. The differences are called mutations and these mutations can prevent drugs from working effectively. When a drug no longer works against HIV, this is called drug resistance and the virus with the mutation is considered to be 'resistant' to the drug. With the increasing number of drug-resistant patients, it is of great importance in the development of new HIV/AIDS therapeutics that they will be effective against HIV of known resistance characteristics. The inhibition of multi-resistant HIV-1 strains by RPI-MN preparations was investigated at the La Jolla Institute of Molecular Medicine. The results from these trials indicate that the drug is effective against drug-resistant strains of HIV.

- On January 24, 2006, we obtained NanoLogix's intellectual property pertaining to the manufacture of test kits for the rapid isolation, detection and antibiotic sensitivity testing of certain microbacteria, which includes reassignment to us of 11 key patents protecting the diagnostics test kit technology and NanoLogix licensing to us, and the remaining 18 patents that protect the diagnostics test kit technology.

- In February 2006, we completed the initial funding of ReceptoPharm in the amount of $2,000,000.

- In January 2006, we established Designer Diagnostics to sell NonTuberculois Mycobacterium test kits.

- Designer Diagnostics held a Continuing Medical Education Seminar at the Mahatma Gandhi Institute in India on March 24, 2006 during the World Stop TB Day. At that meeting, Designer Diagnostics officially began marketing their test kits for the rapid isolation, detection and antibiotic-sensitivity testing of microbacteria. In March 2006, we made our first sales of Designer Diagnostics' test kits.

- In May of 2006, ReceptoPharm received approval from the Medicines Health and Regulatory Agency (MHRA) for its application of human clinical trials for the treatment of Adrenomyeloneuropathy (AMN). The MHRA is the medical regulatory agency within the British Department of Health.

- From March and April of 2006, ReceptoPharm published two clinical trials on the use of their technology for the treatment of pain.

- In June of 2006, ReceptoPharm published the results of their EAE rat model of MS, which showed that their drug, RPI-78M, had promising results in an accepted animal model of the disease.

- In October of 2006, ReceptoPharm received Ethics Committee approval in the United Kingdom to begin its Phase IIb human clinical trial for the treatment of AMN. This approval allows for the late Phase II/early Phase III (Iib/IIIa) trial to begin.

- From November 29, 2006 to December 2, 2006, ReceptoPharm presented their analgesic research on RPI-78M at the International Conference on Neurotoxins (ICoN) in Hollywood, Florida.

- In January of 2007, we completed a series of microarray studies with various companies that ReceptoPharm has agreements with pertaining to ReceptoPharm's anti-viral drug. The microarray studies indicated that the exposure of healthy immune T-cells to our antiviral drugs activates the primary immune mechanisms. The expression of one such immune trigger, interferon gamma, is increased by as much as 20 times, acting as an effective antiviral agent, but without the significant negative clinical side effects of other interferon-based therapies. This may explain the broad antiviral activity observed with these types of agents. Based upon this data, these products could conceivably be used to substitute for the flu shot in winter or protect against other contagious viral diseases when vaccines are not readily available.

- In January of 2007, Designer Diagnostics received positive results from its in-vitro analysis of its Tuberculosis (TB) test kit. Normal culturing methods can take as long as 10 weeks to produce results, where Designer Diagnostics test kits have shown similar results within 10 days.

- In January of 2007, ReceptoPharm began its Phase IIb human clinical trial for the treatment of AMN.

- In February of 2007, ReceptoPharm expanded their antiviral clinical research into Mexico and Peru where RPI-MN was used in early clinical studies. ReceptoPharm seeks to conduct two Phase II antiviral trials each with a primary duration of 3-4 months.

- In March of 2007, Designer Diagnostics engaged the U.S. Commercial Service to help build international sales of its diagnostic test kits.

- On March 7, 2007, ReceptoPharm's signed a letter of intent to create a Joint Venture with Nan gene Biotechnology, a Chinese biotech company. The proposed joint venture will develop the antiviral drug, RPI-MN, for the Chinese market.

- In March of 2007, ReceptoPharm published an article in the Critical Reviews in Immunology special conference issue. The article, entitled "Alpha-Cobratoxin", discussed Alpha-Cobratoxin as a possible therapy for Multiple Sclerosis, reviews the literature leading to the development for this application, and discusses the background and reasoning behind ReceptoPharm's research on its treatment for Multiple Sclerosis (MS).

- On March 27, 2007, we completed our first licensing payment on behalf of Designer Diagnostics to NanoLogix for the patents protecting Designer Diagnostics' test kits.

- On April 11, 2007, ReceptoPharm filed a patent for method of treating autoimmune diseases, including MS and Rheumatoid Arthritis.

- During April 2007, ReceptoPharm completed its initial discussions with Zhong Xin Dong Tai Co., Ltd ("Nanogene Biotechnology") to develop RPI-MN for the China market. RPI-MN is ReceptoPharm's drug candidate being researched for the treatment of HIV/AIDS and other viral disorders. According to a signed Memorandum of Understand between ReceptoPharm and Nanogene Biotechnology. ReceptoPharm will need to confirm safety and efficacy of RPI_MN by completing pre-clinical studies at Soochow University located in China. Nanogene Biotechnology will provide the drug raw material and ReceptoPharm will modify the products and provide the proper study protocols. Upon successful completion of the pre-clinical studies, ReceptoPharm and Nanogene Biotechnology will proceed with clinical trials aimed at gaining full regulatory approval in China.

- On May 2, 2007, Designer Diagnostics announced that it would conduct clinical trials for their Tuberculosis and NonTuberculois Mycobacterium diagnostic test kits at the National Jewish Medical and Research Center in Denver, Colorado. The purpose of the clinical trials are to validate the efficacy of the test kits for use with Tuberculosis and Non-Tubernulosis Mycobacterium patients as well as for environmental testing. The clinical trials for Designer Diagnostics are the final step required by the FDA prior to applying for FDA regulatory approval of the test kits. The studies are ongoing with plans to complete testing throughout 2008.

- During May 2007, Designer Diagnostics completed the an upgrade of its Tuberculosis diagnostic test kits enabling such the test kits to show more rapid and reliable results.

- During July 2007, ReceptoPharm successfully completed enrollment in its phase llb human clinical trial for the treatment of AMN.

- In August of 2007, ReceptoPharm successful results on the use of their technology for the treatment of pain. The latest data demonstrated that RPI-78 was as effective as morphine at blocking pain signals in that part of the brain that signals the presence of pain. It was also confirmed that the drug did not use an opioid mechanism. Moreover, the duration of RPI-78's effect was superior to morphine's.

- In November 2007, the Designer Diagnostics test kit technology was showcased at the 38th Union World Conference on Lung Health in South Africa. The test kits were used to isolate NTM from clinical samples of 300 AIDS patients and for the first time ever on the Indian subcontinent, M. Wolinskyi was successfully isolated in clinical samples. In addition, these test kits were also used for the first time to isolate NTM from soil and water samples collected from the environment of patients with NTM disease.

- In November 2007, Designer Diagnostics was featured in an article published in the International Journal of TB and Lung Diseases. The article, which was authored by leading NonTuberculous Mycobacterium (NTM) research scientist, Dr. Rahul Narang, covered Designer Diagnostics' paraffin culture technology to isolate NTM.

- In December 2007, ReceptoPharm successfully completed its six-month patient crossover in the Phase IIb/IIIa clinical trial for the treatment of Adrenomyeloneuropathy (AMN).

- On December 27, 2007 the Company expanded its licensing agreement with NanoLogix, Inc., to include intellectual property for the use of testing the environment for NonTuberculous Mycobacterium (NTM).

- In February 2008, Designer Diagnostics started marketing the first-ever environmental test kit for the detection of Nontuberculous Mycobacteria (NTM) in water and soil.

- On April 10, 2008, we completed the acquisition of ReceptoPharm through our purchase of their remaining 61.9% interest. ReceptoPharm is now our wholly owned subsidiary and will act as our Drug Discovery division.

OUR TWELVE-MONTH PLAN OF OPERATIONS PENDING ADEQUATE FINANCING

We intend to accomplish the following regarding our Plan of Operations over the next twelve months.

Designer Diagnostics, Inc.

Designer Diagnostics' NTM Test Kits are now being marketed and will continue to be marketed to a global audience, including:

· Hospitals;

· Pharmaceutical companies;

· Biotechnology companies;

· Medical device distributors;

· Governmental organizations;

· Environmental testing facilities; and

· Government water and soil testing facilities at the local, state and federal levels.

Over the next twelve months, Designer Diagnostics will attempt to distribute the test kits to the above companies and organizations. Our first sales occurred during our second quarter of 2006. When and if sales of the test kits exceed our operating budget, we will use the test kit proceeds to fund drug research and clinical studies in the area of MS and HIV.

Third-party researchers are currently validating Designer Diagnostics' TB Test Kit and we anticipate research completion some time in 2008. Additionally, the test kits are now utilized for environmental analysis for the presence of NTM in the water and/or soil. This allows investigators to easily find the source of contamination and may greatly reduce NTM infections and outbreaks.

Designer Diagnostics' President will attempt to develop a distribution network and actively market the test kits to supply administrators of companies and/or governmental organizations in the following markets: hospitals; pharmaceutical; biotechnology; medical device distributors. Designer Diagnostics will also attempt to acquire other medical diagnostic products to develop that same distribution market. Designer Diagnostic's President will also seek license agreements to develop revenue streams consisting of drug discovery, drug development, and new medical device technologies.

ReceptoPharm

Clinical Studies

In January of 2007, ReceptoPharm began their clinical study in AMN.

AMN is a genetic disorder that affects the central nervous system. The disease causes neurological disability that is slowly progressive over several decades. Throughout our twelve month Plan of Operations and for 3 months thereafter, ReceptoPharm plans to conduct clinical studies of its AMN drug. The study is underway and completed its patient recruitment process and is being conducted by the Charles Dent Metabolic Unit located in London, England to conduct a clinical study that provides for:

· Recruitment of 20 patients with AMN;

· Administering ReceptoPharm’s AMN drug under development; and

· Monitoring patients throughout a 15-month protocol.

The clinical study is classified as a Phase IIb/IIIa study and is the final step required for regulatory approval of the drug.

In the areas of HIV and MS, ReceptoPharm plans to complete preclinical studies of its MS drug under development over the next 12 months. These include toxicology studies as well as pharmacokinetic studies required for regulatory approval. ReceptoPharm also plans to conduct clinical studies of its HIV and MS drugs under development. These "Phase II" studies will either prove or disprove the preliminary efficacy of ReceptoPharm's' HIV/MS drugs under development. ReceptoPharm is in the process of attempting to secure agreements with third parties to conduct such clinical studies.

Liabilities and Shareholders’ Equity

Liquidity and Capital Resources

Our independent registered public accounting firm has issued a going concern opinion on our audited financial statements for the fiscal year ended December 31, 2007 since we have experienced recurring net losses and at December 31, 2007 have a working capital deficiency. Further, as stated in Note 1 to our consolidated financial statements for the year ended December 31, 2007, we have experienced significant losses from operations totaling $2,431,178 and $164,951 for the years ended December 31, 2006 and 2007, respectively and had an accumulated deficit of $20,109,094 for the period from our inception to December 31, 2007. We had a working capital and stockholders’ deficit at December 31, 2007 of $1,962,675 and $1,952,725, respectively. Our operations have been largely reliant upon receiving loans from our Chief Executive Officer. At December 31, 2007 and March 31, 2008, we were indebted to our Chief Executive Officer in the amount of $1,944,414 and $812,749, respectively, the funds of which have enabled us to continue our operations. 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.

