NUTRA PHARMA CORP
Form 10-K/A
April 08, 2010

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

FORM 10-K
Amendment No. 2

(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, 2008

¨ 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)

1537 NW 65th Avenue, Plantation, FL 33313

(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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

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

Yes ¨ No x

The 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, 2009 was $2,553,679.

As of March 31, 2009, there were 211,276,482 shares of common stock issued and outstanding.

INDEX

Forward Looking Statements

This Annual Report on Form 10-K, Amendment No. 2, for the period ending December 31, 2008, 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 operational plans are dependent upon obtaining equity or other financing; (d) we are subject to substantial Federal Food and Drug Administration ("FDA") and other regulations which may increase our costs or otherwise 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. Since October 31, 2001, we have been conducting our operations as a development stage company under the name, Nutra Pharma Corp. We have never been the subject of a bankruptcy, receivership, material reclassification, consolidation, merger, or purchase or sale of a significant amount of assets not in the ordinary course of business, or similar such proceeding or event, with the exception of our April 10, 2008 merger with ReceptoPharm, Inc. (“ReceptoPharm”), a Nevada corporation, which made ReceptoPharm, our wholly owned subsidiary. From February 2004 to February 2006, we acquired 4,444,444 shares of ReceptoPharm for $2.0 million, which shares then represented approximately thirty-eight percent (38%) of ReceptoPharm’s total outstanding common stock. On April 10, 2008, we entered into a Share Exchange Agreement with ReceptoPharm whereby we acquired the remaining 62% interest in ReceptoPharm to complete our acquisition of

ReceptoPharm as our wholly-owned subsidiary.

Designer Diagnostics, a Nevada corporation we formed in January 2006, is also 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. 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, it 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 foreign country approval(s) for the treatment of disease.

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

To date, we have not generated any significant revenues; during our 2008 Fiscal Year we generated nominal revenues of only $4,045.

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

Description of Business

Summary

Our Wholly Owned Subsidiary, ReceptoPharm - Drug Discovery Platform

ReceptoPharm is a development stage biopharmaceutical company located in Plantation, Florida, which is developing technologies to treat the neurological diseases: multiple sclerosis; adrenomyeloneuropathy; amyotrophic lateral sclerosis; myasthenia gravis; and to treat the viral diseases, HIV and hepatitis-C.

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

Designer Diagnostics 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 11,000 units.

Non Exclusive License from Bio-Therapeutics, Inc.

We have a non-exclusive license to certain intellectual property of Bio-Therapeutics, Inc., which consists of the following technology platforms: (a) alteration of proteins and peptides; and (b) innovative aerosolized drug delivery system.

Business Strategy

We seek to develop proprietary pharmaceutical products for human illnesses that qualify for “fast-track” or “Orphan Drug” status under FDA regulations, which can expedite regulatory review. 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. 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 the use of drugs developed by ReceptoPharm and future 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 for the past three years has been to license our AMN, MS and HIV technologies in our attempt to bring these technologies to market within 5 years. Should we obtain adequate financing, our midterm strategy remains the same — to accomplish these midterm goals in the next two years of that 5 year period.

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 Designer Diagnostics, Inc.

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

Marketing

We currently do not have a marketing program for our drug products because none of our products have received FDA approval and our lack of financing has hampered our efforts to navigate the regulatory process in a timely fashion; however, if and when we have FDA approved drug treatments, we plan to develop a marketing strategy to 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 its President.

Employees

We have five (5) full time employees consisting of: (a) Rik Deitsch, our President; (b) Paul Reid, ReceptoPharm’s Chief Executive Office; (c) Nina Goldstein, our Executive Administrative Assistant; (d) David Schmidt, our Chief Administrator; and (e) Lawrence Raymond, ReceptoPharm’s Chief Scientific Officer.

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 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).

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

Although we focused our drug development efforts from 2006 to 2008 on clinical trials for ReceptoPharm's HIV drug, RPI-MN, our primary focus now is on RPI-78M for the treatment of AMN. At this time, RPI-78M offers us a greater opportunity then RPI-MN to bring a drug to market since the trials for RPI-78M are less expensive and our HIV related drug, RPI-MN, is competing in the HIV saturated drug market.

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.

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 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 conducted in August 2007, all members of an untreated animal control group developed signs of disease with different levels of paralysis/muscle weakness. A similar group in the August 2007 study 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.

August 2007 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.

On October 3, 2003, we entered into a non-assignable license agreement between Biotherapeutics, Inc. and us, which was amended on November 11, 2003, to make the license agreement assignable. This agreement was in settlement of a lawsuit that we filed against Biotherapeutics alleging that Biotherapeutics owed us $850,000 in connection with a merger agreement between us and Biotherapeutics, which was cancelled.

The 2003 license agreement provides that for 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 and 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 and 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 ReceptoPharm’s or Designer Diagnostics’ product liability insurance coverage.

Research and Development

We had no research and development related expenses during our Fiscal Years 2007 and 2008.

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

Our wholly owned subsidiary, ReceptoPharm, uses the raw material, Cobra Venom, for the drugs that it studies. We currently have no supplier agreement or arrangements for obtaining Cobra Venom, which we obtain on an as-needed basis. There are at least three Cobra Venom based suppliers each in the United States and the Peoples Republic of China from which ReceptoPharm may acquire Cobra Venom, in addition to other suppliers in Thailand and India. Dr. Paul Reid, ReceptoPharm’s Chief Executive Officer, is responsible for locating cobra venom suppliers on an as-needed basis, which involves obtaining a small test amount from a supplier for scientific validation of that raw material prior

to purchase. Apart from Cobra Venom, 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 belonging to Bio Therapeutics that has either been granted a patent or is in the patent application process as follows:

U.S. Patent No. 5,989,857, Polypeptide compositions and methods was granted in November 1999 with 10 claims. The patent outlines a method of preparing a bioactive polypeptide in a stable, inactivated form, the method comprising the step of treating the polypeptide with ozonated water in order to oxidize and/or stabilize the cysteine residues, and in turn, prevent the formation of disulfide bridges necessary for bioactivity.

U.S. Patent No. 6,670,148, Compositions comprising bioactive peptides prepared without formation of native disulfide bonds was granted in December 2003, with 9 claims. The patent further describes a method of preparing a bioactive polypeptide in a stable, inactivated form, the method comprising the step of treating the polypeptide with ozonated water in order to oxidize and/or stabilize the cysteine residues, and in turn, prevent the formation of disulfide bridges necessary for bioactivity. The method can involve the use of ozonated water to both oxidize the disulfide bridges in a bioactive polypeptide, and to then stabilize the resultant cysteine residues. Optionally, and preferably, the method can involve the use of ozonated water to stabilize the cysteine residues, and thereby prevent the formation of disulfide bridges, in a polypeptide produced by recombinant means in a manner that allows the polypeptide to be recovered with the disulfide bridges unformed.

U.S. Patent Application Number 11415377, Buccal Delivery System, with 20 claims. The patent describes a delivery formulation and system for delivering inactivated bioactive peptides to the body. The formulation includes effective amounts of the peptide as well as a mucosal permeation enhancer selected from the group consisting of quaternary ammonium salts. The system can be used by spraying the formulation into the buccal cavity, e.g., to the roof of the mouth. This application is currently listed as abandoned as of December 2009.

