NUTRA PHARMA CORP
Form 10-Q
May 20, 2013

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

þQUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 2013

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

For the transition period from _____ to _____

Commission file numbers 000-32141

**NUTRA PHARMA CORP.**

(Name of registrant as specified in its charter)

| **California** | **91-2021600** |
|---|---|
| (State or Other Jurisdiction of Organization) | (IRS Employer Identification Number) |

| **12502 West Atlantic Blvd, Coral Springs, Florida** | **33076** |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

**(954) 509-0911**

(Registrant's telephone number, including area code)

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 þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes þ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

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

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

Yes £ No þ

The number of shares outstanding of the registrant's common stock, par value $0.001 per share, as of May 15, 2013 there were 597,526,592 shares of common stock.

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

NUTRA PHARMA CORP.

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

**Forward Looking Statements**

The following discussion should be read in conjunction with our financial statements, which are included elsewhere in this Form 10-Q (the “Report”). This Report contains forward-looking statements which relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negativ terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

**NUTRA PHARMA CORP.**

**Condensed Consolidated Balance Sheets**

| | March 31, 2013 (Unaudited) | December 31, 2012 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash | $- | $7,559 |
| Accounts receivable | 44,231 | 38,314 |
| Prepaid expenses and other current assets | 104,719 | 200,868 |
| Total current assets | 148,950 | 246,741 |
| | | |
| Property and equipment, net | 35,769 | 39,515 |
| Other assets | 25,372 | 16,621 |
| Total assets | $210,091 | $302,877 |
| | | |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current liabilities: | | |
| Cash overdraft | $7,824 | $- |
| Accounts payable | 890,548 | 800,860 |
| Accrued expenses | 979,226 | 964,673 |
| Due to officers | 738,234 | 723,386 |
| Derivative Warrant Liability | 28,200 | 18,727 |
| Other debt | 1,393,285 | 1,371,574 |
| Total liabilities | 4,037,317 | 3,879,220 |
| | | |
| Commitments and Contingencies (See Note 8) | - | - |
| | | |
| Stockholders' deficit: | | |
| Common stock, $0.001 par value, 2,000,000,000 shares authorized; 589,393,259 shares issued and outstanding at March 31, 2013, 561,773,778 shares issued and outstanding at December 31, 2012 | 589,393 | 561,774 |
| Additional paid-in capital | 33,700,536 | 33,505,739 |
| Accumulated deficit | (38,117,155) | (37,643,856 ) |
| Total stockholders' deficit | (3,827,226 ) | (3,576,343 ) |
| Total liabilities and stockholders' deficit | $210,091 | $302,877 |

See the accompanying notes to the condensed consolidated financial statements.

**NUTRA PHARMA CORP.**

**Condensed Consolidated Statements of Operations**

**(Unaudited)**

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2013 | 2012 |
| Net sales | $ 37,781 | $ 14,934 |
| Cost of sales | 7,254 | 3,010 |
| Gross profit | 30,527 | 11,924 |
| | | |
| Operating expenses: | | |
| Selling, general and administrative - including stock based compensation of $195,327 and $414,271, respectively | 362,375 | 737,825 |
| Total other costs and expenses | 362,375 | 737,825 |
| Net Loss from Operations | (331,848) | (725,901) |
| | | |
| Other Expenses | | |
| Interest expense | (39,213) | (37,444) |
| Change in fair value of derivatives | (37,199) | (111,980) |
| Loss on settlement of notes and accounts payable | (65,039) | (213,090) |
| | (141,451) | (362,514) |
| Net loss | $ (473,299) | $ (1,088,415) |
| | | |
| Net loss per share - basic and diluted | $ (0.00) | $ (0.00) |
| | | |
| Weighted average number of shares outstanding during the period - basic and diluted | 578,614,296 | 348,381,372 |

See the accompanying notes to the condensed consolidated financial statements.