We have estimated expenses of $500,000 pertaining to our twelve month Plan of Operations or $41,666 of monthly expenditures. Based on our current cash position, we only have enough funds to accomplish our operational plan for a period of three months. Our ability to meet these expenses is dependent upon our ability to raise additional capital or our management loaning us sufficient funds to meet our expenses.

We will attempt to satisfy our estimated cash requirements for our twelve month Plan of Operations through the sale of Designer Diagnostics' test kits; however, if sales do not achieve adequate levels to provide for our operations, we will be have to raise additional capital through divestiture of assets, a private placement of our equity securities or, if necessary, possibly through shareholder loans or traditional bank financing or a debt offering; however, because we are a development stage company with a limited operating history and a poor financial condition, we may be unsuccessful in obtaining shareholder loans, conducting a private placement of equity or debt securities, or in obtaining bank financing. In addition, if we only have nominal funds by which to conduct our operations, we may have to curtail our research and development activities, which will negatively impact development of our possible products.

We have no alternative Plan of Operations. In the event that we do not obtain adequate financing to complete our Plan of Operations or if we do not adequately implement an alternative plan of operations that enables us to conduct operations without having received adequate financing, we may have to liquidate our business and undertake any or all of the following actions:

- Sell or dispose of our assets, if any;
- Pay our liabilities in order of priority, if we have available cash to pay such liabilities;
- If any cash remains after we satisfy amounts due to our creditors, distribute any remaining cash to our shareholders in an amount equal to the net market value of our net assets;
- File a Certificate of Dissolution with the State of California to dissolve our corporation and close our business;
- Make the appropriate filings with the Securities and Exchange Commission so that we will no longer be required to file periodic and other required reports with the Securities and Exchange Commission, if, in fact, we are a reporting company at that time; and
- Make the appropriate filings with the National Association of Security Dealers to effect a delisting of our common stock, if, in fact, our common stock is trading on the Over-the-Counter Bulletin Board at that time.

Based upon our current assets, however, we will not have the ability to distribute any cash to our shareholders. If we have any liabilities that we are unable to satisfy and we qualify for protection under the U.S. Bankruptcy Code, we may voluntarily file for reorganization under Chapter 11 or liquidation under Chapter 7. Our creditors may also file a Chapter 7 or Chapter 11 bankruptcy action against us. If our creditors or we file for Chapter 7 or Chapter 11 bankruptcy, our creditors will take priority over our shareholders. If we fail to file for bankruptcy under Chapter 7 or Chapter 11 and we have creditors, such creditors may institute proceedings against us seeking forfeiture of our assets, if any.

We do not know and cannot determine which, if any, of these actions we will be forced to take. If any of these foregoing events occur, you could lose your entire investment in our shares.

Item 7. Financial Statements

The Financial Statements appear in a separate section of this report following Part III

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 8A. Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, as of December 31, 2007, the end of the period covered by this Annual Report on Form 10-KSB, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. This evaluation was carried out by our sole executive officer Rik Deitsch, who is our Chief Executive Officer and Principal Financial Officer, and a member of our board of directors. Based upon his evaluation, Mr. Deitsch concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

Changes in internal controls over financial reporting

There have been no changes in our system of internal control over financial reporting in connection with the evaluation by our Chief Executive Officer and Principal Financial Officer during our fiscal quarter ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 8B. Other Information

None.

PART III

Item 9. Directors and Executive Officers of the Registrant

Directors and Executive Officers

Our Board of Directors elects our executive officers annually. Directors are elected to hold office until the next annual meeting. A majority vote of the directors who are in office is required to fill vacancies of our Board of Directors not caused by removal. Each director, including a Director elected to fill a vacancy, will hold office until the expiration of the term for which the Director was elected and until a successor has been elected. Our directors and executive officers are as follows:

Listed below are our executive officers and directors as of December 31, 2007(3)

Name	Age	Position with the Company	Director Since
Rik J. Deitsch	40	Chairman, President, Chief Executive Officer, and Chief Financial Officer	2002
Stanley J Cherelstein	49	Director (1)	2004
Stewart Lonky, M.D.	61	Director (2)	2004

(1) Stanley Cherelstein is the Chairman of our Audit Committee and Compensation Committee. Additionally, he is our Audit Committee Financial Expert.

(2) Dr. Lonky is a member of our Audit Committee and Compensation Committee.

(3) On May 8, 2007, Dr. Tanvir Khandaker resigned as our Director. He resigned from his position as our Director to devote his time to other business interests and his resignation was not due to any disagreement with our operations, policies or procedures. .

Rik J. Deitsch has been our President, Chief Executive Officer, Chief Financial Officer, and a Director since November 7, 2002 and our Chairman of the Board from December 15, 2003 until June 1, 2005 and from April 1, 2006 to present. From February 1998 through November 2002, Mr. Deitsch served as the President of NDA Consulting Inc., a biotechnology research group that provided consulting services to the pharmaceutical industry. NDA Consulting specializes in the research of peptides derived from Cone Snail venom and Cobra venom. In October 1999, Mr. Deitsch founded Wellness Industries, a private corporation that provides formulations, research and education in the dietary supplement industry. Research conducted by Rik J Deitsch provided some of the beginning fundamentals for the development of drugs being studied for the treatment of cancer and intractable pain. Mr. Deitsch has several papers and posters on rational drug design using computer simulations. Mr. Deitsch received a B.S. in Chemistry and an M.S. in Biochemistry from Florida Atlantic University in June 1997 and December 1999, respectively. Throughout 1999 and 2000, he conducted research for the Duke University Medical School Comprehensive Cancer Center. Mr. Deitsch is an adjunct professor and teaches several courses for Florida Atlantic University's College of Business and Continuing Education Department. Mr. Deitsch also teaches physician CME courses internationally, lecturing on lifestyle choices in the prevention and treatment of chronic disease states. He is also the co-author of Are You Age-Wise, a book that reviews current research in healthy aging as it relates to lifestyle choices and supplementation. Mr. Deitsch has been the Chairman of Waiora's Scientific Advisory Board since April 2004. Waiora develops and markets natural, science-based dietary supplements and personal care products that provide healthy aging solutions.

Stanley J. Cherelstein has been our Director since September 28, 2004. Since December 2003, Mr. Cherelstein has been the Chief Executive Officer and President of Waiora, Inc., which develops and distributes Healthy Aging products. From August 2002 to July 2003, Mr. Cherelstein was the President and Chief Operating Officer of Unicity, Inc., a $300 million nutritional supplement company with offices in thirteen countries in North America, Asia and Europe. From July 2001 to August 2002, Mr. Cherelstein was the Chief Operating Officer of Unicity where he was responsible for global operations including supply chain, distribution, information technology, customer service, human resources and finance. From July 1999 to July 2001, Mr. Cherelstein served as the Senior Vice President of Finance and Operations at Rexall Showcase International (RSI), a division of Rexall Sundown. RSI was a $180 million nutritional supplement company that operated in the USA, Japan, Korea, Taiwan and Hong Kong. From July 1997 to July 1999, Mr. Cherelstein served as Vice President of Finance at RSI. Mr. Cherelstein began his career in

public accounting at the firm of Cooper's and Lybrand where he worked for a total of five years from 1983 to 1988, including three years in auditing and two years in management consulting. In April 1983, Mr. Cherelstein received a B.S. Degree in Business and Accounting from the University of Pittsburgh.

Dr. Stewart Lonky has been our director since November 5, 2004. Dr. Lonky is a co-founder of the Trylon Corporation, a medical test kit firm located in Torrance, California and has served as its Chief Medical Officer since 1990. Trylon Corporation has developed diagnostic products for the early diagnosis of cervical and oral cancer, and in connection with that Dr. Lonky's responsibilities have included product development, the direction of clinical research and interacting with regulatory agencies, including the U.S. Food and Drug Administration (FDA). In these roles he has been instrumental in successfully bringing a number of products to the medical marketplace. He has continued to be engaged in both clinical and biochemical research, and has published research articles in the peer-reviewed literature in the areas of cervical cancer and cellular pathophysiology. Dr. Lonky has been a practicing physician in the Los Angeles Area since 1982. He is Board Certified in Internal Medicine, Pulmonary Medicine, and Critical Care Medicine. Prior to entering practice, Dr. Lonky served as a full-time faculty member at the University of California, San Diego in the Department of Medicine, Pulmonary Division, where he was engaged in research in the biochemistry of lung injury. He was a National Institutes of Health (NIH) Postdoctoral Fellow from 1974-77. He has published over twenty articles and abstracts in the peer-reviewed literature during that time, and authored two book chapters.

Family Relationships

None

Legal Proceedings

Our directors, executive officers and control persons have not been involved in any of the following events during the past five years:

1. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or

4. being found by a court of competent jurisdiction (in a civil action),the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Section 16(a) Compliance of Officers and Directors

Based upon our review of Forms 3, 4, and 5 furnished to us during the last fiscal year, all of our officers, directors and persons holding more than ten percent of our equity securities have filed the reports required of them to be filed pursuant to Section 16(a) of the Exchange Act.

Corporate Governance:

a. Director Independence
Our common stock is quoted on the OTC Bulletin Board; that trading medium does not have director independence requirements. Under Item 407(a) of Regulation S-K (check), we have adopted the definition of independence used by the American Stock Exchange, which may be found in the American Stock Exchange Company guide at (s) 121(A)(2) (2007). This definition states that our Board of Directors must affirmatively determine whether any of our directors

have a relationship that would interfere with the exercise of independent judgment in carrying out their responsibilities of a director. Based on this definitional standard, our Board of Directors has determined that Directors Cherelstein and Lonky are our independent directors.

b. Committees

(i) Audit Committee

On November 5, 2004, our Board of Directors established an Audit Committee. We do not have an audit committee charter. Mr. Cherelstein and Dr. Lonky serve on the Audit Committee. Mr. Cherelstein is the Chairman of the Audit Committee and also the audit committee financial expert. During our 2007 Fiscal Year, our Audit Committee met four times, the last committee meeting of which occurred on April 11, 2008, in connection with our 2007 Fiscal Year audit, at which time the audit committee reviewed the audited financial statements and related notes. The Audit Committee meets on a quarterly basis to review the quarterly financials. The Audit Committee addresses any questions it has to our Board members and officers, and our principal independent accountants.

(ii) Compensation Committee
On November 5, 2004, our Board of Directors established a Compensation Committee. We do not have a Compensation Committee Charter. Mr. Cherlestein and Dr. Lonky serve on our Compensation Committee and Mr. Cherestein is the Compensation Committee's Chairman. During our 2007 Fiscal year, our Compensation Committee met one (1) time. Our Compensation Committee reviews all salaries, expenses, stock plans, and other compensation paid to our officers, directors, consultants, and others. Our Compensation Committee has not adopted any specific processes or procedures for considering executive and director compensation.