U.S. Patent Application Number 11431126, Immunokine composition and method with 31 claims. The patent describes a composition and method for preventing HIV infection of mammalian cells. One aspect of the invention relates to an anti-immunodeficiency virus immunokine capable of binding to a cellular protein in a manner that prevents HIV infection of that cell. The compositions can include either an active bioactive polypeptide, such as native cobratoxin, and/or an inactivated bioactive polypeptide, such as cobratoxin in which one or more of the native disulfide bridges have been prevented from forming. The term "immunokine" is used to refer to an inactivated bioactive polypeptide, whether inactivated by chemical, genetic, and/or synthetic means as described herein, with the proviso that a corresponding active bioactive polypeptides can be included where applicable (e.g., for in vitro use). This application is currently listed as abandoned as of June 2009

ReceptoPharm Patents

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

U.S. Patent Application Number 11/217,713, Modified venom and venom components as anti-retroviral agents with 10 claims was filed in September 2005. The present invention describes a method of treatment of human subject suffering from infection with HIV, comprising administering a disease mitigating amount of a detoxified, modified cobra venom composition in an amount effective to ameliorate at least one symptom of said infection. This patent is meant to protect and support the Company’s work in our production of anti-viral treatments. Currently, this would be applied to RPI-MN and RPI-78.

U.S. Patent Application Number 11/592,896, Modified elapid venoms as stimulators of the immune reaction with 20 claims was filed in November 2006. The patent describes a method of protection from infections by administering a detoxified and neurotropically active modified venom containing alpha-cobratoxin. Protection includes bacterial, viral and parasitic infections. This patent is meant to protect and support the Company’s work in our production of anti-infective treatments. Currently, this would be applied to RPI-MN and RPI-78.

U.S. Patent Application Number 11/642,312, Use of cobratoxin as an analgesic with 5 claims was filed in December 2006. The patent describes a composition of matter for an analgesic and its method of use is disclosed. The method of use is for the treatment of chronic pain, especially to the treatment of heretofore intractable pain as associated with advanced cancer. The pain associated with neurological conditions, rheumatoid arthritis, viral infections and lesions is also contemplated. The method includes administering to a host an alpha-neurotoxin that is characterized by its ability to blocking of the action of acetylcholine at nicotinic acetylcholine receptors. This patent is meant to protect and support the Company’s work in our production of drugs for the treatment of pain. After our year ending December 31, 2008, this patent will be applied to Cobroxin and Nyloxin.

U.S. Patent Application Number 10/947,434, Modified Anticholinergic Neurotoxins as Modulators of the Autoimmune Reaction was filed in September 2004. The patent describes a method of treatment of a human patient suffering from Multiple Sclerosis comprising the administration of a disease-mitigating amount of a composition consisting of detoxified and modified alpha-cobratoxin in a saline solution. This patent is meant to protect and support the Company’s work in our production of drugs for the treatment of auto-immune diseases.

U.S. Patent Application Number 11/784,607, Treatment of Autoimmune Disorders Using Detoxified Cobratoxin was filed in April 2007. The patent describes a method of treating patients suffering from autoimmune disorders comprising the administration of detoxified cobra venom. This patent is meant to protect and support the Company’s work in our production of drugs for the treatment of auto-immune diseases. Currently, this would be applied to RPI-78MN.

U.S. Patent Application Number 12/317,115, Alpha-neurotoxin Proteins with Anti-inflammatory Properties and Uses Thereof was filed in December 2008. The patent describes a method of treating an arthritic condition comprising the administration to a subject in need thereof an effective amount of a pharmaceutical composition comprising an isolated alpha-neurotoxin protein or an effective fragment thereof. This patent is meant to protect and support the Company's work in our production of drugs for the treatment of inflammatory 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 escalating minimum payments starting at $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.

On or about July 2009, we ceased paying the minimum royalties to Nanologix for the licensed patents and have allowed full rights to those patents to revert back to Nanologix.

We own 11 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.

U.S. Patent No. 5,989,902, Method for determining the antimicrobial agent sensitivity of a nonparaffinophilic hydrophobic microorganism and an associated apparatus was granted in November 1999 with 3 claims. The patent describes a method for determining a sensitivity of a nonparaffinophilic hydrophobic microorganism to an antimicrobial agent. The method includes providing at least one receptacle containing an aqueous broth including a carbon source and introducing the nonparaffinophilic hydrophobic microorganism into the receptacle. The method further includes placing into the receptacle (i) a slide coated with a hydrophobic material and (ii) a predetermined quantity of the antimicrobial agent to be tested. By observing the nonparaffinophilic hydrophobic microorganism growth or lack thereof on the slide, it can be determined whether the predetermined quantity of the antimicrobial agent is effective in inhibiting growth of the nonparaffinophilic hydrophobic microorganism on the slide. An associated apparatus is also disclosed.

U.S. Patent No. 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 was granted in November 1999 with 17 claims. The method of the invention involves providing a first receptacle and a second receptacle. The first receptacle contains a sterile aqueous broth and the second receptacle contains an aqueous broth including a carbon source. The method then includes placing into the first receptacle a first support surface having a paraffin wax coating thereon and placing into the second receptacle a second support surface having a hydrophobic material coating thereon. A body specimen, such as sputum, is then introduced into each of the first and second receptacles. The presence of a nonparaffinophilic hydrophobic microorganism in the body specimen is determined by observing (i) a lack of microorganism growth on the paraffin coated material of the first support surface and (ii) a presence of microorganism growth on the hydrophobic material coating of the second support surface. The presence of the nonparaffinophilic hydrophobic microorganism can be further confirmed by performing a DNA extraction. An associated DNA extraction procedure is also provided.

U.S. Patent No. 5,935,806, Method and apparatus for speciating and identifying MAI (Mycobacterium Avium Intracellulare) and testing the same for antibiotic sensitivity was granted in August 1999 with 3 claims. The patent describes a method of speciating and identifying MAI in a specimen comprises placing a paraffin coated slide in a receptacle containing a sterile aqueous solution inoculated with the specimen, analyzing the slide after exposure to the specimen to determine the presence or absence of atypical Mycobacteria, and after the analysis step, if atypical

Mycobacteria are determined to be present, performing at least one speciation assay to ascertain if the atypical Mycobacteria are MAI. A related apparatus is also disclosed for speciating and identifying MAI in a specimen comprising a paraffin-wax coated slide, a tube having a sterile aqueous solution contained therein, the tube adapted to hold the slide, and at least one speciation assay means for performing an assay to determine the presence or absence of MAI in the specimen after the specimen is introduced into the tube holding the solution and the slide. An apparatus and method for determining the sensitivity of MAI to different antibiotics and dosages thereof is also provided.

U.S. Patent No. 5,882,920, Apparatus for determining the presence or absence of a paraffinophilic microorganism was granted in March 1999 with 4 claims. The patent describes a method of determining the presence of a paraffinophilic microorganism in a specimen taken from a patient. The method includes providing a receptacle containing an aqueous solution and adjusting the solution to mimic the in vivo clinical conditions of the patient. The method then further includes inoculating the solution with the specimen and then placing in the receptacle a paraffin coated slide to bait the paraffinophilic microorganism. The slide is then analyzed after exposure to the specimen to determine the presence or absence of the paraffinophilic microorganism. An associated apparatus is also disclosed.

U.S. Patent No. 5,854,014, Apparatus for testing paraffinophilic microorganisms for antimicrobial sensitivity was granted in December 1998 with 2 claims. The patent describes an apparatus for determining the antimicrobial agent sensitivity of a paraffinophilic microorganism from a specimen obtained from a patient. The apparatus includes a receptacle containing an aqueous solution, an amount of antimicrobial agent to be tested and the specimen. The apparatus further consists of a paraffin coated slide placed into the receptacle.