**NUTRA PHARMA CORP.**

**Condensed Consolidated Statements of Cash Flows**

**(Unaudited)**

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2013 | 2012 |
| Cash flows from operating activities: | | |
| Net loss | $ (473,299) | $ (1,088,415) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Loss on settlement of accounts payable | 65,039 | 213,090 |
| Loss on note payable default | - | 100,000 |
| Depreciation and amortization | 3,746 | 3,758 |
| Stock-based compensation | 101,500 | 414,271 |
| Change in fair value of derivative | 37,199 | 111,980 |
| Non-cash interest expense-shareholders | 7,805 | 7,450 |
| Changes in operating assets and liabilities: | | |
| Increase in accounts receivables | (5,917) | - |
| Decrease in prepaid stock-based compensation | 93,827 | - |
| Decrease in prepaid expenses | 2,322 | 20,753 |
| Increase in other assets | (8,751) | |
| Increase (decrease) in accounts payable | 90,077 | (15,175) |
| Increase in accrued expenses | 14,553 | 34,206 |
| Net cash used in operating activities | (71,899) | (198,082) |
| | | |
| Cash flows from investing activities: | | |
| Acquisition of property and equipment | - | - |
| Net cash used in investing activities: | - | - |
| | | |
| Cash flows from financing activities: | | |
| Increase in cash overdraft | 7,824 | 4,344 |
| Proceeds from payment of subscription receivable | - | 8,000 |
| Loans from officers | 8,816 | 74,716 |
| Repayment of officers loans | (1,400) | (7,978) |
| Proceeds from convertible notes | 20,000 | 115,000 |
| Proceeds from other notes payable | - | 29,000 |
| Repayments of other notes payable | - | (25,000) |
| Proceeds from notes payable-related party | 30,000 | - |
| Repayments of notes payable-related party | (900) | - |
| Net cash provided by financing activities | 64,340 | 198,082 |
| | | |
| Net decrease in cash | (7,559) | - |

| | | |
|---|---|---|
| Cash - beginning of period | 7,559 | - |
| Cash - end of period | $ - | $ - |
| Supplemental Cash Flow Information: | | |
| Cash paid for interest | $ 12,417 | $ 20,000 |
| Cash paid for income taxes | $ - | $ - |
| Non cash Financing and Investing: | | |
| Note issued in settlement of notes and accounts payable | $ - | $ 253,648 |
| Shares issued to satisfy debt | $ 120,543 | $ 680,659 |

See the accompanying notes to the condensed consolidated financial statements.

**NUTRA PHARMA CORP.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**March 31, 2013**

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Organization*

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

Through its wholly-owned subsidiary, ReceptoPharm, Inc. (“ReceptoPharm”), Nutra Pharma conducts drug discovery research and development activities. In October 2009, Nutra Pharma launched its first consumer product called Cobroxin®, an over-the-counter pain reliever designed to treat moderate to severe chronic pain. In May 2010, Nutra Pharma launched its second consumer product called Nyloxin,™ an over-the-counter pain reliever that is a stronger version of Cobroxin® and is designed to treat severe chronic pain.

*Basis of Presentation and Consolidation*

The condensed consolidated financial statements and notes are presented in accordance with the rules and regulations of the Securities and Exchange Commission and do not contain certain information included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal, recurring nature. Interim results are not necessarily indicative of results for a full year. Therefore, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K.

The accompanying condensed consolidated financial statements include the results of Nutra Pharma and its wholly-owned subsidiaries Designer Diagnostics Inc. and ReceptoPharm (collectively "the Company", “us”, “we” or “our”). We operate as one reportable segment. All intercompany transactions and balances have been eliminated in consolidation.

*Liquidity and Going Concern*

Our condensed consolidated financial statements are presented on a going concern basis, which contemplate the realization of assets and satisfaction of liabilities in the normal course of business. We have experienced recurring, significant losses from operations, and have an accumulated deficit of $38,117,155 at March 31, 2013. In addition, we had respective working capital and stockholders' deficits at March 31, 2013 of $3,888,367 and $3,827,226.