(iii) Nominating Committee

We do not have a Nominating Committee or similar committee performing similar functions nor a written Nominating Committee Charter. Our Board of Directors as a whole decides such matters, including those that would be performed by a standing nominating committee. We have not yet adopted a nominating committee because we have not sufficiently developed revenue generating operations. We do not currently have any specific or minimum criteria for the election of nominees to our Board of Directors nor do we have any process or procedure for evaluating such nominees.

c. Shareholder Communications

Our Board of Directors does not have any defined policy or procedure requirements for our stockholders to send communications to our Board of Directors, including submission of recommendations for nominating directors. We have not yet adopted a process for our security holders to communicate with our Board of Directors because we have not sufficiently developed our operations and corporate governance structure. We do have a toll-free number available on our website for our shareholders to contact us.

d. Board of Director Meetings.

We had no Board of Directors meetings during our 2007 Fiscal Year. Our corporate actions that were subject to Board approval were accomplished by Board resolutions. We request that all of our Directors attend our Board of Director meetings; however, we have no formal policy regarding their attendance.

e. Annual Shareholder Meetings

We held no annual shareholder meeting during 2007.

We request that all of our Directors attend our Annual Shareholder Meetings; however, we have no formal policy regarding their attendance.

34

f. Code of Ethics

We have a code of ethics that applies to all of our employees including its principal executive officer, principal financial officer and principal accounting officer. A copy of this code is available without charge on our website at www.nutrapharma.com. We intend to disclose any changes in or waivers from our code of ethics by posting such information on our website or by filing a Form 8-K.

Item 10. Executive Compensation

The following table summarizes compensation information for the last two fiscal years for (i) our Chief Executive Officer and (ii) the four most highly compensated executive officers other than the Chief Executive Officer who were serving as our executive officers at the end of the fiscal year (collectively, the "Named Executive Officers").

The following executive compensation disclosure reflects all compensation awarded to, earned by or paid to the executive officers below, for the fiscal years ended December 31, 2007 and 2006.

SUMMARY COMPENSATION TABLE

Name and principal position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non- Equity Incentive Plan Compen- sation ($)	Nonqualified Deferred Compen- sation Earnings ($)	All Other Compen- sation ($)	Total ($)
Rik Deitsch	2007	130,000	—	—	—	—	—	—	130,000
Chief Executive Officer, Chief Financial Officer, President and Chairman of the Board	2006	130,000	—	—	—	—	—	—	130,000

Director Compensation

There are no standard arrangements to which directors are compensated for services provided to us.

Stock Option Grants in Last Fiscal Year

We did not grant incentive and non-qualified stock options in 2007 to any executive officer.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following tables sets forth, as of March 31, 2008, certain information with respect to the beneficial ownership of our common stock by each stockholder known by us to be the beneficial owner of more than 5% of our common stock and by each of our current directors and executive officers. Each person has sole voting and investment power with respect to the shares of common stock, except as otherwise indicated. Information relating to beneficial ownership of common stock by our principal stockholders and management is based upon information furnished by each person using "beneficial ownership" concepts under the rules of the Securities and Exchange Commission. Under these rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or direct the voting of the security, or investment power, which includes the power to vote or direct the voting of the security. The person is also deemed to be a beneficial owner of any security of which that person has a right to acquire beneficial ownership within 60 days.

Under the Securities and Exchange Commission rules, more than one person may be deemed to be a beneficial owner of the same securities, and a person may be deemed to be a beneficial owner of securities as to which he or she may not have any pecuniary beneficial interest. We are unaware of any contract or arrangement that could result in a change in control of our company.

The following table assumes based on our stock records, that there are 166,635,682 shares issued and outstanding as of March 31, 2008.

Security Ownership of Beneficial Owners

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percent of Common Stock Outstanding
Opus International* 19 Hillsyde Court Cockeysville, Maryland 21030	11,692,556	7.0%
Total	11,692,556	7.0%

*On April 13, 2005, Opus International filed an amendment to Schedule 13D reporting that its 11,692,556 shares were purportedly pledged as collateral for a $2.5 million loan from Clarisco Stiftung. Opus International is a limited liability company organized under Maryland law. Opus International appears to have been controlled at various times by our former Chairman of the Board, Zirk Engelbrecht, and his then wife, Marcy Engelbrecht. We have attempted to ascertain from Opus International other information we consider regarding Opus International's reporting obligations; however, Opus International has failed to respond to our request for information. We have, however, been advised that the purported collateral, i.e. the stock certificate, provided by Opus International to Clarisco Stiftung, may not be perfected or be in negotiable form. We have been unable to obtain any additional information regarding the status of this matter.

Security Ownership of Management

Name and Address of Director or Executive Officer	Shares of Common Stock	Percent of Common Stock Outstanding

	Beneficially Owned	
Rik J. Deitsch Chief Executive Officer/President 791 Park of Commerce Blvd Suite 300 Boca Raton, Florida 33487	54,500,000	32.7%
Stanley J Cherelstein Director 791 Park of Commerce Blvd. Suite 300 Boca Raton, Florida 33487	3,000,000	1.8%
Dr. Stewart Lonky Director 1158 Chautaqua Boulevard Pacific Palisades, California 90272	3,000,000	1.8%
All executive officers and directors as a group (3) persons	60,500,000	36.3%

Item 12. Certain Relationships and Related Transactions

Loan Transaction Between Our Chief Executive Officer/President and Us

At December 31, 2006, we owed our President, Rik Deitsch $1,153,375 in connection with demand loans made to us by Mr. Deitsch. This amount included $40,000 of accrued interest. During the year ended December 31, 2007, we borrowed an additional $791,000 from Mr. Deitsch. The balance owed to Mr. Deitsch at December 31, 2007 was $1,944,414, which includes accrued interest of $105,039. This demand loan is unsecured and bears interest at a rate of 4.0%. From January 1 through February 8, 2008, Mr. Deitsch loaned us an additional $55,000 for working capital purposes. As a result of these additional loans and accrued interest from January 1 through February 29, 2008, we owed Mr. Deitsch $2,012,749 as of February 29, 2008. On March 14, 2008, our Board of Directors approved an offer made by Mr. Deitsch, to discharge $1,200,000 of Mr. Deitsch's outstanding loan to us in exchange for 48,000,000 shares of restricted common stock. The price per share in this loan conversion was $0.025. After this conversion, the remaining balance of Mr. Deitsch's loan to us was $812,749.

Lease information

Our March 2004 verbal lease agreement between Stan Cherelstein, on Waiora, Inc.'s behalf as its President and Rik Deitsch, as our President and on our behalf, provides for our use of Waiora's lease space at any location that Waiora occupies. From March 2004 to May 2006, we occupied approximately 800 square feet of Waiora's lease office space at 1829 Corporate Drive, Boynton Beach, Florida 33426. As of May 2006, we occupied approximately 800 square feet of Waiora's lease office space at 791 Park of Commerce Boulevard, Suite 300, Boca Raton, Florida 33487. We make no cash payment for the use of this space; instead, we are permitted to use such space in return for our President serving as Waiora's Chairman of its Scientific Advisory Board. The verbal lease agreement further provides that: (a) there is no expiration date to this agreement, but Waiora, Inc may terminate the lease at any time, and it is subject to Waiora's own lease term, which expires May 2008; (b) 800 square feet of office space is allotted specifically to us; (b) Waiora provides us with access to a conference room, office equipment, and a T-1 Internet connection; and (c) Stan Cherelstein serves as one of our Directors and is Chairman of our Audit and Compensation Committees. Our offices are in good condition and are sufficient to conduct our operations.

Item 13. Exhibits

(a) The following Financial Statements are filed as part of this report under Item 7.

(b) The following exhibits are filed herewith or are incorporated by reference to exhibits previously filed with the SEC:

Exhibit Number/Description

3.1	Certificate of Incorporation dated February 1, 2000 (incorporated by reference to the Company's Registration Statement on Form SB-2/A, Registration No. 33-44398, filed on April 6, 2001)
3.2	Certificate of Amendment to Articles of Incorporation dated July 5, 2000 (incorporated by reference to the Company's Registration Statement on Form SB-2/A, Registration No. 33-44398, filed on April 6, 2001)
3.3	Certificate of Amendment to Articles of Incorporation dated October 31, 2001 (incorporated by reference to the Company's Registration Statement on Form SB-2/A, Registration No. 33-44398, filed on April 6, 2001)
10.18	Patent Assignment Agreement dated January 24, 2006 between Nanologix, Inc. and Nutra Pharma Corp. (incorporated by reference to Form 10-KSB for period ending December 31, 2006)
10.19	International License Agreement between NanoLogix, Inc. and Nutra Pharma Corp. (incorporated by reference to Form 10-KSB for period ending December 31, 2006)
14.1	Code of Ethics (incorporated by reference to Report on Form 10-KSB/A filed on May 7, 2004).
21.1	Subsidiaries of Nutra Pharma Corp.
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.

Item 14. Principal Accountant Fees and Services

AUDIT FEES

On February 24, 2005, we engaged the firm of Stark Winter Schenkein & Co., as our new principal independent accountant to audit our financial statements. During our 2006 and 2007 Fiscal Years, we paid Stark Winter Schenkein & Co. audit fees as follows:

2006	2007
$ 35,300	$ 37,900

TAX FEES

No such fees were paid to Stark Winter Schenkein & Co. in 2006 or 2007.

ALL OTHER FEES

No such fees were paid to Stark Winter Schenkein & Co. in 2006 or 2007.

SIGNATURES

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

NUTRA PHARMA CORP.

/s/ Rik J. Deitsch
Rik J. Deitsch, Chairman, President, Chief Executive Officer and Chief Financial Officer

Dated: April 15, 2008

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

Signature	Title	Date
/s/ Rik J. Deitsch Rik J. Deitsch	Chairman of the Board, President, Chief Executive Officer and Chief Financial Officer	April 15, 2008
/s/ Stanley Cherelstein Stanley Cherelstein	Director	April 15, 2008
/s/ Stewart Lonky	Director	April 15, 2008

Stewart Lonky

38

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors
Nutra Pharma Corp.

We have audited the accompanying consolidated balance sheet of Nutra Pharma Corp. (a Development Stage Company) as of December 31, 2007, and the related consolidated statements of operations, stockholders' (deficit)and cash flows for the years ended December 31, 2006 and 2007, and the period from inception (February 1, 2000) through December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The Company's financial statements for the period from inception (February 1, 2000) to December 31, 2003, were audited by other auditors whose report dated April 3, 2004, expresses an unqualified opinion and included a going concern paragraph on those financial statements. The financial statements for the period from inception (February 1, 2000) to December 31, 2003, reflect a net loss of $4,373,948 that is included in the related total for the period from inception (February 1, 2000) to December 31, 2007. The other auditors report has been previously furnished to us, and our opinion, insofar as it relates to the amounts included for such prior period, is based solely on the report of such other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Nutra Pharma Corp. (a Development Stage Company) as of December 31, 2007, and results of its operations and its cash flows for the years ended December 31, 2006 and 2007, and for period from inception (February 1, 2000) through December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred significant losses from operations and has a working capital deficit and no revenue generating operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to this matter are also discussed in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Stark Winter Schenkein & Co., LLP

/s/ Stark Winter Schenkein & Co., LLP

Denver, Colorado
April 9, 2008

F-1

NUTRA PHARMA CORP.
(A Development Stage Company)
Consolidated Balance Sheet
December 31, 2007

ASSETS		
Current assets:		
Cash	$	122,810
Inventory		11,425
Total current assets		134,235
Other assets		9,950
TOTAL ASSETS	$	144,185
LIABILITIES AND STOCKHOLDERS' (DEFICIT)		
Current liabilities:		
Accounts payable	$	22,496
Accrued expenses		30,000
Due to officers		1,944,414
Other loans payable		100,000
Total current liabilities		2,096,910
Stockholders' (deficit):		
Common stock, $0.001 par value, 2.0 billion shares authorized; 81,895,682 shares issued and outstanding		81,896
Additional paid-in capital		18,074,473
(Deficit) accumulated during the development stage		(20,109,094)
Total stockholders' (deficit)		(1,952,725)
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)	$	144,185

See the accompanying notes to the financial statements.