U.S. Patent No. 5,846,760, Method for determining a presence or absence of a nonparaffinophilic hydrophobic microorganism in a body specimen and an associated kit was granted in December 1998 with 15 claims. The method of the invention involves providing a first receptacle and a second receptacle. The first receptacle contains a sterile aqueous broth and the second receptacle contains an aqueous broth including a carbon source. The method then includes placing into the first receptacle a first support surface having a paraffin wax coating thereon and placing into the second receptacle a second support surface having a hydrophobic material coating thereon. A body specimen, such as sputum, is then introduced into each of the first and second receptacles. The presence of a nonparaffinophilic hydrophobic microorganism in the body specimen is determined by observing (i) a lack of microorganism growth on the paraffin coated material of the first support surface and (ii) a presence of microorganism growth on the hydrophobic material coating of the second support surface. An associated kit is also disclosed.

U.S. Patent No. 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 was granted in July 1998 with 40 claims. The patent describes a method of testing a body specimen taken from a patient for the presence or absence of a microorganism. A transport/isolator assembly is provided which includes a receptacle and a baiting assembly including a baiting section having disposed thereon a coating material. A baiting liquid and the body specimen are then introduced into the receptacle. The method further comprises securing the baiting assembly to the receptacle so that at least a portion of the coated section is introduced into the baiting liquid. The transport/isolator assembly containing the baiting liquid and the body specimen are then transported to a laboratory for subsequent observation of the coated section for growth or lack thereof of the microorganism. A further method of processing the body specimen and an associated isolator/transport assembly kit as well as an associated isolator/transport assembly are also disclosed.

U.S. Patent No. 5,569,592, Apparatus for testing MAI (Mycobacterium Avium Intracellulare) for antimicrobial agent sensitivity was granted in October 1996 with 3 claims. The patent describes an apparatus for determining the sensitivity of MAI to different antimicrobial agents and dosages thereof is provided. The apparatus comprises a plurality of test tubes adapted to contain an amount of an antimicrobial agent to be tested and MAI complex organisms to be assayed and a separate paraffin coated slide adapted for placement in each of the test tubes. The growth of the MAI complex organisms on the slide can be used to determine the concentration of the antimicrobial agent necessary to resist MAI complex organism growth on the slide. An associated method is also disclosed.

U.S. Patent No. 5,472,877, Apparatus for determining the presence or absence of MAI (Mycobacterium Avium Intracellulare) was granted in December 1995 with 6 claims. The patent describes a method of speciating and identifying MAI in a specimen comprises placing a paraffin coated slide in a receptacle containing a sterile aqueous solution inoculated with the specimen, analyzing the slide after exposure to the specimen to determine the presence or absence of atypical Mycobacteria, and after the analysis step, if atypical Mycobacteria are determined to be present, performing at least one speciation assay to ascertain if the atypical Mycobacteria are MAI. A related apparatus is also disclosed for speciating and identifying MAI in a specimen comprising a paraffin-wax coated slide, a tube having a sterile aqueous solution contained therein, the tube adapted to hold the slide, and at least one speciation assay means for performing an assay to determine the presence or absence of MAI in the specimen after the specimen is introduced into the tube holding the solution and the slide. An apparatus and method for determining the sensitivity of MAI to different antibiotics and dosages thereof is also provided.

U.S. Patent No. 5,316,918, Method and apparatus for testing MAI (Mycobacterium Avium Intracellulare) for antimicrobial agent sensitivity was granted in May 1994 with 7 claims. The patent describes an apparatus and method for determining the sensitivity of MAI to different antimicrobial agents and dosages thereof is provided. The apparatus comprises a plurality of test tubes adapted to contain an amount of an antimicrobial agent to be tested and MAI complex organisms to be assayed and a separate paraffin coated slide adapted for placement in each of the test tubes. The growth of the MAI complex organisms on the slide can be used to determine the concentration of the antimicrobial agent necessary to resist MAI complex organism growth on the slide. An associated method is also disclosed.

U.S. Patent No. 5,153,119, Method for speciating and identifying MAI (Mycobacterium Avium Intracellulare) was granted in October 1992 with 15 claims. The patent describes a method of speciating and identifying MAI in a specimen comprises placing a paraffin coated slide in a receptacle containing a sterile aqueous solution inoculated with the specimen, analyzing the slide after exposure to the specimen to determine the presence or absence of atypical Mycobacteria, and after the analysis step, if atypical Mycobacteria are determined to be present, performing at least one speciation assay to ascertain if the atypical Mycobacteria are MAI. A related apparatus is also disclosed for speciating and identifying MAI in a specimen comprising a paraffin-wax coated slide, a tube having a sterile aqueous solution contained therein, the tube adapted to hold the slide, and at least one speciation assay means for performing an assay to determine the presence or absence of MAI in the specimen after the specimen is introduced into the tube holding the solution and the slide. An apparatus and method for determining the sensitivity of MAI to different antibiotics and dosages thereof is also provided.

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 u se 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 (Biologics) - ReceptoPharm

Competition is intense among companies that develop and market products based on advanced cellular and molecular biology. ReceptoPharm competitors, including Amgen, Aventis, Cephalon, Genetech, Genzyme, Immunex Corp. (a subsidiary of Amgen), Novartis, Regeneron and Schering-Plough Corp that have far superior financial, technological and operational resources. We face 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.

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 (Venom Based Drugs) - 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:

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.

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

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.

RPI-78M can be administered orally; however, we have not yet developed an orally administered RPI-78M. RPI-78M has been routinely delivered by injection in a manner similar to insulin, but research over the past two years has given rise to administration by mouth. Oral delivery presents patients with additional "quality of life" benefits by eliminating or decreasing the requirements for routine injections. Should we receive adequate funding, we plan to develop an orally administered RPI-78M by initiating new trials with an oral version of that drug.

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 competitors are 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 1A. Risk Factors

As a Smaller Reporting Company, we are not required to provide information required by this item; however, we have listed risk factors to our operations that appear in our Forward Looking Statement disclosure on page 3.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

From May 2006 to July 2009, 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 made no cash payment for the use of this space; instead, we were permitted to use such space in return for our President serving as Waiora's Chairman of its Scientific Advisory Board. After our December 31, 2008 fiscal year end and as of August 2009, we moved into ReceptoPharm's executive offices located at 1537 NW 65th Avenue, Plantation, Florida 33313.

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 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 us from further use of license products that was granted to it 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. On April 28, 2008, the Court (i) granted us a Cross Motion for Summary Judgment; (ii) declared Bio Therapeutics Amended Motion for Summary Judgment moot; and (iii) denied Bio Therapeutics Motion to Enforce a Settlement Agreement.

On August 18, 2006, ReceptoPharm, our wholly owned subsidiary as of April 2008, was named as a defendant in Patricia Meding, et. al. v. ReceptoPharm, Inc. f/k/a Receptogen, Inc., Index No.: 18247/06 (New York Supreme Court, Queens County). The original proceeding claimed that ReceptoPharm owed the Plaintiffs, including Patricia Meding, a former ReceptoPharm officer and shareholder and several corporations that she claims to own, the sum of $118,928.15 plus interest and counsel fees on a series promissory notes that were allegedly executed in 2001 and 2002. On August 23, 2007, the Queens County New York Supreme Court issued a decision denying Plaintiffs motion for summary judgment in lieu of a complaint, concluding that there were issues of fact concerning the enforceability of the promissory notes. On May 23, 2008, the Plaintiffs filed an amended complaint in which they reasserted their original claims and asserted new claims. The Plaintiffs amended complaint seeks damages of no less than $768,506 on their claims, and now alleges that in or about June 2004 ReceptoPharm breached its fiduciary duty to the Plaintiffs as shareholders of ReceptoPharm by wrongfully canceling certain of their purported ReceptoPharm share certificates. ReceptoPharm has filed an answer denying the material allegations of the amended complaint and has asserted a series

of counterclaims against the Plaintiffs alleging claims for declaratory judgment, fraud, breach of fiduciary duty, conversion and unjust enrichment as a result of the promissory notes. Discovery in this matter has just started. We intend to vigorously contest this matter.

There are no other legal proceedings that occurred during our Fiscal Year 2008 that are reportable.