There is substantial doubt regarding our ability to continue as a going concern which 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.

As of March 31, 2013, we do not have sufficient cash to sustain our operations for the next year and will require additional financing in order to execute our operating plan and continue as a going concern. Since our sales are not currently adequate to fund our operations, we continue to rely principally on debt and equity funding; however proceeds from such funding have not been sufficient to execute our business plan. Our plan is to attempt to secure adequate funding until sales of our pain products are adequate to fund our operations. We cannot predict whether additional financing will be available, and/or whether any such funding will be in the form of equity, debt, or another form. In the event that these financing sources do not materialize, or if we are unsuccessful in increasing our revenues and profits, we will be unable to implement our current plans for expansion, repay our obligations as they become due and continue as a going concern.

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

*Use of Estimates*

The accompanying condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense. Significant estimates include our ability to continue as going concern, the recoverability of inventories and long-lived assets, and the valuation of stock-based compensation and certain debt and warrant liabilities. Actual results could differ from those estimates. Changes in facts and circumstances may result in revised estimates, which would be recorded in the period in which they become known.

*Revenue Recognition*

In general, we record 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. Provision for sales returns is estimated based on our historical return experience. Revenue is presented net of returns and allowances for returns. In 2011, the Company recorded a return allowance of $503,958 representing products sold to Nutritional Alliance during 2011 and returned in March of 2012. The products were subsequently written off as worthless.

*Cash and Cash Equivalents*

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

*Accounts Receivable and Allowance for Doubtful Accounts*

The Company grants credit without collateral to its customers based on the Company’s evaluation of a particular customer’s credit worthiness. In addition, allowances for doubtful accounts are maintained for potential credit losses based on the age of the accounts receivable and the results of the Company’s periodic credit evaluations of its customers’ financial condition. Accounts receivable are written off after collection efforts have been deemed to be unsuccessful. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts, while subsequent recoveries are netted against the provision for doubtful accounts expense. The Company generally does not charge interest on accounts receivable.

Accounts receivable are stated at estimated net realizable value. Accounts receivable are comprised of balances due from customers net of estimated allowances for uncollectible accounts. There were no allowance for doubtful accounts recorded as of March 31, 2013 and December 31, 2012.

*Financial Instruments and Concentration of Credit Risk*

Our financial instruments include cash, accounts receivable, accounts payable, accrued expenses, loans payable, due to officers and derivative financial instruments. Other than certain warrant and convertible instruments (derivative financial instruments) and liabilities to related parties (for which it was impracticable to estimate fair value due to uncertainty as to when they will be satisfied and a lack of similar type transactions in the marketplace), we believe the carrying values of our financial instruments approximate their fair values because they are short term in nature or payable on demand. Our derivative financial instruments are carried at a measured fair value.

Balances in various cash accounts may at times exceed federally insured limits. We have not experienced any losses in such accounts. We do not hold or issue financial instruments for trading purposes. There were no sales concentrations at March 31, 2013.

*Derivative Financial Instruments*

The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. Management evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income. For option-based simple derivative financial instruments, the Company uses the Black-Scholes option-pricing model to value the derivative instruments at inception and subsequent valuation dates. For complex embedded derivatives, the Company uses a Dilution-Adjusted Black-Scholes method to value the derivative instruments at inception and subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

*Property and Equipment and Long-Lived Assets*

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. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of 3 – 7 years.

Property and equipment consists of the following at March 31, 2013 and December 31, 2012:

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| Computer equipment | $21,918 | $ 21,918 |
| Furniture and fixtures | 34,757 | 34,757 |
| Lab equipment | 42,129 | 42,129 |
| Telephone equipment | 12,421 | 12,421 |
| Office equipment – other | 2,629 | 2,629 |
| Leasehold improvements | 67,417 | 67,417 |
| Total | 181,271 | 181,271 |
| Less: Accumulated depreciation and amortization | (145,502) | (141,756 ) |
| Property and equipment, net | $35,769 | $ 39,515 |

We review our long-lived assets for recoverability if events or changes in circumstances indicate the assets may be impaired. At March 31, 2013, we believe the carrying values of our long-lived assets are recoverable. Depreciation expense for the three months ended March 31, 2013 and 2012 was $3,746 and $3,758, respectively.