NUTRA PHARMA CORP.
(A Development Stage Company)
Consolidated Statements of Operations

	Years Ended December 31,		For the Period From February 1, 2000 (Inception) Through December 31,
	2006	2007	2007
Sales	$ 20,200	$ -	$ 20,200
Cost of sales	3,472	-	3,472
Gross profit	16,728	-	16,728
Costs and expenses:			
General and administrative	1,385,971	566,921	6,943,393
Research and development	410,920	-	1,740,237
General and administrative - stock based compensation	605,421	603,050	6,929,657
Write-off of advances to potential acquiree	-	-	629,000
Finance costs	-	-	786,000
Interest expense	45,594	76,075	396,059
Amortization of license agreement	-	-	155,210
Amortization of intangibles	-	-	656,732
Losses on settlements	-	-	1,261,284
Write-down of investment in subsidiary	-	-	620,805
Equity in loss of unconsolidated subsidiary	-	-	853,540
Write-off of investment in Portage BioMed	-	-	60,000
Write-off of investment in Xenacare	-	-	175,000
Net gain from deconsolidation of Receptopharm	-	(1,081,095)	(1,081,095)
Total costs and expenses	2,447,906	164,951	20,125,822
Net loss	$ (2,431,178)	$ (164,951)	$ (20,109,094)
Per share information - basic and diluted:			
Loss per common share	$ (0.03)	$ (0.00)	
Weighted average common shares outstanding	71,607,011	77,113,846	

See the accompanying notes to the financial statements.

NUTRA PHARMA CORP.
(A Development Stage Company)
Consolidated Statements of Changes in Stockholders' Equity
Period From Inception (February 1, 2000) to December 31, 2007

	Common Shares	Stock Par Value	Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total
Common stock issued to founders	39,000,000	$ 39,000	$ (37,050)	$ -	$ 1,950
Net loss	-	-	-	(1,950)	(1,950)
Balance - December 31, 2000	39,000,000	39,000	(37,050)	(1,950)	-
Proceeds from sale of common stock - $.025 per share	1,000,000	1,000	24,000	-	25,000
Common stock issued in connection with acquisition - $.025 per share	4,500,000	4,500	108,000	-	112,500
Net loss	-	-	-	(67,504)	(67,504)
Balance - December 31, 2001	44,500,000	44,500	94,950	(69,454)	69,996
Issuance of common stock in exchange for services - $.30 to $1.50 per share	656,000	656	670,874	-	671,530
Return of common stock by principal stockholder	(10,394,000)	(10,394)	10,394	-	
Rescission of common stock issued in acquisition - $.025 per share	-	-	(112,500)	-	(112,500)
Cancellation of common stock issued in connection with rescission of acquisition	(2,037,500)	(2,038)	2,038	-	-
Net loss	-	-	-	(1,491,038)	(1,491,038)
Balance - December 31, 2002	32,724,500	32,724	665,756	(1,560,492)	(862,012)
Issuance of common stock in exchange for services - $.38 to $.76 per share	2,196,828	2,197	1,358,070	-	1,360,267
Cancellation of common stock issued in connection with rescission of acquisition	(2,055,000)	(2,055)	2,055	-	-
Value of common stock issued by stockholder to third party in connection with settlement - $.51 per share	-	-	229,500	-	229,500
Conversion of stockholder loan into common stock - $.08 per share	10,300,000	10,300	1,637,712	-	1,648,012
Value of common stock issued by stockholder to employee for services rendered - $.15 per share	-	-	75,000	-	75,000

Issuance of common stock in connection with acquisition - $.85 per share	4,502,549	4,503	3,822,664		3,827,167
Common stock deemed irretrievable in connection with rescission of acquisition - $.11 per share	-	-	23,375	-	23,375
Net loss	-	-	-	(2,813,456)	(2,813,456)
Balance - December 31, 2003	47,668,877	47,669	7,814,132	(4,373,948)	3,487,853
Cancellation of common stock issued in connection with rescission of acquisition	(199,000)	(199)	199	-	-
Cancellation of common stock issued in connection with settlement with third parties	(120,000)	(120)	120	-	-
Issuance of common stock in connection with acquisition - $.85 per share	775,538	776	658,431	-	659,207
Issuance of common stock in exchange for services - $.24 to $.66 per share	4,054,200	4,054	2,061,942	-	2,065,996
Issuance of common stock for cash - $.17 to $.25 per share	1,285,000	1,285	223,565	-	224,850
Conversion of convertible loans into common stock - $.16 per share	595,067	595	97,405	-	98,000
Common shares subscribed for services - 2,000,000 shares at $.40	-	-	800,000	-	800,000
Common shares subscribed for cash - 4,105,000 shares at $.17	-	-	697,850	-	697,850
Net loss	-	-	-	(7,986,853)	(7,986,853)
Balance - December 31, 2004	54,059,682	54,060	12,353,644	(12,360,801)	46,903
Issuance of shares subscribed for at December 31, 2004	6,105,000	6,105	(6,105)	-	-
Issuance of common stock for cash - $.17 to $.20 per share	5,667,500	5,668	1,104,132	-	1,109,800
Issuance of common stock in exchange for services - $.26 to $.37 per share	2,007,000	2,006	716,499	-	718,505
Issuance of common stock for loan repayment and interest - $.33 per share	1,458,000	1,458	479,682	-	481,140
Issuance of common stock by Receptopharm in exchange for services	-	-	636,685	-	636,685
Value of stock warrants issued to a consultant	-	-	1,500,000	-	1,500,000
Net loss	-	-	-	(5,152,164)	(5,152,164)
Balance - December 31, 2005	69,297,182	69,297	16,784,537	(17,512,965)	(659,131)

Issuance of common stock for cash - $.20 per share	3,110,000	3,110	618,890	-	622,000
Issuance of common stock in exchange for services - $.11 to $.21 per share	873,500	873	123,298	-	124,171
Issuance of common stock by Receptopharm in exchange for services	-	-	11,250	-	11,250
Value of stock options issued to an officer	-	-	260,000	-	260,000
Value of stock warrants issued to a former subsidiary	-	-	210,000	-	210,000
Net loss	-	-	-	(2,431,178)	(2,431,178)
Balance - December 31, 2006	73,280,682	$ 73,281	$ 18,007,976	$ (19,944,143)	$ (1,862,886)
Effect of deconsolidation of Receptopharm	-	-	(647,938)	-	(647,938)
Issuance of common stock in exchange for services - $0.07 per share	8,615,000	8,615	594,435	-	603,050
Common shares subscribed for cash -$0.025 per share	-	-	120,000	-	120,000
Net loss	-	-	-	(164,951)	(164,951)
Balance - December 31, 2007	81,895,682	$ 81,896	$ 18,074,473	$ (20,109,094)	$ (1,952,725)

See the accompanying notes to the financial statements.

NUTRA PHARMA CORP.
(A Development Stage Company)
Consolidated Statements of Cash Flows

	Years Ended December 31, 2006	2007	For the Period From February 1, 2000 (Inception) Through December 31, 2007
Cash flows from operating activities:			
Net loss	$ (2,431,178)	$ (164,951)	$ (20,109,094)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of intangibles	-	-	656,732
Amortization of license agreement	-	-	155,210
Depreciation	22,649	-	64,700
Write-off of advances to potential acquiree	-	-	629,000
Deconsolidation of Receptopharm	-	(1,252,244)	(1,252,244)
Stock-based compensation	605,420	603,050	9,038,403
Finance costs in connection with conversion of stockholder loan into common stock	-	-	786,000
Expenses paid by stockholder	-	-	474,140
Losses on settlements	-	-	1,261,284
Write-down of investment in Infectech, Inc.	-	-	620,805
Equity in loss of unconsolidated subsidiary	-	-	853,540
Write-down of investment in Portage BioMed	-	-	60,000
Write-down of investment in Xenacare	-	-	175,000
Non-cash interest expense	45,594	-	315,278
Changes in operating assets and liabilities:			
Increase in inventory	(11,425)	-	(11,425)
Decrease (increase) in other assets	(22,286)	30,644	(6,316)
Increase (decrease) in accounts payable	(5,037)	(21,866)	140,706
Increase (decrease) in accrued expenses	59,182	-	460,169
Net cash (used in) operating activities	(1,737,081)	(805,367)	(5,688,112)
Cash flows from investing activities:			
Cash reduction due to deconsolidation of Infectech	-	-	(2,997)
Cash reduction due to deconsolidation of Receptopharm	-	(1,754)	(1,754)
Cash acquired in acquisition of Infectech	-	-	3,004
Acquisition of property and equipment	(9,889)	-	(96,029)
Investments carried at cost	-	-	(235,000)
Net cash (used in) investing activities	(9,889)	(1,754)	(332,776)
Cash flows from financing activities:			
Common stock issued for cash	622,000	120,000	2,799,500
Proceeds from convertible loans	-	-	304,750

Proceeds from notes payable	100,000	-	100,000
Loans from stockholders, net of repayments	974,835	791,039	2,939,448
Net cash provided by financing activities	1,696,835	911,039	6,143,698
Net increase (decrease) in cash	(50,135)	103,918	122,810
Cash - beginning of period	69,027	18,892	-
Cash - end of period	$ 18,892	$ 122,810	$ 122,810
Supplemental Cash Flow Information:			
Cash paid for interest	$ -	$ -	$ -
Cash paid for income taxes	$ -	$ -	$ -
Non-cash investing and financing activities:			
Assumption of obligation under license agreement	$ -	$ -	$ 1,750,000
Value of shares issued as consideration in acquisition of Nutra Pharma, Inc.	$ -	$ -	$ 112,500
Payments of license fee obligation by stockholder	$ -	$ -	$ 208,550
Conversion of stockholder loan to common stock	$ -	$ -	$ 862,012
Loan advances to Bio Therapeutics, Inc. by stockholder	$ -	$ -	$ 629,000
Value of common stock issued as consideration in acquisition of Infectech, Inc.	$ -	$ -	$ 4,486,375
Liabilities assumed in acquisition of Infectech, Inc.			$ 115,586
Cancellation of common stock	$ -	$ -	$ 14,806
Value of common stock issued by stockholder to third party in connection with settlement	$ -	$ -	$ 229,500
Value of common stock issued by stockholder to employee for services rendered	$ -	$ -	$ 75,000
Net deferred taxes recorded in connection with acquisition	$ -	$ -	$ 967,586
Notes payable settled with common stock	$ -	$ -	$ 98,000
Settlement of stockholder loan in exchange for common stock of subsidiary	$ -	$ -	$ 1,384,931
Settment of debt with common stock	$ -	$ -	$ 206,750
Expenses paid by stockhoder	$ -	$ -	$ 119,140

See the accompanying notes to the financial statements.