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

There were no matters submitted during the fourth quarter of 2008 for a vote of our security holders through the solicitation of proxies or otherwise.

PART II

Item 5. Market for Registrant’s Common Equity; Related Stockholder Matters and Issuer Purchases of Equity Securities

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.

	2007 Fiscal Year		2008 Fiscal Year	
	High Bid	Low Bid	High Bid	Low Bid
First Quarter	$ .13	$ .09	$ .05	$ .02
Second Quarter	$ .10	$ .07	$ .06	$ .03
Third Quarter	$ .07	$ .05	$ .05	$ .03
Fourth Quarter	$ .05	$ .03	$ .04	$ .02

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, 2009, based upon records obtained from our transfer agent, there were 274 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.

Equity Compensation Plan Information

Securities authorized per issuance under Equity Compensation Plans as of December 31, 2008.

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 our 2003 and 2007 Employee /Consultant Stock Compensation Plans and three (3) option and warrant related agreements we have with two corporate entities and our former Chairman of the Board/Executive Chairman, as follows:

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, 2008, 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 our common stock.

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 the 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 our Executive Chairman and Chairman of the Board. Concurrently, we also retained Doherty & Company to act as our agent in connection with prospective private capital-raising activities. On April 1, 2006, we and Mr. Doherty entered into a termination agreement whereby Mr. Doherty agreed to resign his position as our Chairman of Board and Executive Chairman. 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

There were no sales of unregistered securities during our fourth quarter ending December 31, 2008. We reported all prior unregistered securities sales on Forms 10Q and Forms 8-K during our Fiscal Year 2008.

We did not repurchase any of our securities during our 2008 Fiscal Year nor have we done so since our inception.

Item 6. Selected Financial Data

As a Smaller Reporting Company, we are not required to provide information required by Item 6.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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, 2008 since we have experienced recurring net losses and at December 31, 2008 have a working capital deficiency. Further, as stated in Note 1 to our consolidated financial statements for the year ended December 31, 2008, we have experienced significant losses from operations totaling $164,951 and $4,162,108 for the years ended December 31, 2007 and 2008, respectively and had an accumulated deficit of $24,271,202 for the period from our inception to December 31, 2008. We had a working capital and stockholders' deficit at December 31, 2008 of $2,574,408 and $2,556,334, respectively. Our operations have been largely reliant upon receiving loans from our Chief Executive Officer. At December 31, 2008 and at April 10, 2009, we were indebted to our Chief Executive Officer in the amount of $1,255,448 and $1,544,448, 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.

Results of Operations

Year Ended December 31, 2008 compared to the Year Ended December 31, 2007

Explanatory Note

It is important to note that our results of operations for the year ended December 31, 2008 include the results of operations of our now wholly owned subsidiary, ReceptoPharm, from the date we acquired it at April 10, 2008 to our year end at December 31, 2008, reflecting at least an eight (8) month period. During the year ended December 31, 2007, our results of operations only include ReceptoPharm's results of operations for the three month period ended March 31, 2007. Accordingly, the increased expenses described below are attributable to our acquisition of ReceptoPharm and their ongoing operations.

Results of Operations
Revenue for the year ended December 31, 2008 was $4,045; we did not have any revenue during the year ended December 31, 2007. Our revenue during 2008 was attributable to the sale of test kits by our subsidiary, Designer Diagnostics.

General and administrative expenses increased $485,261 or 98% from $494,741 for the year ended December 31, 2007 to $980,002 for the year ended December 31, 2008.

Research and development expenses increased $157,610 or 218% from $72,180 for the year ended December 31, 2007 to $229,790 for the year ended December 31, 2008.

During the year ended December 31, 2008, we incurred a non-cash expense for purchased research and development costs of $2,397,749, which represented the excess of the purchase price paid over the fair value of the assets received and liabilities assumed, related to our acquisition of ReceptoPharm on April 10, 2008

Stock based compensation expense decreased $103,050 or 17% from $603,050 for the year ended December 31, 2007 to $500,000 for the year ended December 31, 2008.

Interest expense decreased from $76,075 for the year ended December 31, 2007 to $57,555 for the year ended December 31, 2008. This decrease was primarily attributable to a decreased level of indebtedness related to loans made to us by our Chief Executive Officer. In March 2008, we converted $1,200,000 of such loans into 48,000,000 shares of our common stock to our Chief Executive Officer.

Uncertainties and Trends

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

- Whether we successfully develop and commercialize the products from our research and development activities.
- If we fail to compete effectively in the intensely competitive biotechnology area, our operations and market position will be negatively impacted.
- If we fail to successfully execute our planned partnering and out-licensing of products or technologies, our future performance will be adversely affected.
- The recent economic downturn and related credit and financial market crisis may adversely affect our ability to obtain financing, conduct our operations and realize opportunities to successfully bring our technologies to market.
- Biotechnology industry related litigation is substantial and may continue to rise, leading to greater costs and possible unpredictable litigation.

- If we fail to comply with extensive legal/regulatory requirements affecting the healthcare industry, we will face increased costs, and possibly penalties and business losses.

Off-balance Sheet Arrangements

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

PLAN OF OPERATIONS

Pending adequate financing, we plan on spending total estimated expenses of $2,575,000 for the next 12 months, which will include: (a) $380,000 pertaining directly to our operations; (b) $120,000 pertaining to the operations of our subsidiary, Designer Diagnostics and (c) $2,075,000 pertaining to the operations of our subsidiary, ReceptoPharm. 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 of 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 RECEPTOPHARM, INC.

Type of Expenditure	Total Expenditure	Monthly Expenditure
Salaries	$ 350,000	$ 29,167
Clinical Trial expenses	1,045,000	87,083
R & D Expenses	394,000	32,833
Cost of raw materials and production	236,000	19,667
Operating Expenses (Rent, Supplies, Utilities, etc..)	50,000	4,167
Total	$ 2,075,000	$ 172,917

FUNDING OF DESIGNER DIAGNOSTICS, INC.

Type of 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

25

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 Sclerosis (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.

- During July 2008, ReceptoPharm successfully completed the Phase IIb/IIIIa clinical trial or its drug candidate for neurological and autoimmune disorders, RPI-78M as a treatment for AMN.

- During August 2008, ReceptoPharm renewed its collaborative agreement with the Centers for Disease Control and Prevention to study RPI-78M and RPI-MN for a possible therapy for Rabies.

- During August 2008, ReceptoPharm reported initial positive safety data from its Phase IIb/IIIIa clinical study of RPI-78M for treating AMN.

- During November 2008, we announced that ReceptoPharm will provide RPI-78M under compassionate release to patients previously enrolled in the Phase IIb/IIIa clinical study of AMN.

- During December 2008, we announced that ReceptoPharm has received an agreement from an Ireland based biotechnology firm, Celtic Biotech, Ltd, to provide GMP certified drug production of CB-24 for Celtic Biotech's upcoming European trial for the treatment of cancer

- After our 2008 Fiscal Year end, in February 2009, ReceptoPharm filed a patent application with the United States Patent and Trademark Office for the use of RPI-78 as a novel method for treating arthritis in humans.

- After our 2008 Fiscal Year end, in February 2009, ReceptoPharm, in collaboration with Soochow University in China published positive data from its recent animal studies on the use of RPI-78 (Cobratoxin) as a method for treating arthritis.

- After our 2008 Fiscal year end, in March 2009, ReceptoPharm's clean room manufacturing and laboratory facility achieved ISO class 5 certification from Biotec, a UK-based firm specializing in European clinical drug import and distribution.