*Advertising*

All advertising costs are expensed as incurred. Advertising costs were approximately $0 and $10,000 for the three months ended March 31, 2013 and 2012, respectively.

*Research and Development*

Research and development is charged to operations as incurred. We incurred research and development expenses of approximately $0 and $2,600 for the three months ended March 31, 2013 and 2012, respectively.

*Stock-Based Compensation*

We account for stock-based compensation in accordance with FASB ASC Topic 718, *Stock Compensation* (ASC Topic 718). ASC Topic 718, which requires that the cost resulting from all share-based transactions be recorded in the financial statements over the respective service periods. It establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value-based measurement in accounting for share-based payment transactions with employees. 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.

*Net Loss Per Share*

Net loss per share is calculated in accordance with ASC Topic 260, *Earnings per Share*. Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted loss per share is calculated by dividing net loss by the weighted average number of common shares and dilutive common stock equivalents outstanding. During periods in which we incur losses, common stock equivalents, if any, are not considered, as their effect would be anti-dilutive or have no effect on earnings per share. As of March 31, 2013 and March 31, 2012, the following items were not included in dilutive loss as the effect is anti-dilutive:

| | March 31, 2013 | March 31, 2012 |
|---|---|---|
| Options and warrants | 59,856,667 | 47,921,667 |
| Convertible notes payable | 86,517,657 | 19,793,996 |
| Total | 146,374,324 | 67,715,663 |

*Reclassifications*

Certain amounts in the 2012 condensed consolidated financial statements have been reclassified to conform to the current period presentation.

*Recent Accounting Pronouncements*

We have determined that all recently issued accounting standards have not and will not have a material impact on our condensed consolidated financial statements.

2. FAIR VALUE MEASUREMENTS

Certain assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2013 are measured in accordance with FASB ASC Topic 820-10-05, *Fair Value Measurements*. FASB ASC Topic 820-10-05 defines fair value, establishes a framework for measuring fair value and expands the disclosure requirements regarding fair value measurements for financial assets and liabilities as well as for non-financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis in the financial statements.

The statement requires fair value measurement be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The following table summarizes our financial instruments measured at fair value as of March 31, 2013 and December 31, 2012:

| | Fair Value Measurements at March 31, 2013 | | | |
|---|---|---|---|---|
| Liabilities: | Total | Level 1 | Level 2 | Level 3 |
| Warrant liability | $ 28,200 | $ - | $ - | $ 28,200 |
| Convertible notes at fair value | $ 640,702 | $ - | $ - | $ 640,702 |

| | Fair Value Measurements at December 31, 2012 | | | |
|---|---|---|---|---|
| Liabilities: | Total | Level 1 | Level 2 | Level 3 |
| Warrant liability | $ 18,727 | $ - | $ - | $ 18,727 |
| Convertible notes at fair value | $ 588,091 | $ - | $ - | $ 588,091 |

The following table shows the changes in fair value measurements using significant unobservable inputs (Level 3) during the three months ended March 31, 2013:

| Description | March 31, 2013 |
|---|---|
| Beginning balance | $ 18,727 |
| Purchases, issuances, and settlements | - |
| Total loss or (gain) included in earnings (1) | 9,473 |
| Ending balance | $ 28,200 |

(1) The gain or loss related to the revaluation of our warrant liability is included in “Change in fair value of derivatives” in the accompanying condensed consolidated statement of operations.

The Company values its warrants using a Dilution-Adjusted Black-Scholes Model. Assumptions used include (1) 0.36% to 0.80% risk-free rate, (2) warrant life is the remaining contractual life of the warrants, (3) expected volatility of 124% to 236% (4) zero expected dividends (5) exercise price set forth in the agreements (6) common stock price of the underlying share on the valuation date, and (7) number of shares to be issued if the instrument is converted (See note 5).