NUTRA PHARMA CORP.
(A Development Stage Company)
Notes to Consolidated Financial Statements
December 31, 2007

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Nutra Pharma Corp., a development stage company ("Nutra Pharma" or "the Parent") 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.

Basis of Presentation

The Company's 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 significant losses from operations aggregating $2,431,178 and $164,951 for the years ended December 31, 2006 and 2007, and has an accumulated deficit of $20,109,094 for the period from inception to December 31, 2007. In addition, the Company had working capital and stockholders' deficits at December 31, 2007 of $1,962,675 and $1,952,725 respectively and has no significant revenue generating operations.

The Company's ability to continue as a going concern is contingent upon its ability to secure additional financing, increase ownership equity and attain profitable operations. In addition, the Company's 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 the Company operates.

The Company is pursuing financing for its operations and seeking additional investments. In addition, the Company is seeking to establish a revenue base.
Failure to secure such financing or to raise additional equity capital and to establish a revenue base may result in the Company depleting its available funds and not being able pay its obligations.

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.

Principles of Consolidation

The consolidated financial statements presented herein include the accounts of Nutra Pharma and its subsidiary Designer Diagnostics Inc. (collectively the "Company"). In addition, the Company consolidated Nanologix, Inc. (formerly known as "Infectech, Inc.") during the period from October 31, 2003 through September 28, 2004 (see Note 3). The Company also consolidated Receptopharm Inc. during the period from February 1, 2004 through March 31, 2007 (see Note 4).

All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require management to make 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. Actual results may differ from these 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. The following policies reflect specific criteria for the various revenues streams of the Company:

Revenue is recognized at the time the product is delivered. Provision for sales returns will be estimated based on the Company's historical return experience. Revenue will be presented net of returns.

Cash and Cash Equivalents

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

Fair Value of Financial Instruments

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2007. The respective carrying value of certain on-balance-sheet financial instruments, approximate their fair values. These financial instruments include cash, accounts payable, accrued expenses, loans payable and due to officers. Fair values were assumed to approximate carrying values for these financial instruments because they are short term in nature and their carrying amounts approximate fair values or they are receivable or payable on demand.

Property and Equipment

Property and equipment is recorded at cost. Expenditures for major improvements and additions are added to property and equipment, while replacements, maintenance and repairs which do not extend the useful lives are expensed.

Long Lived Assets

The carrying value of long-lived assets is reviewed on a regular basis for the existence of facts and circumstances that suggest impairment. Should there be an impairment, the Company measures 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 from the impaired assets.

Research and Development

Research and development is charged to operations as incurred.

Income Taxes

The Company follows SFAS 109 "Accounting for Income Taxes" for recording the provision for income taxes. Deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

Loss per Share

The Company calculates net income (loss) per share as required by Statement of Financial Accounting Standards (SFAS) 128, "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 is calculated by dividing net income (loss) by the weighted average number of common shares and dilutive common stock equivalents outstanding. During periods in which the Company incurs losses common stock equivalents, if any, are not considered, as their effect would be anti dilutive.

Stock-Based Compensation

In December 2004, the FASB issued SFAS 123 (revised 2004) "Share-Based Payment". This Statement requires that the cost resulting from all share-based transactions be recorded in the financial statements. The Statement 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. The Statement 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. The Statement replaces SFAS 123 "Accounting for Stock-Based Compensation" and supersedes APB Opinion No. 25 "Accounting for Stock Issued to Employees". The provisions of this Statement were effective for the Company beginning January 1, 2006.

Recent Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109” (“FIN 48”), which became effective for us on January 1, 2007. The Interpretation prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The adoption of FIN 48 did not have a material impact on our financial statements for the year ended December 31, 2007.

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements". This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosure about fair value measurement. The implementation of this guidance is not expected to have any impact on the Company's financial statements.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 106, and 132(R)" ("SFAS No. 158"). SFAS No. 158 requires companies to recognize a net liability or asset and an offsetting adjustment to accumulated other comprehensive income to report the funded status of defined benefit pension and other postretirement benefit plans. SFAS No. 158 requires prospective application, recognition and disclosure requirements effective for the Company's fiscal year ending December 31, 2007. Additionally, SFAS No. 158 requires companies to measure plan assets and obligations at their year-end balance sheet date. This requirement is effective for the Company's fiscal year ending December 31, 2009. The Company is currently evaluating the impact of the adoption of SFAS No. 158 and does not expect that it will have a material impact on its financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115 (“FAS 159”). FAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The provisions of FAS 159 will become effective as of the beginning of our 2009 fiscal year. The adoption of these new Statements is not expected to have a material effect on the Company’s financial position, results of operations, or cash flows.

In December 2007, the FASB issued SFAS No. 141 (R) Business Combinations. SFAS 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. SFAS 141R also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The guidance will become effective as of the beginning of the Company’s fiscal year beginning after December 15, 2008. Management believes the adoption of this pronouncement will not have a material impact on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160 Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51. SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The guidance will become effective as of the beginning of the Company’s fiscal year beginning after December 15, 2008. Management believes the adoption of this pronouncement will not have a material impact on the Company's consolidated financial statements.

F-9

2. ACQUISITIONS, JOINT VENTURE AND RESCISSIONS

Acquisition of Nutra Pharma, Inc.

On November 23, 2001, the Company acquired 100% of the issued and outstanding common stock of Nutra Pharma, Inc. ("NPI"), a privately held company, from its sole stockholder, pursuant to an agreement and plan for exchange of common stock. NPI was formed on May 3, 2001 under the laws of the State of Nevada andat the time of this acquisition, its only asset was an exclusive worldwide license agreement (the "License Agreement") to distribute a medicinal compound.The principal products that were intended to be developed from this medicinalcompound were products designed to treat and heal open wounds and other skin disorders such as acne and psoriasis. NPI was a development stage company, as it had not realized any revenue from the date of its inception on May 3, 2001through the date that it was acquired by the Company.

The Company issued 4,500,000 shares of its restricted common stock to NPI's sole stockholder, in exchange for the outstanding common stock of NPI. At the time of the acquisition, NPI owed $1,750,000 to Terra BioPharma, S.A. ("TBPH"), a Panamanian company, as the licensor under the License Agreement. The term of the License Agreement was for a period of five (5) years commencing in May 2001. Payments to TBPH under the License Agreement were to be made in installments through May 2003.

This acquisition was accounted for as the purchase of a license. The Company valued the shares issued in this transaction at $0.025 per share, the price at which the Company sold shares of its common stock in a self-underwritten public offering in May 2001, for a total value of $112,500. The Company recorded the cost of the license at $1,862,500, which was equal to the $1,750,000 owed to TBPH plus the $112,500 value of the 4,500,000 shares issued.
Joint Venture with Terra BioPharma

On January 30, 2002, the Company entered into a Joint Venture Agreement (the "JV Agreement") with TBPH, whereby it acquired a 50% ownership interest in a newly formed Panamanian company called Terra Nutra, S.A. ("Terra Nutra"). This JV Agreement superseded the License Agreement between TBPH and NPI. The purpose of the joint venture was to patent the raw material composition, manufacturing process and various uses of the medicinal compound that was the subject of the License Agreement between TBPH and NPI. Pursuant to the JV Agreement, the parties agreed that the patent for the raw material composition and the patent for the manufacturing process would be owned by TBPH. Terra Nutra would own all future patents for all subsequent uses and products.

As part of the JV Agreement, the Company agreed to pay $1,740,000 to TBPH to secure the exclusive, worldwide distribution rights to all products derived from the medicinal compound. This sum was to be paid in monthly installments of varying amounts over a sixteen (16) month period beginning in July 2002. The Company also agreed to pay all costs associated with purchasing and developing the land that was to be used for growing the raw material that was required to produce the medicinal compound, the costs associated with the construction of a manufacturing plant used to process the raw material and the costs associated with clinical trials and patent applications. The JV Agreement acknowledged that amounts paid toward these costs would be deducted from the amounts owing under the License Agreement. The Company also agreed to pay a 3% royalty to TBPH on gross sales from any product ultimately derived from the medicinal compound.

Rescission of Acquisition of Nutra Pharma Inc., and Joint Venture with Terra BioPharma

On May 14, 2002, the Company notified TBPH of its intent to rescind the JV Agreement. The Company also notified NPI's sole stockholder of its intent to rescind the NPI Agreement to recover the 4,500,000 shares that were issued to NPI's sole stockholder in connection with the November 23, 2001 NPI Agreement. The Company also notified certain other stockholders holding a portion of the 4,500,000 shares of common stock (the "Individual Stockholders") that had received shares through a transfer from NPI's sole stockholder. The notifications specified that the Company had rescinded the NPI Agreement and had instructed its transfer agent to place a stop transfer on all stock certificates that represented the 4,500,000 shares issued in connection with the NPI Agreement.

On October 23, 2002, the Company received a total of 2,037,500 shares of its common stock from a group that included NPI's sole stockholder and other Individual Stockholders. These shares were cancelled and returned to the Company's Treasury.

On December 23, 2002, the Company, and NPI's sole stockholder agreed to rescind the NPI Agreement dated November 23, 2001. Pursuant to a Rescission, Settlement and Release Agreement, NPI's sole stockholder agreed to facilitate the return of 2,092,500 of the 4,500,000 shares of common stock that were issued by the Company in connection with the NPI Agreement. Of the 2,092,500 shares, 2,037,500 were previously returned on October 23, 2002. As part of this Rescission Agreement, upon the receipt by the Company of the additional 55,000 shares, NPI's sole stockholder would receive 450,000 shares of common stock directly from an existing stockholder who was also an Officer and Director of the Company.

On January 17, 2003, the Company received a total of 55,000 shares of its common stock from three Individual Stockholders. These shares were cancelled and returned to the Company's Treasury.

On February 10, 2003, the Company received 1,000,000 shares of its common stock from an Individual Stockholder. These shares were cancelled and returned to Treasury.

On June 19, 2003, the Company received 1,000,000 shares of its common stock from an Individual Stockholder. These shares were cancelled and returned to Treasury.

On January 21, 2004, the Company received 150,000 shares of its common stock from an Individual Stockholder. These shares were cancelled and returned to Treasury.

On February 23, 2004, the Company received 30,000 shares of its common stock from an Individual Stockholder. These shares were cancelled and returned to Treasury.

At March 31, 2004, the Company had an agreement in place to recover an additional 15,000 shares from an Individual Stockholder. Upon the return of those shares in August 2004, a total of 4,287,500 of the 4,500,000 shares originally

issued to NPI's sole stockholder have been returned. The remaining 212,500 shares were deemed by the Company to be irretrievable, and accordingly, the Company recorded a charge to operations of $23,375 in 2003 for these shares.

On May 19, 2004, the Company received 4,000 shares of its common stock from an Individual Stockholder. These shares were cancelled and returned to Treasury. The Company had previously included these 4,000 shares as part of the 212,500 shares that it deemed to irretrievable.

In connection with these transactions, the Company recorded a loss on settlement of $53,340 in 2002, representing the write-off of the carrying value of the unamortized license agreement of $1,707,290, the cancellation of the remaining obligation to TBPH of $1,541,450 and the reduction to additional paid-in capital for the value of the common shares issued to NPI's sole stockholder of $112,500. Common shares received subsequent thereto have been cancelled and reflected as a reduction in the par value of common stock and a corresponding increase in additional paid-in capital. In addition, the 450,000 common shares transferred to NPI's sole stockholder by a stockholder of the Company was valued at market value of $229,500 on the date of transfer and has been recorded as a charge to operations in 2003 with a corresponding increase to additional paid-in capital.