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 with limited sales throughout 2007 and 2008. Our sales efforts during 2007 and 2008 have been inhibited by the necessity for FDA validation prior to active marketing in United States based markets. These markets include the CDC (Centers for Disease Control and Prevention) and the WHO (World Health Organization). Researchers at National Jewish Hospital in Denver, Colorado who are currently validating Designer Diagnostics' TB and NTM Test Kits. This research has been protracted due to budget restrictions at the hospital as well as our own limited funding. We currently anticipate the completion of this research and regulatory filing by the fourth quarter of 2009.

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. 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.

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.

We have estimated expenses of $2,575,000 pertaining to our twelve month Plan of Operations or $214,583 of monthly expenditures. Based on our current cash position, we do not have enough funds to accomplish our operational plan. 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 7A Quantitative and Qualitative Disclosures About Market Risk

Inapplicable. We have no investments in market risk sensitive instruments or in any other type securities.

Item 8. Financial Statements and Supplementary Data

The information required by this item is included in pages F-1 to F-17 attached hereto and incorporated herein by reference. The index to our annual financial statements as of and for the years ended December 31, 2008 and 2007 can be found under Item 13.

Item 9. Changes in Disagreements With Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Section 1.

Evaluation of Disclosure Controls and Procedures:

As of December 31, 2008, we carried out an evaluation under the supervision and the participation of our Chief Executive Officer/Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of December 31, 2008, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 ("Exchange Act"). Based on that evaluation, our management, including our Chief Executive Officer/Chief Financial Officer, concluded that the design and operation of our disclosure controls and procedures were effective as of December 31, 2008 and that as of the evaluation date, such disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports we file under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Commission and is accumulated and communicated to our management, including our Chief Executive Officer/Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. A control system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, with the company have been detected.

Section 2.

Management's Annual Report on Internal Control over Financial Reporting

During its evaluation of the effectiveness of internal control over financial reporting as of December 31, 2008, our management concluded that the material weaknesses in its internal controls over financial reporting include matters pertaining to: (a) lack of separation of function in the roles of a Chief Executive Officer and Chief Financial Officer; (b) lack of qualified accounting personnel; and (c) need to enhance the supervision, monitoring and reviewing of financial statement preparation processes

We have taken the following initial steps and will continue to take more steps to strengthen our internal controls over financial reporting, to evaluate and to remedy deficiencies and to test these internal controls on an ongoing basis.

1. As to our material weaknesses in (a) – (c) above, we are seeking to hire a Chief Financial Officer, or an employee who will perform the functions of a Chief Financial Officer, who will strengthen the accounting controls and procedures by implementing procedures that enhance recording, processing, summarizing and reporting within the time periods specified in the Commission's rules and forms, simplifying certain accounting procedures, arrange for training of our accounting personnel that will be beneficial to strengthening our accounting controls, and expand our documentation of accounting transactions and related reviews.

2. As to our material weaknesses in (b) above, we will increase our use of outside advisors to improve our quality of disclosure.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is the process designed by and under the supervision of our Chief Executive Officer/Chief Financial Officer, or the persons performing similar functions, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external reporting in accordance with accounting principles generally accepted in the United States of America.

Management has evaluated the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control over Financial Reporting - Guidance for Smaller Public Companies. Under the supervision and with the participation of our Chief Executive Officer/Chief Financial Officer or the persons performing similar functions, our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2008 and concluded that it is ineffective because of the material weaknesses in our internal controls over financial reporting described above.

Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Item 9B. Other Information

In conjunction with Item 9A above (Evaluation of Internal Controls over Financial Reporting), we have interviewed several qualified candidates for the position of Chief Financial Officer; however, we have been unable to come to acceptable terms with any such candidate to become our Chief Financial Officer. We will continue our efforts to hire a qualified Chief Financial Officer on acceptable terms.

PART III

Item 10. 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, 2008

Name	Age	Position with the Company	Director Since
Rik J. Deitsch	41	Chairman, President, Chief Executive Officer, and Chief Financial Officer	2002
Stewart Lonky, M.D.	61	Director (1)	2004
Paul F. Reid	45	Director (2)	April 2008
Harold H. Rumph	79	Director (2)	April 2008
Garry R. Pottruck	53	Director (3)	July 2009

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

(2) On April 10 2008, in conjunction with our April 10, 2008 merger with ReceptoPharm and ReceptoPharm becoming our wholly owned subsidiary, our Board of Directors appointed Paul F. Reid and Harold Rumph as our Directors.

(3) After our Fiscal Year ending December 31, 2008, Garry Pottruck became our Director on July 29, 2009. Stanley J. Cherelstein was our Director as of the filing of our Form 10-K for our fiscal year ending December 31, 2008, but resigned on July 29, 2008.

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.

Dr. Stewart Lonky has been our director since November 5, 2004. Dr. Lonky is a co-founder of the Tryon 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.

Paul F. Reid, PhD, became our Director on April 10, 2008 when ReceptoPharm became our wholly owned subsidiary. From June 2001 to present, Paul F. Reid, PhD has been the Chief Executive Officer of ReceptoPharm, our wholly owned subsidiary as of April 10, 2008. From August 1996 to April 2001, Dr. Reid was the Head of Scientific Affairs for Biotherapeutics,, Inc., a biotechnology company located in Fort Lauderdale, Florida. In 1987, Dr. Reid received a Bachelor of Arts Degree in Microbiology from Trinity College in Dublin, Ireland. In 1993, Dr. Reid received a PhD Degree in Neurobiochemtistry from the Imperial College in London, England.

34

Harold H. Rumph became our Director on April 10, 2008 when ReceptoPharm became our wholly owned subsidiary. From May 2003 topresent, Harold H. Rumph has been the President/Director of ReceptoPharm, Inc., a biotechnology company located in Plantation, Florida. From September 1988 to April 2003, Mr. Rumph was the President/Founder of Project Scheduling Services, Inc., a computerized scheduling services company to the construction industry, located in Pompano Beach, Florida. From 1962 to 1988, Mr. Rumph held managerial, marketing , and other positions with IBM, RCA, Xerox , Harris Corporation and was a founder and President of Biogenix, Inc., a biotechnology company located in Boca Raton, Florida. From 1953 to 1962, Mr. Rumph served on active duty with various responsibilities including Tactical Fighter Pilot and at Headquarters United States Air Force Intelligence with the United States Air Force. In 1953, Mr. Rumph received a Bachelor of Science Degree in Military Science from the United States Naval Academy in Annapolis Maryland.

Garry Pottruck became our director and Chairman of our Audit and Compensation Committees after our December 31, 2008 year end, on July 29, 2009 . Since October 2005, he has been a Principal in the accounting and consulting firm, Argy, Wiltse & Robinson, PC (“Argy”), headquartered in McLean, Virginia. From July 1997 through October 2005, he was managing partner in the certified public accounting firm, Friedberg & Pottruck, PA, located in Deerfield Beach, Florida until that firm was acquired by Argy. Friedberg & Pottruck specialized in providing accounting, tax and consulting services to physician practices. Mr. Pottruck held financial executive positions with several companies, both public and private, from 1984 through 1994, including more than three years as Chief Accounting Officer/Controller at Scopas Technology Company, Inc., a NASDAQ listed, development stage biotechnology research and development organization. Prior to 1984, Mr. Pottruck worked for public accounting firms after graduating with a B.S. Degree in Accounting from the C.W. Post School of Professional Accountancy at Long Island University in 1979. He is currently a member of both the Florida and American Institutes of Certified Public Accounting, and is licensed as a Certified Public Accountant in both Missouri and Florida.

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

As of April 15, 2009, when we filed our Form 10-K for our fiscal year ending December 31, 2008 and based on our review of Forms 3, 4, 5, and Schedule 13D furnished to us during the last fiscal year, our directors had then failed to file certain reports required of them to be filed pursuant to Exchange Act Section 16(a). Since that time and as indicated immediately below, a former Director and other Directors have filed the required forms, but other Directors have not.