The following table summarizes the significant terms of each of the debentures for which the entire hybrid instrument is recorded at fair value as of March 31, 2013:

| Debenture Issuance Year | Face Amount | Interest Rate | Default Interest Rate | Conversion Price - Lower of Fixed Price or Percentage of VWAP for Look-back Period Anti-Dilution Adjusted Price | % | Look-back Period |
|---|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| 2013 | 640,702 | 8%-10% | n/a | $0.0036-$0.0242 | 55%-85% | 10 to 15 Days |

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The following table shows the changes in fair value measurements using significant unobservable inputs (Level 3) during the three months ended March 31, 2013 for the Convertible Notes:

| | March 31, 2013 |
|---|---|
| Description | |
| Beginning balance | $588,091 |
| Purchases, issuances, and settlements | 80,000 |
| Day one loss on value of hybrid instrument | 90,359 |
| (Gain) loss from change in fair value | 2,795 |
| Conversion to common stock | (120,543) |
| Ending balance | $640,702 |

3. SETTLEMENT OF ACCOUNTS AND NOTE PAYABLE

*Coventry Enterprises, LLC – Immunoclin, Ltd*

At December 31, 2011, the Company owed *Immunoclin, Ltd*. (“Immunoclin”) $80,389 representing the balance of invoices for clinical services. On December 20, 2012, the Company issued an $80,000 note payable at 8% to Immunoclin in exchange for the outstanding accounts payable. $20,000, $40,000 and $20,000 of the debt were assigned to Coventry Enterprises, LLC (“Coventry”) on December 20, 2012, January 7, 2013, and March 13, 2013, respectively. Coventry made the first conversion of 2,565,102 shares of Company’s common stock to satisfy the debt of $20,000 on December 20, 2012.

The Company issued two Convertible Redeemable Notes for the remaining amount of $40,000 and $20,000 on January 7, 2013, and March 13, 2013. Coventry made the conversion of a total of 15,119,481 shares of the company’s restricted stock satisfying the remaining notes in full during the three months ended March 31, 2013. The Company elected to account for these hybrid contracts under the guidance of FASB ASC Topic 815 Derivatives & Hedging. The fair value has been defined as the common stock equivalent value, enhanced by the fair value of the default put plus the present value of the coupon. The Company recorded a loss of $65,039 on the settlement and the change in fair value of derivatives in the amount of $4,885 during the three months ended March 31, 2013.

*Southridge Partners, LLP (“Southridge”) Agreement – Baker Donelson Bearman Caldwell & Berkowitz, PC, Liquid Packaging Resources, Inc. (“LPR”),University Centre West Ltd., and MacDonald Trust*

At September 30, 2012, the Company owed Baker Donelson Bearman Caldwell & Berkowitz, PC. approximately $39,581, which was assigned and sold to Southridge (See note 5).

At September 30, 2012, the Company owed *University Centre West Ltd*. approximately $55,410, which was assigned and sold to Southridge (See note 5).

At September 30, 2012, the Company owed *LPR*. approximately $250,000, which was assigned and sold to Southridge (See note 5).

At September 30, 2012, the Company owed McDonald Trust. approximately $75,000, which was assigned and sold to Southridge (See note 5).

During the three months ended March 31, 2013, the suit was voluntarily dismissed involving the above debts assigned to Southridge. The debt was reverted back to the original holders. (See note 5).

4. DUE TO OFFICERS

At March 31, 2013 and December 31, 2012, the balance due to officers consisted of the following:

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| An unsecured demand loan from our President and CEO, Rik Deitsch. The loan bears interest at 4%. The loan balance at March 31, 2013 and December 31, 2012, respectively, includes accrued interest payable of $330,840 and $324,853. | $619,570 | $ 606,168 |
| A loan from Paul Reid, the President of ReceptoPharm bearing interest at a rate of 5% per annum, due on demand and secured by certain intellectual property of ReceptoPharm having a zero cost at March 31, 2013 and December 31, 2012. The accrued interest at March 31, 2013 and December 31, 2012 was $38,837 and $37,392, respectively. | 118,664 | 117,218 |
| Ending balances | $738,234 | $ 723,386 |

During the three months ended March 31, 2013, we borrowed $8,816 and repaid $1,400 to Mr. Deitsch.