Failed Acquisition of Bio Therapeutics, Inc.:

On May 30, 2002, the Company entered into a definitive agreement (the "Share Exchange Agreement") to acquire 100% of the issued and outstanding common stock of Bio Therapeutics, Inc. ("Bio Therapeutics"), a privately held Florida corporation. Pursuant to this Share Exchange Agreement, the Company was obligated to issue 11,137,139 shares of common stock in exchange for an equal number of shares of Bio Therapeutics, which represented 100% of the issued and outstanding common stock of Bio Therapeutics. The Share Exchange Agreement also contained a provision that in the event the Company's common stock was trading below $2.40 on the closing date, the Company would be obligated to issue additional shares of its common stock to the stockholders of Bio Therapeutics in order to ascribe a final value of $2.40 for each share of Bio Therapeutics stock. In addition, as part of this Share Exchange Agreement, the Company agreed to loan Bio Therapeutics up to $500,000 for working capital purposes. The closing of this transaction was contingent upon the Company raising a minimum of $1,500,000 through a private placement of its common stock. The Share Exchange Agreement also provided that the shares of the Company and the shares Bio Therapeutics that are being exchanged would be held by an escrow agent, who would hold all of the subject shares, and release them to the respective parties, only upon receiving written proof that the Company had successfully raised a minimum of $1,500,000.

On August 12, 2002, the Company entered into a Closing Agreement for the Exchange of Common Stock (the "Closing Agreement"), which amended the Share Exchange Agreement between the parties. The Closing Agreement stipulated that: (i) the Company had satisfied its obligation to loan up to $500,000 to Bio Therapeutics, and (ii) the closing shall take place in two phases. In connection with the First Closing, the Company was obligated to issue 11,130,889 shares of its common stock in exchange for an equal amount of Bio Therapeutics common stock, which represented 100% of the issued and outstanding common stock of Bio Therapeutics. All share certificates to be issued by each party would be issued to a Trustee who would hold the shares until the Final Closing. The Final Closing was contingent upon the Company raising a minimum of $1,500,000 through a private placement of its common stock.

On September 27, 2002, the parties further amended the Closing Agreement as follows: (i) the number of shares to be issued by the Company in exchange for 100% of the issued and outstanding shares of Bio Therapeutics is now 1,790,889, and (ii) in the event that the Company's common stock was trading below $1.20 on the closing date, the Company would be obligated to issue additional shares of its common stock to the shareholders of Bio Therapeutics in order to ascribe a final value of $1.20 for each share of Bio Therapeutics stock.

As of December 31, 2002, the Company had written off its loan receivable balance of $629,000, due to uncertainty about the extent and timing of collection.

On April 23, 2003, Bio Therapeutics withdrew from and terminated the Share Exchange Agreement due to the fact that the Company had been unsuccessful in raising the minimum amount of $1,500,000 through a private placement of its common stock. Upon the termination of the Share Exchange Agreement, the Trustee returned certificates representing a total of 9,156,961 shares of the Company's common stock to the Company for cancellation. The Trustee returned an equal amount of Bio Therapeutics stock to Bio Therapeutics's legal counsel. The number of shares returned by the Trustee to the Company and Bio Therapeutics in connection with the termination of the Share Exchange Agreement represented 100% of the shares issued by each party.

On May 21, 2003, the Company commenced legal proceedings against Bio Therapeutics in order to collect amounts owing under the loan that the Company made to Bio Therapeutics in connection with the Share Exchange Agreement.

On November 14, 2003, the Company entered into a final Settlement Agreement (the "Settlement") with Bio Therapeutics. The Settlement provided for the dismissal of the lawsuit that the Company initiated against Bio Therapeutics. The Settlement also provided the Company with a non-exclusive license to certain intellectual property of Bio Therapeutics, including patents and patents pending for the development of therapies for Multiple Sclerosis and HIV. Also as part of the Settlement, the Company agreed to extinguish the entire amount of the loan receivable from Bio Therapeutics. With respect to the license received in connection with the Settlement, the Company deemed it to have a nominal value as its fair market value was not readily ascertainable. See Note 12.

3. NANOLOGIX, INC. (FORMERLY INFECTECH, INC.)

On September 19, 2003, the Company entered into an agreement (“Acquisition Agreement”) to acquire up to 100% of the issued and outstanding common stock of Nanologix, Inc., a Delaware corporation (“Nanologix”). Nanologix is a development stage company based in Sharon, Pennsylvania, which is engaged in the development of diagnostic test kits used for the rapid identification of infectious human and animal diseases. Nanologix owns patented technologies, which allow for the rapid detection of disease-causing pathogens. Nanologix also owns a patented technology designed for use in the bioremediation of contaminated soil and water.

The Acquisition Agreement provided for the acquisition by the Company of up to 100% of the issued and outstanding common stock of Nanologix, through an exchange of one (1) share of the Company’s common stock for every two (2) shares of Nanologix common stock. The Company recorded the acquisition of Nanologix as the purchase of assets, principally patents and other intangibles. The value of the Company’s common stock issued in connection with this transaction was $0.85 per share, which was the market value of the Company’s common stock on September 22, 2003, the date the terms of the acquisition were agreed to and announced.

Through December 31, 2003, the Company issued an aggregate of 4,502,549 shares of its common stock in exchange for 9,005,098 shares of Nanologix common stock. This initial exchange resulted in the Company owning approximately 58% of the issued and outstanding common stock of Nanologix. In January 2004, the Company issued an additional 426,275 shares of its common stock, in exchange for 852,550 shares of Nanologix common stock. In September 2004, the Company issued an additional 293,288 shares of its common stock in exchange for 586,576 shares of Nanologix common stock. These exchanges increased the Company’s ownership interest in Nanologix from 58% to 67%.

On September 28, 2004, the Company transferred 6,000,000 shares of Nanologix, Inc. common stock to a shareholder of Nutra Pharma, to discharge a $1,384,931 demand loan from such shareholder. After giving effect to this transfer, the Company owned a total of 4,444,224 shares or approximately 29% of the issued and outstanding common stock of Nanologix (which was 15,537,050 shares).

Subsequent to September 28, 2004, the Company owned a minority interest in Nanologix and accordingly, applied the equity method of accounting to its investment in Nanologix. The Company's share of Nanologix's earnings or losses is included in its statement of operations as a single amount. During the year ended December 31, 2004, Nanologix incurred a loss of $6,658,838. The Company's portion of the loss using the equity method of accounting of $1,664,710 exceeded the carrying value of the Company's investment which was $853,540 at December 31, 2004, and as such, the $853,540 was charged to operations at December 31, 2004. This charge reduced the carrying value of the Company's investment in Nanologix to $0.

At December 31, 2005, the Company owned a total of 4,556,174 shares of the issued and outstanding common stock of Nanologix. These shares were returned to Nanologix on January 25, 2006, (see below).

The aggregate market value of the Company's 4,556,174 shares of Nanologix common stock, based on the trading price of Nanologix common stock as quoted on the pink sheets of $.08 per share at December 31, 2005, was $364,494.

On January 25, 2006, the Company and Nanologix entered into a definitive agreement pursuant to which Nanologix agreed to assign its ownership of 11 patents to the Company which protect Nanologix' infectious disease diagnostic test kit technology. Nanologix also granted the Company a license to utilize 18 additional patents related to the diagnostic test kits. As consideration, the Company agreed to return 100% or 4,556,174 shares of common stock of Nanologix that it owned to Nanologix. In addition, the Company agreed to pay Nanologix a royalty of 6% of gross sales of any products that are developed which utilize any of the 29 licensed patents. The Company also issued Nanologix a five-year option to purchase 1,000,000 of the Company's common stock at an exercise price of $.20.

4. ACQUISITION OF RECEPTOPHARM, INC.

On December 12, 2003, the Company entered into an acquisition agreement (the "Agreement"), whereby it agreed to acquire up to a 49.5% interest in ReceptoPharm, Inc. ("ReceptoPharm"), a privately held biopharmaceutical company based in Ft. Lauderdale, Florida. ReceptoPharm is a development stage company engaged in the research and development of proprietary therapeutic proteins for the treatment of several chronic viral, autoimmune and neuro-degenerative diseases.

Pursuant to the Agreement, the Company acquired its interest in ReceptoPharm's common equity for $2,000,000 in cash, which equates to a purchase price of $.45 per share. ReceptoPharm intends to use such funds to further research and development, which could significantly impact future results of operations.

At December 31, 2005, the Company had funded a total of $1,860,000 to ReceptoPharm under the Agreement, which equated to a 37% ownership interest in ReceptoPharm. In February 2006, the Company funded an additional $140,000 to ReceptoPharm, thereby completing the $2,000,000 investment. As of December 31, 2006, the Company owned 4,444,445 shares or 38% of the issued and outstanding common equity of ReceptoPharm. In addition to its ownership interest, as of December 31, 2006, the Company had loaned ReceptoPharm $825,000 for working capital purposes.

For accounting purposes, the Company through March 31, 2007, had been treating its capital investment in ReceptoPharm as a vehicle for research and development. Because the Company is solely providing financial support to further the research and development of ReceptoPharm, such amounts are being charged to expense as incurred by ReceptoPharm. ReceptoPharm presently has no ability to fund these activities and is dependent on the Company to fund its operations. In these circumstances, ReceptoPharm is considered a variable interest entity and has been consolidated. The creditors of ReceptoPharm do not have recourse to the general credit of the Company.

Effective in April 2007 the Company ceased advancing funds to Receptopharm and had no further commitment to fund them. As such, the Company deconsolidated Receptopharm from its financial statements at June 30, 2007. This deconsolidation resulted in a gain of $1,081,095. This gain resulted from the Company reversing the net losses of Receptopharm included in its consolidated financial statements and including the net losses as if the equity method had been applied. In addition, the Company wrote off the balance of its investment in ($2,000,000) and advances to ($975,000) Receptopharm as discussed above as they were deemed to be impaired at June 30, 2007.

The Gain was computed as follows:

Net losses included in the consolidated financial statements	$ 4,056,095
Investment advances and equity method losses	(2,975,000)
Gain on deconsolidation	$ 1,081,095

5. SETTLEMENT OF DEMAND LOAN - STOCKHOLDER

From inception to May 2004, the Company funded its ongoing operational costs through unsecured, non-interest bearing, demand loans from certain of its shareholders, which included loans from the Company's former Chairman of the Board, Zirk Engelbrecht. At June 30, 2004, the balance on the loan due to Mr. Engelbrecht was $1,384,931. On August 1, 2004, Mr. Engelbrecht assigned the loan to Opus International, LLC, a company that Mr. Engelbrecht claims is controlled by his wife, Marcy Engelbrecht. On or about August 9, 2004, a Managing Member of Opus International, LLC made a formal demand for repayment of the loan in the amount of $1,384,931.

On September 28, 2004, the Company entered into a settlement agreement with Opus International, which provided for the following terms:

o The transfer of 6,000,000 shares of Nanologix common stock owned by the Company to Opus International, in full and fair settlement of the outstanding debt owed to Opus International.

o Upon the transfer of the Nanologix shares to Opus International, any and all outstanding debt that the Company owed to Opus International was deemed discharged and the Company was released from any and all liability regarding the debt.

o The Company accepted the resignation of Mitchell Felder and David C. McClelland as directors.