Stanley Cherelstein, Former Director
As of the date we filed for Form 10-K for the Fiscal Year ending December 31, 2008, Mr. Cherelstein, our then Director, failed to file Forms 4.

Since that time, Mr. Cherelstein filed Forms 4 on November 11 and 12, 2009.

Rik Deitsch, Chief Executive Officer
As of the date we filed for Form 10-K for the Fiscal Year ending December 31, 2008, Mr. Deitsch had filed a Form 4 on March 27, 2008 and a Schedule 13D on March 28, 2008. Because there were no further transactions or changes pertaining to Mr. Deitsch, he was current in his individual filings as of our December 31, 2008 year end.

Stewart Lonky, Director
As of the date we filed our Form 10-K for the Fiscal year ending December 31, 2008, Mr. Lonky failed to file Forms 3 and 4.

Since that time, he filed Forms 3 and 4 on January 13, 2010

Paul F. Reid
As of the date we our Form 10-K for the Fiscal Year ending December 31, 2008, Mr. Reid failed to Form 3 and still has not filed that Form.

Harold J. Rumph, Director

As of the date we filed our Form 10-K for the Fiscal year ending December 31, 2008, Mr. Rumph failed to file Form 3.

Since that time, he filed Form 3 on November 5, 2009

Garry Pottruck
As of the date we filed our Form 10-K for our Fiscal Year ended December 31, 200, Mr. Pottruck was not our Director, having later been elected as our Director on July 29, 2009, at which time he was required to file a Form 3. On January 21, 2010, Mr. Pottruck filed a Form 3.

Corporate Governance:

a. 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. Pottruck became the Chairman/Member of the Audit Committee as of July 29, 2009. Dr. Lonky also

serves on the Audit Committee. Mr. Cherelstein, who resigned as our Director on July 29, 2009, was previously the Chairman of the Audit Committee and our audit committee financial expert. During our 2008 Fiscal Year, our Audit Committee met three (3) times, the last committee meeting of which occurred on November 18, 2008 in connection with our 2008 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. Dr. Lonky serves on our Compensation Committee and Mr. Pottruck became our Compensation Committee's Chairman as of July 29, 2009. Prior to his resignation on July 29, 2009, Mr. Cherlestein was our Compensation Committee Chairman. During our 2008 Fiscal year, our Compensation Committee met one (1) time during March 2008. 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.

b. 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.

c. Board of Director Meetings.

We had four (4) Board of Directors meetings during our 2008 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.

d. Annual Shareholder Meetings

We held no annual shareholder meeting during 2008.

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

e. 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 11: 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, 2008 and 2007.

SUMMARY COMPENSATION TABLE

Name and principal position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non- Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Rik Deitsch	2008	130,000	—	125,000	—	—	—	—	255,000
Chief Executive Officer, Chief Financial Officer, President and Chairman of the Board	2007	130,000	—		—	—	—	—	130,000

Compensation of Directors

The following director compensation disclosure reflects all compensation awarded to, earned by or paid to the directors below for the fiscal year ended December 31, 2008.

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Rik Deitsch		125,000					125,000

Stan J Cherlelstein	62,500	62,500
Stewart Lonky	62,500	62,500
Garry Pottruck	75,000	75,000

(1) The common stock awards reflected above to Directors Deitsch and Lonky and former Director Cherelstein were awarded on March 13, 2008. The common stock award to Director Pottruck was granted after our December 31, 2008 fiscal year end, on July 29, 2009.

Director Compensation

There are no standard arrangements to which directors are compensated for services provided to us. Should we obtain adequate funding or sufficient revenues to justify standard arrangements for director compensation, we will consider whether to adopt such a compensation plan.

Stock Option Grants in Last Fiscal Year

We did not grant incentive and non-qualified stock options in 2008 to any executive officer or director.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following tables sets forth, as of March 31, 2009, 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 211,276,482 shares issued and outstanding as of March 31, 2009.

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	5.5%
Total	11,692,556	5.5%

*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. Throughout our Fiscal Year 2008, we have made repeated attempts to contact the principals of Clarisco Stiftung; however, they have failed to respond in any manner. Although we have been unable to obtain any additional information regarding the status of this matter, we will continue our efforts to do so.

Security Ownership of Management

Name and Address of Director or Executive Officer	Shares of Common Stock Beneficially Owned	Percent of Common Stock Outstanding
Rik J. Deitsch Chief Executive Officer/President 791 Park of Commerce Blvd Suite 300 Boca Raton, Florida 33487	54,500,000	25.8%
Stanley J Cherelstein* Director 791 Park of Commerce Blvd. Suite 300 Boca Raton, Florida 33487	3,000,000	1.4%
Dr. Stewart Lonky Director 1158 Chautaqua Boulevard Pacific Palisades, California 90272	3,000,000	1.4%
Paul F. Reid Director 1537 NW 65th Ave Plantation, FL 33313	7,000,000	3.3%
Harold Rumph Director 1537 NW 65th Ave Plantation, FL 33313	4,400,000	2.1%
All executive officers and directors as a group (5) persons	71,900,000	34.0%

*After our year end ending December 31, 2008, Mr. Cherelstein resigned as our Director on July 29, 2009.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Loans by our Chief Executive Officer to Us

At December 31, 2007, we owed our President, Rik Deitsch $1,944,414 for demand loans Mr. Deitsch made to us. This amount included $105,039 of accrued interest.

On March 14, 2008, our Board of Directors approved Mr. Deitsch's offer to discharge $1,200,000 of our outstanding loan in exchange for 48,000,000 shares of restricted common stock issued to Mr. Deitsch. The price per share in this loan conversion was $0.025.

During the year ended December 31, 2008, Mr. Deitsch loaned us an additional $464,000. The balance owed to Mr. Deitsch at December 31, 2008 was $1,255,448, which includes accrued interest of $152,073. This demand loan is unsecured and bears interest at a rate of 4.0%.

From January 1, 2009 through April 10, 2009, Mr. Deitsch loaned us an additional $289,000 for working capital purposes. As a result of these additional loans and accrued interest from January 1, 2009 through March 31, 2009, we owed Mr. Deitsch $1,544,448 as of April 10, 2009.

Verbal Lease Agreement between Stan Cherelstein, Waiora, Inc.'s President who is our Director and Us

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 2010; (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.

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.

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 2008 and 2007 Fiscal Years, we paid Stark Winter Schenkein & Co. audit fees as follows:

2008	2007
$ 40,500	$ 37,900

TAX FEES

No such fees were paid to Stark Winter Schenkein & Co. in 2007 or 2008.

ALL OTHER FEES

No such fees were paid to Stark Winter Schenkein & Co. in 2007 or 2008.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(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)

10.1	Agreement and Plan of Merger dated April 9, 2008 by and among Nutra Pharma Corp., a California corporation (“Nutra Pharma”), NP Acquisition Corporation, a Nevada corporation wholly owned by Nutra Pharma (“Acquisition”), Receptopharm, Inc., a Nevada corporation (“Receptopharm”) and the stockholders of Receptopharm (incorporated by reference from Form 8-K filed on April 14, 2008).
10.18	Patent Assignment Agreement dated January 24, 2006 between Nanologix, Inc. and Nutra Pharma Corp. (incorporated by reference from Form 10-K for period ending December 31, 2006)
10.19	International License Agreement between NanoLogix, Inc. and Nutra Pharma Corp. (incorporated by reference from Form 10-K for period ending December 31, 2006)
	20.3 License Agreement between Biotherapeutics, Inc. and Nutra Pharma Corp (incorporated by reference from Form 10-KSB for the period ending December 31, 2003)
	20.4 Amendment to License Agreement between Biotherapeutics, Inc. and Nutra Pharma Corp (incorporated by reference from Form 10-KSB for the period ending December 31, 2003)
14.1	Code of Ethics (incorporated by reference from Report on Form 10-K/A filed on May 7, 2004).
20.3	License Agreement between Biotherapeutics, Inc. and Nutra Pharma Corp (incorporated by reference from Form 10-KSB for the period ending December 31, 2003)
20.4	Amendment to License Agreement between Biotherapeutics, Inc. and Nutra Pharma Corp (incorporated by reference from Form 10-KSB for the period ending December 31, 2003)
21.1	Subsidiaries of the Registrant, 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.
99.1	Form 8-K filed on April 14, 2008 under Item 1.01 regarding acquisition of ReceptoPharm, Inc. as Nutra Pharma Corp.'s wholly owned subsidiary and Exhibit 10.1 (April 10, 2008 Agreement and Plan of Merger) attached thereto (incorporated by reference to this Form 10-K for the period ending December 31, 2008).