In connection with the settlement, the Company recorded a loss of $955,069, representing the difference between the Company's carrying value per share of the Nanologix common stock and the value of the Nanologix common stock ascribed in the settlement which was $0.23 per share.

6. CONVERTIBLE LOANS

In November 2004, in accordance with the terms of completed Subscription Agreements, the Company received total proceeds of $206,750 from four (4) investors. These agreements provide that upon the expiration of a 6 month term from the date of execution, each of the four investors has the option of: (a) being repaid the amount of their investment together with 15% interest per annum; (b) converting their investment into shares of the Company’s common stock at a conversion price of $0.17

per share up to an aggregate of 1,216,176 shares, if all four investors convert; or (c) converting their investment into a number of shares of common stock of the Company equal to the sum of the principal and accrued interest on the note, divided by the conversion price equal to a price which is 35% below (i) the average of the last reported sales prices for the shares of Common Stock on the NASDAQ National Market, the American Stock Exchange, the NASDAQ Small Cap Market or the Over-the-Counter Bulletin Board for the 5 trading days immediately prior to such date or (ii) if there have been no sales on any such market on any applicable day, the average of the highest bid and lowest ask prices on such market at the end of any applicable day, or (iii) if the market value cannot be calculated as of such date on any of the foregoing bases, the Market Price will be at the fair market value as reasonably determined in good faith by our Board of Directors.

Each investor had piggyback registration rights that would have required the Company to register any shares held by them if the Company voluntarily filed a registration statement, or immediately if an investor decided to convert their investment into shares of common stock.

In May 2005, the loan holders amended their original agreements. The new agreements released the Company from its requirements to register the loan holders' shares. Each loan holder received approximately ten percent in additional shares as part of the new agreement. In full settlement of the debt, the Company issued an aggregate of 1,458,000 shares of common stock to settle the debt. The fair value of these shares at the date of the settlement was $481,140. The Company recorded interest expense of $261,782 for the value of the shares in excess of the debt settled. (See Note 8.)

7. DUE TO OFFICERS

At December 31, 2006, the Company owed its President, Rik Deitsch $1,153,375 in connection with demand loans made to the Company by Mr. Deitsch. This amount included $40,000 of accrued interest. During the year ended December 31, 2007, the Company borrowed an additional $791,039 from Mr. Deitsch. The balance owed to Mr. Deitsch at December 31, 2007 was $1,944,414 which includes accrued interest of $105,039. This demand loan is unsecured and bears interest at a rate of 4.0%.

8. STOCKHOLDERS' DEFICIT

On October 31, 2001, Nutra Pharma amended its articles of incorporation to increase the number of authorized shares of common stock from 100,000,000 to 2 billion.

On November 7, 2001, Nutra Pharma affected a 20-for-1 forward stock split which increased the total issued and outstanding shares of common stock from 2,000,000 shares to 40,000,000 shares. All share and per share amounts have been retroactively adjusted for all periods presented to reflect the stock split.

In May 2001, the Company raised $25,000 through the sale of 1,000,000 shares of its common stock at a price of $0.025 per share in a self-underwritten initial public offering.

In November 23, 2001, the Company issued 4,500,000 shares in connection with the acquisition of Nutra Pharma, Inc. (see Note 2 - Acquisitions, Joint Venture and Rescissions). The Company valued the 4,500,000 shares issued in this transaction at a price of $0.025 per share, for a total value of $112,500. The value of $0.025 per share was based on the price at which the Company sold shares of its common stock in an initial public offering in May 2001, the most recent cash transaction of its common stock.

On April 23, 2002, the Company issued 1,000,000 shares of restricted common stock to a lender as collateral for a loan. The loan was never funded and the Company placed a stop transfer order on the stock certificate. The lender is currently in Chapter 11 Bankruptcy. These shares have not been reflected as issued and outstanding.

On May 23, 2002, a stockholder of the Company returned a total of 10,394,000 shares of common stock to the Company for cancellation. The Company did not pay any consideration to the stockholder. Accordingly, the Company adjusted stockholders' equity for the treasury shares with no cost.

In 2002, the Company issued a total of 656,000 shares of restricted common stock to various individuals and companies in exchange for services rendered. These issuances were made at various times throughout the year. The Company recorded stock-based compensation expense of $671,530 to reflect the fair market value of the common stock issued. Fair market value was based on the closing price of the Company's common stock on the date of each grant.

On December 23, 2002, the Company rescinded the NPI Agreement dated November 23, 2001, pursuant to a Rescission, Settlement and Release Agreement. NPI's sole stockholder agreed to facilitate the return of 2,092,500 of the 4,500,000 shares of common stock to the Company for cancellation. Subsequently, through December 31, 2004, an additional 2,199,000 shares were returned to the Company by Individual Stockholders that received shares of common stock of the Company directly from NPI's sole stockholder. The remaining 208,500 shares are deemed by the Company to be irretrievable, and accordingly, the Company recorded a charge to operations of $23,375 for these shares in 2003. As part of this Rescission Agreement, NPI's sole stockholder received 450,000 shares of common stock directly from an existing stockholder who was also an Officer and Director of the Company. The Company recorded a charge to operations of $229,500 in 2003 to reflect the value of the settlement for the benefit of the Company.

In June 2003, a stockholder of the Company transferred 500,000 shares of his common stock to the Company's President/Chief Executive Officer. Such shares were valued at $75,000, the fair market value on the date of the transfer, and the accompanying financial statements have been revised to reflect a charge to operations as compensation with a corresponding increase in additional paid-in-capital.

On June 9, 2003, the Company converted a stockholder loan payable in the amount of $862,012, by issuing 10,300,000 shares of its restricted common stock. The conversion price of $0.08 represented a discount of approximately 50% from the fair market value of the common stock as measured by the closing price on the day prior to the conversion. Accordingly, the Company recorded financing costs of $786,000 in connection with this transaction.

In 2003, the Company issued a total of 2,196,828 shares of restricted common stock, including 15,000 shares issued pursuant to the Company's Equity Compensation Plan to various individuals and companies in exchange for services rendered. Of this total, 1,500,000 shares were issued to officers and directors of the Company. These issuances were made at various times throughout the year. The Company recorded stock-based compensation expense of $1,360,267 to reflect the fair market value of the common stock issued. Fair market value was based on the closing price of the Company's common stock on the date of each grant.

In 2003, the Company issued a total of 4,502,549 shares of common stock in connection with its acquisition of Nanologix, Inc., which was valued at $3,827,167.

During the year ended December 31, 2004, the Company sold 5,390,000 shares of restricted common stock at $.17 per share and received proceeds of $922,700. Of the shares sold 1,285,000 were issued at December 31, 2004, and 4,105,000 shares were recorded as a subscription.

During the year ended December 31, 2004, the Company issued a total of 4,054,200 shares of restricted common stock to various individuals and companies and accepted subscriptions for 2,000,000 shares of common stock from officers and directors in exchange for services rendered. These issuances were made at various times throughout the year. The Company recorded stock-based compensation expense of $2,865,996 to reflect the fair market value of the common stock issued. Fair market value was based on the closing price of the Company's common stock on the date of each grant, which ranged from $0.24 to $0.66 per share.

During the year ended December 31, 2004, the Company issued a total of 775,538 shares of restricted common stock in connection with its acquisition of Nanologix, Inc., which was valued at $0.85 per share for a total of $659,207. This issuance was made in connection with the September 19, 2003, Acquisition Agreement between the Company and Nanologix, Inc.

In June and July 2004, the Company received total proceeds of $98,000 from seven (7) investors. At the expiration of 90 days, each of the seven investors had the option of: (a) being repaid the amount of their investment together with 15% interest; (b) converting their investment into shares of the Company's common stock at the price of $0.20 per share, or (c) converting their investment into shares of common stock of Nanologix, Inc at the price $0.10 per share. Upon the expiration of the 90-day term, each investor opted to convert their investment into Nanologix shares. The Company arranged for a former Nanologix officer/director, Robert Ollar, to deliver his own shares of Nanologix common stock to the seven investors in full satisfaction of the $98,000 that the investors had lent to the Company. These shares did not have a restrictive legend on the certificates. In exchange for Robert Ollar using his 1,590,133 shares of Nanologix, the Company issued him 595,067 shares of its common stock on November 18, 2004.

During 2004 certain third parties returned an aggregate of 120,000 shares of common stock for cancellation.

During the year ended December 31, 2005, the Company sold 790,000 shares of restricted common stock at $.17 per share and received proceeds of $134,300. The Company also issued 4,877,500 shares of restricted common stock at $.20 per share and received proceeds of $975,500.

In May 2005, the Company issued an aggregate of 1,458,000 shares of common stock to settle the debt described in Note 5. The fair value of these shares at the date of the settlement was $481,140. The Company recorded a charge to interest expense of $261,782 for the value of the shares in excess of the debt settled.

In October 2005, the Company entered into a one-year consulting agreement with Xinhua Financial Network whereby Xinhua was retained to introduce the Company to potential strategic and operational partners in The People's Republic of China and elsewhere in Asia. In connection with this agreement, the Company issued a 5 year warrant to purchase 10,000,000 of common stock to Xinhua at a price of $.70. The warrant is callable by the Company at a price of $1.00 in the event that market price for the Company's common stock exceeds $1.00.

The Company recorded stock based compensation expense of $1,500,000 to reflect the fair market value of the warrant on the date of issuance. Fair market value was calculated using the Black-Scholes option pricing model with the following assumptions: expected holding period of 5 years; expected volatility of 125%; risk free interest rate of 4.0%.

During the year ended December 31, 2005, the Company issued a total of 2,007,000 shares of restricted common stock to various consultants in exchange for services rendered. These issuances were made at various times throughout the year. The Company recorded stock-based compensation expense of $718,505 to reflect the fair market value of the common stock issued. Fair market value was based on the closing price of the Company's common stock on the date of each grant, which ranged from $0.26 to $0.37 per share.

During the year ended December 31, 2005, ReceptoPharm issued 1,100,000 shares of its common stock to two of its executive officers for services rendered. The shares were valued at their fair market value of $0.45 per share and the Company recorded a charge to operations of $495,000. ReceptoPharm also issued 314,855 shares of its common stock to two consultants for services rendered. The shares were valued at their fair market value of $0.45 per share and the Company recorded a charge to operations of $141,685.

During the year ended December 31, 2006, the Company sold 3,110,000 shares of restricted common stock at $.20 per share and received proceeds of $622,000.

During the year ended December 31, 2006, the Company issued a total of 873,500 shares of restricted common stock to various consultants in exchange for services rendered. These issuances were made at various times throughout the year. The Company recorded stock-based compensation expense of $124,171 to reflect the fair market value of the common stock issued. Fair market value was based on the closing price of the Company's common stock on the date of each grant, which ranged from $0.11 to $0.21 per share.

During the year ended December 31, 2006, ReceptoPharm issued 25,000 shares of its common stock to a consultant for services rendered. The shares were valued at their fair market value of $0.45 per share and the Company recorded a charge to operations of $11,250.

On June 27, 2007, the Company issued 5,000,000 shares of its common stock to its legal counsel for services. These shares were issued pursuant to an effective registration statement on Form S-8 and were not subject to a vesting period. The fair market value of the shares on the date of grant was $0.07 and accordingly, the Company recorded stock based compensation of $350,000.