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,
Principal Financial
Officer, and
Principal
Accounting Officer
Dated: April 8, 2010

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, Principal Financial Officer, Principal Accounting Officer	April 8, 2010
/s/ Garry R. Pottruck Garry R. Pottruck	Director	April 8 , 2010
/s/ Stewart Lonky Stewart Lonky	Director	April 8, 2010
/s/ Paul F. Reid Paul Reid	Director	April 8, 2010
/s/ Harold H. Rumph Harold H. Rumph	Director	April 8, 2010

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors

Nutra Pharma Corp.

We have audited the accompanying consolidated balance sheets of Nutra Pharma Corp. (a Development Stage Company) as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' (deficit)and cash flows for the years ended December 31, 2008 and 2007, and the period from inception (February 1, 2000) through December 31, 2008. 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.

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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 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, 2008 and 2007, and results of its operations and its cash flows for the years ended December 31, 2008 and 2007, and for period from inception (February 1, 2000) through December 31, 2008, 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 13, 2009

NUTRA PHARMA CORP.
(A Development Stage Company)
Consolidated Balance Sheets

	December 31, 2007	December 31, 2008
ASSETS		
Current assets:		
Cash	$ 122,810	$ 50,910
Inventory	11,425	10,770
Prepaid expenses	-	27,468
Total current assets	134,235	89,148
Property and equipment, net	-	9,941
Other assets	9,950	8,133
TOTAL ASSETS	$ 144,185	$ 107,222
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 22,497	$ 156,399
Accrued expenses	30,000	849,856
Due to officers	1,944,414	1,557,301
Other loans payable	100,000	100,000
Total current liabilities	2,096,911	2,663,556
Stockholders' deficit:		
Common stock, $0.001 par value, 2,000,000,000 shares authorized; 211,276,482 and 81,895,682 shares issued and outstanding, respectively	81,896	211,277
Additional paid-in capital	18,074,472	21,503,591
(Deficit) accumulated during the development stage	(20,109,094)	(24,271,202)
Total stockholders' deficit	(1,952,726)	(2,556,334)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 144,185	$ 107,222

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,
	2007	2008	2008
Sales	$ -	$ 4,045	$ 24,245
Cost of sales	-	1,057	4,529
Gross profit	-	2,988	19,716
Costs and expenses:			
General and administrative	494,741	980,002	7,851,215
Research and development	72,180	229,790	2,042,207
Purchased research and development	-	2,397,749	2,397,749
General and administrative - stock based compensation	603,050	500,000	7,429,657
Write-off of advances to potential acquiree	-	-	629,000
Finance costs	-	-	786,000
Interest expense	76,075	57,555	453,614
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	164,951	4,165,096	24,290,918
Net loss	$ (164,951)	$ (4,162,108)	$ (24,271,202)
Per share information - basic and diluted:			
Loss per common share	$ (0.00)	$ (0.03)	
Weighted average common shares outstanding	77,113,846	164,732,760	

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, 2008

	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
	-	-	75,000	-	75,000

Value of common stock issued by stockholder to employee for services rendered - $.15 per share					
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
	-	-	1,500,000	-	1,500,000

Value of stock warrants issued to a consultant					
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	-	-	(647,939)	-	(647,939)
Issuance of common stock in exchange for services - $0.07 per share	8,615,000	8,615	594,435	-	603,050
Common shares issued 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	18,074,472	(20,109,094)	(1,952,726)
Issuance of shares subscribed for at December 31, 2007	4,800,000	4,800	(4,800)	-	-
Issuance of common stock for repayment of loan - $0.025 per share	48,000,000	48,000	1,152,000	-	1,200,000
Issuance of common stock in exchange for services - $0.025 to $0.03 per share	19,500,000	19,500	480,500	-	500,000
Common shares issued for cash -$0.025 per share	32,340,000	32,340	776,160	-	808,500
Issuance of common stock in connection with acquisition of Receptopharm	30,000,000	30,000	1,020,000	-	1,050,000
Reclass shares subscribed for but not yet issued - Receptopharm	(5,259,200)	(5,259)	5,259	-	-
Net loss	-	-	-	(4,162,108)	(4,162,108)
Balance - December 31, 2008	211,276,482	$ 211,277	$ 21,503,591	$ (24,271,202)	$ (2,556,334)

See the accompanying notes to the financial statements.

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

	Years Ended December 31,		For the Period From February 1, 2000 (Inception) Years Ended Through December 31,
	2007	2008	2008
Cash flows from operating activities:			
Net loss	$ (164,951)	$ (4,162,108)	$ (24,271,202)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of intangibles	-	-	656,732
Amortization of license agreement	-	-	155,210
Depreciation	-	6,394	71,094
Write-off of advances to potential acquiree	-	-	629,000
Deconsolidation of Receptopharm	(1,252,244)	-	(1,252,244)
Stock-based compensation	603,050	500,000	9,538,403
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
Purchased research and development		2,397,749	2,397,749
Non-cash interest expense		57,555	372,833
Changes in operating assets and liabilities:			
Decrease (increase) in inventory		655	(10,770)
Decrease (increase) in prepaid expenses		(17,518)	(17,518)
Decrease (increase) in other assets	30,644	-	(6,316)
Increase (decrease) in accounts payable	(21,866)	(39,279)	101,427
Increase (decrease) in accrued expenses		280,458	740,627
Net cash (used in) operating activities	(805,367)	(976,094)	(6,664,206)
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
Cash acquired in acquisition of Receptopharm	-	40,444	40,444
Acquisition of property and equipment	-	-	(96,029)
Loan to Receptopharm		(300,000)	(300,000)
Investments carried at cost	-	-	(235,000)
Net cash (used in) investing activities	(1,754)	(259,556)	(592,332)

Cash flows from financing activities:			
Common stock issued for cash	120,000	808,500	3,608,000
Proceeds from convertible loans	-	-	304,750
Proceeds from notes payable	-	-	100,000
Repayment of stockholder loans	-	(108,750)	(108,750)
Loans from stockholders	791,039	464,000	3,403,448
Net cash provided by financing activities	911,039	1,163,750	7,307,448
Net increase (decrease) in cash	103,918	(71,900)	50,910
Cash - beginning of period	18,892	122,810	-
Cash - end of period	$ 122,810	$ 50,910	$ 50,910
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. 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	$ -	$ 1,200,000	$ 1,406,750
Expenses paid by stockholder	$ -	$ -	$ 119,140
Value of common stock issued for the acquisition of Receptopharm	$ -	$ 1,050,000	$ 1,050,000

See the accompanying notes to the financial statements.