On August 27, 2007, the Company issued an aggregate of 615,000 shares of restricted common stock to two consultants in exchange for services rendered. The fair market value of the shares on the date of grant was $0.07 and accordingly, the Company recorded stock based compensation of $43,050.

On August 27, 2007, the Company issued 3,000,000 shares to a consultant in exchange for services rendered. These shares were issued pursuant to an effective registration statement on Form S-8 and were not subject to a vesting period. The fair market value of the shares on the date of grant was $0.07 and accordingly, the Company recorded stock based compensation of $210,000.

In December 2007, the Company sold an aggregate of 4,800,000 shares of restricted common stock at $0.025 per share and received gross proceeds of $120,000. These shares were not issued to the purchasers until March 13, 2008.

Equity Compensation Plans

On December 3, 2003, the Board of Directors of the Company approved the Employee/Consultant Stock Compensation Plan (the "2003 Plan"). The purpose of the
2003 Plan is to further the growth of Nutra Pharma by allowing the Company to compensate employees and consultants who have provided bona fide services to the Company, through the award of common stock of the Company. The maximum number of shares of common stock that may be issued under the 2003 Plan is 2,500,000.

On June 6, 2007 the Board of Directors of the Company approved the 2007 Employee/Consultant Stock Compensation Plan (the "2007 Plan"). The purpose of the 2007 Plan is to further the growth of Nutra Pharma by allowing the Company to compensate employees and consultants who have provided bona fide services to the Company, through the award of common stock of the Company. The maximum number of shares of common stock that may be issued under the 2007 Plan is 25,000,000.

The Board of Directors is responsible for the administration of the 2003 and 2007 Plans and has full authority to grant awards under the Plan. Awards may take the form of stock grants, options or warrants to purchase common stock. The Board of Directors has the authority to determine: (a) the employees and consultants that will receive awards under the Plan, (b) the number of shares, options or warrants to be granted to each employee or consultant, (c) the exercise price, term and vesting periods, if any, in connection with an option grant, and (d) the purchase price and vesting period, if any, in connection with the granting of a warrant to purchase shares of common stock of the Company.

As of December 31, 2007, the Company had issued a total of 2,495,000 shares under the 2003 Plan. These shares were issued to various consultants for services rendered to the Company during 2003 and 2004.

As of December 31, 2007, the Company had issued a total of 8,000,000 shares under the 2007 Plan. Of the total, 5,000,000 shares were issued to our law firm and 3,000,000 were issued to a consultant. These shares were issued in exchange for services rendered to the Company during 2007.

9. STOCK OPTIONS

Nanologix Inc.

On January 25, 2006, the Company and Nanologix entered into a definitive agreement pursuant to which Nanologix agreed to assign its ownership of 11 patents to the Company which protect Nanologix' infectious disease diagnostic test kit technology (See Note 3.) In connection with this agreement, the Company also issued Nanologix a five-year option to purchase 1,000,000 of the Company's common stock at an exercise price of $.20. This option vested immediately on January 25, 2006, the date of grant.

The Company recorded stock based compensation expense of $210,000 to reflect the fair value of the option grant. The fair value of the option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected volatility 125%; risk-free interest rate of 4.0%; expected life of 5 years; and no expected dividends.

Doherty & Company, LLC

On June 1, 2005 the Company retained Doherty & Company, LLC ("Doherty & Company"), to provide the services of Michael Doherty as executive Chairman of the Company. Concurrently, the Company also retained Doherty & Company to act as the Company's agent in connection with prospective private capital-raising activities.

The Company granted a five-year option to purchase Thirteen Million Six Hundred Thousand (13,600,000) shares of the Company's common stock at an exercise price equal to $0.27 per share, vesting over a two-year period. The option expires on May 31, 2010. The initial vesting of 6,800,000 options was contingent on the Company, through the efforts of Mr. Doherty and Doherty & Company, raising at least $500,000 of additional equity, debt or equity linked financing prior to October 31, 2005. This contingency was not met, and as of December 31, 2005, none of the 13,600,000 options were vested.

On April 1, 2006, the Company and Mr. Doherty entered into a termination agreement whereby Mr. Doherty agreed to resign his position as Chairman of Board of the Company. Upon the effectiveness of the termination agreement on April 1, 2006, the Company issued a five-year option to Mr. Doherty to purchase 2,000,000 shares of common stock at an exercise price of $.27 per share. The option vested immediately on the date of grant. The Company recorded stock based compensation expense of $260,000 to reflect the fair value of the option grant. The fair value of the option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected volatility 127%; risk-free interest rate of 4.8%; expected life of 5 years; and no expected dividends.

A summary of stock options is as follows:

	Number of shares	Weighted average exercise price	Weighted average fair value
Balance at December 31, 2005	-		
Issued	3,000,000	$ .25	$ .16
Balance at December 31, 2006 And 2007	3,000,000	$ .25	$ .16

The following table summarizes information about fixed-price stock options**:**

Exercise Prices	Weighted Average Number Outstanding	Weighted Average Contractual Life	Weighted-Average Exercise Price
$.20	1,000,000	3.05 years	$ .20
$.27	2,000,000	.25 years	$ .27
	3,000,000		

All options are vested and exercisable.

In October 2005, the Company entered into a one-year consulting agreement with Xinhua Financial Network (“Xinhua”), providing that Xinhua will introduce us to potential strategic and operational partners in The People's Republic of China and elsewhere in Asia. In connection with this agreement, we issued a 5-year warrant to Xinhua to purchase 10,000,000 shares of our common stock at an exercise price of $.70. The warrant is callable by us a price of $1.00 in the event that our market price exceeds $1.00.

10. INCOME TAXES

The Company accounts for income taxes under SFAS 109, which requires use of the liability method. SFAS 109 provides that deferred tax assets and liabilities are recorded based on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, referred to as temporary differences. Deferred tax assets and liabilities at the end of each period are determined using the currently enacted tax rates applied to taxable income in the periods in which the deferred tax assets and liabilities are expected to be settled or realized.

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before provision for income taxes for the years ended December 31, 2007 and 2006. The sources and tax effects of the differences are as follows:

Income tax provision at the federal statutory rate	34%
Effect of operating losses	(34)%
	0%

As of December 31, 2007, the Company has a net operating loss carry forward of approximately $4,000,000. This loss will be available to offset future taxable income. If not used, this carry forward will expire through 2027. The deferred tax asset of approximately $1,400,000 relating to the operating loss carry forward has been fully reserved at December 31, 2007. The increase in the valuation allowance related to the deferred tax asset was approximately $200,000 during 2007. The principal difference between the accumulated deficit for income tax purposes and for financial reporting purposes results from Stock based compensation of approximately $8,400,000, non-cash finance charges of approximately $1,100,000, non-cash losses on settlements of approximately $1,000,000, non-cash losses related to Nanologix of approximately $1,700,000, losses of Receptopharm, Inc. of approximately $3,000,000 and the amortization on intangibles of approximately $800,000.

11. CONTINGENCIES

On April 4, 2005, a Motion to Enforce Settlement Agreement was filed against the Company in the Circuit Court of Broward County Florida by Bio Therapeutics, Inc. f/k/a Phylomed Corp. in Nutra Pharma Corp. v. Bio Therapeutics, Inc. (17th Judicial Circuit, Case No. 03-008928 (03). This proceeding results from an alleged breach of a settlement agreement that was entered into between Bio Therapeutics and the Company in resolution of a previous lawsuit between the Company and Bio Therapeutics. In conjunction with the settlement agreement, the Company also entered into a related License Agreement and Amendment to the License Agreement (“License Agreement”) with Bio Therapeutics regarding certain pieces of intellectual property owned by Bio Therapeutics. In the April 4, 2005 motion, Bio Therapeutics alleges that the Company breached certain provisions of the License Agreement and requested that the Court grant its motion to enforce the Settlement Agreement by declaring the License Agreement terminated, enjoining the Company from further use of license products that were granted to the Company by the License Agreement, and awarding attorneys’ fees and costs to Bio Therapeutics.

In late 2007, the Company moved for summary judgment on Bio Therapeutics' Motion to Enforce Settlement Agreement and at an oral argument on the motion in February 2008, the Court granted the Company’s motion. The Company is currently waiting for entry of the order granting its motion for summary judgment and denying Bio Therapeutics' Motion to Enforce Settlement Agreement. The Company does not believe that this action will have a material effect upon its operations, and if the license agreement is terminated the Company does not believe that there will be a material negative impact.

12. SUBSEQUENT EVENTS

ADDITIONAL OFFICER LOANS

From January 1 through February 8, 2008, the Company's president Rik Deitsch loaned an additional $55,000 to the Company for working capital purposes. As a result of these additional loans and accrued interest from January 1 through February 29, 2008, the Company owed Mr. Deitsch $2,012,749 as of February 29, 2008.

CONVERSION OF OFFICER LOAN INTO COMMON STOCK

On March 14, 2008, the Company's Board of Directors approved an offer made by Mr. Deitsch, to discharge $1,200,000 of Mr. Deitsch's outstanding loan to the Company in exchange for 48,000,000 shares of restricted common stock. The price per share in this loan conversion was $0.025. After this conversion, the remaining balance of Mr. Deitsch's loan to the Company was $812,749.

SALE OF SHARES OF COMMON STOCK IN CONNECTION WITH PRIVATE PLACEMENT

On March 19, 2008, the Company issued 4,800,000 shares of restricted common stock that were subscribed for at December 31, 2007 - see Note 8.

From January 1 through March 19, 2008, the Company completed additional private placements of restricted shares of its common stock, whereby it sold an aggregate of 14,940,000 shares at a price per share of $0.025. The Company received proceeds of $373,500 in connection with the sale of these shares.

In total, the Company sold 19,740,000 shares at a price per share of $0.025 and received proceeds of $493,500. In addition, the Company granted one (1) warrant for each share sold which gives each investor the right to purchase one additional share until December 31, 2012 at an exercise price of $0.10 per share.

STOCK BASED COMPENSATION

On March 13, 2008, the Company's Board of Directors authorized the issuance of an aggregate of 17,000,000 shares of its restricted common stock in exchange for services rendered, as follows:

1,000,000 shares to each of four (4) consultants
2,000,000 shares to one (1) consultant
1,000,000 shares to an employee of the Company
5,000,000 shares to Rik Deitsch, the Company's Chairman and Chief Executive Officer
2,500,000 shares to Stan Cherelstein, a Director of the Company
2,500,000 shares to Stewart Lonkey, a Director of the Company

The shares described above were valued at $0.025 per share which was the fair market value of the Company's common stock on the date of grant.

ADDITIONAL LOANS TO RECEPTOPHARM

From January 1 through April 1, 2008, the Company loaned $300,000 to Receptopharm for working capital purposes.

ACQUISITION OF RECEPTOPHARM

On April 10, 2008, the Company completed a transaction pursuant to which it acquired the remaining sixty-two percent (62%) of Receptopharm's issued and outstanding common shares in exchange for 30,000,000 shares of the Company's common stock. Prior to April 10, 2008, the Company owned 4,444,444 shares or approximately 38% of Receptopharm's common stock (See Note 4.) As a result of this transaction, the Company now owns 100% of the issued and outstanding common stock of Receptopharm.