NUTRA PHARMA CORP.
(A Development Stage Company)
Notes to Consolidated Financial Statements
December 31, 2008 and 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 $4,162,108 and $164,951 for the years ended December 31, 2008 and 2007, and has an accumulated deficit of $24,271,202 for the period from inception to December 31, 2008. In addition, the Company had working capital and stockholders’ deficits at December 31, 2007 of $2,574,407 and $2,556,333 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 2). The Company also consolidated Receptopharm Inc. during the period from February 1, 2004 through March 31, 2007, and April 16, 2008, to December 31, 2008 (see Note 3).

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, 2008 and 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.

Reclassifications

Certain amounts included in the prior periods' financial statements have been reclassified to conform to current year presentations. In addition, the Company has reclassified the impairment of goodwill of $2,397,749 (see Note 2) to purchased research and development and certain amounts aggregating $72,180 and $229,790 during 2007 and 2008 have been reclassified from general and administrative expense to research and development.

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 February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 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 SFAS 159 will become effective as of the beginning of the 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 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 financial statements.

In February 2008, FASB Staff Position (FSP) No. 157-2, “Effective Date of FASB Statement No. 157” was issued. FSP No. 157-2 defers the effective date of SFAS No. 157 to fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, or all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Examples of items within the scope of FSP No. 157-2 are non-financial assets and non-financial liabilities initially measured at fair value in a business combination (but not measured at fair value in subsequent periods), and long-lived assets, such as property, plant and equipment and intangible assets measured at fair value for an impairment assessment under SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.” The partial adoption of SFAS 157 on February 1, 2008, with respect to financial assets and financial liabilities recognized or disclosed at fair value in the financial statements on a recurring basis, is not expected to have a material effect on the Company’s consolidated financial statements. The Company is currently assessing the impact, if any, of SFAS No. 157 relating to its planned February 1, 2009, adoption of the remainder of the standard.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities-an Amendment of FASB Statement No. 133”, which became effective on November 15, 2008. This standard changed the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedging items affect an entity’s financial position, financial performance, and cash flows. The adaptation of this standard had no material impact on the Company’s financial statements.

In April 2008, the FASB issued FASB Staff Position (FSP) FSP 142-3, “Determination of the Useful Life of Intangible Assets.” This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, “Goodwill and Other Intangible Assets.” The intent of this FSP if to improve the consistency between the useful life of a recognized intangible asset under Statement 142 and the period of expected cash flows to measure the fair value of the asset under FASB Statement No. 141 (Revised 2007), “Business Combinations,” and other U.S. generally accepted accounting principles (GAAP). This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The Company does not expect the adoption of FAS 142-3 to have a material effect on its results of operations and financial condition.

In May 2008, the FASB issued FASB Staff Position (FSP) No. APB 14-1 “Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)”. FSP APB 14-1 requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer’s non-convertible debt borrowing rate. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008, on a retroactive basis and will be adopted by the Company in the first quarter of fiscal 2009. The Company does not expect the adoption of FSP APB 14-1 to have a material effect on its results of operations and financial condition.

In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles,” which becomes effective upon approval by the SEC. The standard sets forth the sources of accounting principles and provides entities with a framework for selecting the principles used in the preparation of financial statements that are presented in conformity with GAAP. It is not expected to change any of the Company’s current accounting principles or practices and therefore, is not expected to have a material impact on its financial statements.

2. 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 in and advances to Receptopharm	(2,975,000)
Gain on deconsolidation	$ 1,081,095

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 a maximum of 30,000,000 shares of the Company's common stock. Prior to April 10, 2008, the Company owned 4,444,445 shares or approximately 38% of Receptopharm's common stock. As a result of this transaction, the Company now owns 100% of the issued and outstanding common stock of Receptopharm.

The exchange ratio in this transaction was four (4) Nutra Pharma shares for each Receptopharm share.

The Company accounted for this acquisition under the purchase method of accounting. The calculation of the total purchase cost is as follows:

F-10

Total number of Nutra Pharma shares issued	30,000,000
Market price of Nutra Pharma common stock on April 10, 2008	$ 0.035
Value of shares issued	$ 1,050,000
Loan to Receptopharm forgiven at closing	300,000
Liabilities of Receptopharm assumed at closing	1,119,413
Total purchase cost to be allocated	$ 2,469,413
Allocation of purchase cost:	
Fair value of Receptopharm assets at closing	$ 71,664
Purchase cost in excess of fair value of assets acquired	2,397,749
Total purchase cost	$ 2,469,413

The purchase cost in excess of the fair value of net assets acquired was recorded as purchased research and development.

Had the acquisition of Receptopharm taken place at January 1, 2008 and 2007 the unaudited consolidated results of operations would have been as follows:

	2008	2007
Revenue	$ 4,045	$ -
Net loss	$ 4,400,389	$ 1,952,852
Net loss per share	$ (0.03)	$ (0.03)

As of December 31, 2008, the Company had issued a total of 24,740,800 shares of its common stock in exchange for 6,185,200 shares of Receptopharm. The Company expects to issue the remaining 5,259,200 shares to the Receptopharm shareholders during 2009.

3. 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.

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 the fair market value of the common shares of $0.025.

During the year ended December 31, 2008, the Company borrowed an additional $464,000 from its President, Rik Deitsch. The balance owed to Mr. Deitsch at December 31, 2008, was $1,255,448 which includes accrued interest of $152,073.

This demand loan is unsecured and bears interest at a rate of 4.0%.

In addition, the Company is indebted to two officers of a subsidiary in the amount of $301,853. These advances are due on demand and bear interest at 5% per annum.

4. 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.

From January 1 through December 31, 2008, the Company completed private placements of restricted shares of its common stock, whereby it sold an aggregate of 18,440,000 shares at a price per share of $0.025. The Company received proceeds of $808,500 in connection with the sale of these shares. In addition, the Company granted one (1)

warrant for each share sold which gives the investor the right to purchase one (1) additional share until December 31, 2012 at an exercise price of $0.10 per share.

During March and September 2008 the Company issued an aggregate of 22,300,000 shares of common stock for services. The shares were valued at their fair market value of $500,000 which has been charged to operations.

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.

5. 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.

F-15

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, 2006, 2007 and 2008	3,000,000	$ .25	$ .00

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	2.00 years	$ .20
$.27	2,000,000	2.25 years	$ .27
	3,000,000		

All options are vested and exercisable.

6. 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, 2008 and 2007. 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 $5,300,000. This loss will be available to offset future taxable income. If not used, this carry forward will expire through 2028. The deferred tax asset of approximately $1,800,000 relating to the operating loss carry forward has been fully reserved at December

31, 2008. The increase in the valuation allowance related to the deferred tax asset was approximately $400,000 during 2008. The principal difference between the accumulated deficit for income tax purposes and for financial reporting purposes results from Stock based compensation of approximately $8,900,000, 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, goodwill impairment of $2,400,000 and the amortization on intangibles of approximately $800,000.

7 CONTINGENCIES AND COMMITTMENTS

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.

8 SUBSEQUENT EVENTS

ADDITIONAL OFFICER LOANS

From January 1 through April 10, 2009, the Company’s president Rik Deitsch loaned an additional $289,000 to the Company for working capital purposes. As a result of these additional loans and accrued interest from January 1 through March 31, 2009, the Company owed Mr. Deitsch $1,544,448 as of April 10, 2009.

SALE OF SHARES OF COMMON STOCK IN CONNECTION WITH PRIVATE PLACEMENT

On January 23, 2009, the Company completed additional private placements of restricted shares of its common stock, whereby it sold 1,400,000 shares at a price per share of $0.025. The Company received proceeds of $35,000 in connection with the sale of these shares.

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 30, 2009, the Company’s Board of Directors authorized the issuance of an aggregate of 1,000,000 shares of its restricted common stock in exchange for services rendered, as follows:

500,000 shares to each of two (2) consultants

The shares described above were valued at $0.02 per share which was the fair market value of the Company’s common stock on the date of grant.