5. OTHER DEBT

Other debt (all short-term) consists of the following at March 31, 2013 and December 31, 2012:

| March 31, 2013 | December 31, 2012 |
|---|---|

| | | |
|---|---|---|
| Note payable – Related Party (1) | $219,100 | $ 190,000 |
| Notes payable – Non Related Parties (2) | 533,483 | 593,483 |
| Convertible notes payable, at fair value (3) | 640,702 | 588,091 |
| Ending balances | $1,393,285 | $ 1,371,574 |

(1) At March 31, 2013, the balance of $219,100 consisted of the following loans:

- During the third quarter of 2010 we borrowed $200,000 from one of our directors. We repaid $10,000 during the third quarter of 2012. Under the terms of the loan agreement, this loan was expected to be repaid in nine months to a year from the date of the loan along with interest calculated at 10% for the first month plus 12% after 30 days from funding. We are in default regarding this loan. At March 31, 2013, we owed this director accrued interest of $94,762.

- During January and February 2013, the Company received a total of $30,000 from DMH International, Inc., a company controlled by the CEO of the Company and repaid $900 at March 31, 2013. The notes are unsecured, non-interest bearing, and due on demand. The Company recorded $373 of imputed interest related to DMH’s loan payable as in-kind contribution at March 31, 2013.

(2) At March 31, 2013, the balance of $533,483 consisted of the following loans:

- In May 2011, the Company received two loans for a total of $50,000 from non-related parties. These loans were expected to be repaid no later than December 31, 2011, along with interest calculated at 10% for the first month plus 12% after 30 days from funding. These loans are guaranteed by an officer of the Company. The Company was unable to repay the loans and they continue to accrue interest. At March 31, 2013, the accrued interest payable was $18,380.

- At December 31, 2012, the total amount of the Company's debt assigned to Southridge was $483,483. In connection with the debt sales to Southridge, the Company recorded loss on settlement of accounts payable for $63,490 in statement of operations at December 31, 2012. During the first quarter of 2013, the suit was voluntarily dismissed involving debt held by Southridge for $483,483. The debt was reverted back to the original holders. The balance of $483,483 consisted of the following loans:

i. On March 22, 2012 the Company issued a promissory note to the Michael McDonald Trust in the amount of $75,000. $25,000 of the funds was received during the first quarter of 2012. The remaining amount of $50,000 was received during the third quarter of 2012. The note is due and payable on the date that is six months from the execution and funding of the note. Interest is based on a rate of three (3%) percent per month to be accrued from the later of the date of the note or receipt of funds until all principal has been paid. In August 2012, McDonald Trust sold their debt to Southridge Partners, LLP for consideration of $88,500(See note 9).

ii. On August 2, 2011 under a settlement agreement with Liquid Packaging Resources, Inc. ("LPR"), the Company agreed to pay LPR a total of $350,000 in monthly installments of $50,000 beginning August 15, 2011 and ending on February 15, 2012. This settlement amount was recorded as general and administrative expenses on the date of the settlement. We did not make the December 2011 or January 2012 payments and on January 26, 2012, we signed the first amendment to the settlement agreement whereunder we agreed to pay $175,000 which was the balance outstanding at December 31, 2011(this includes a $25,000 penalty for non-payment).

The Company repaid $25,000 during the three months ended March 31, 2012. The Company did not make all of the payments under such amendment and as a result pursuant to the original settlement agreement, LPR had the right to sell 5,714,326 shares of the Company's free trading stock held in escrow by their attorney and receive cash settlements for a total amount of $450,000 (the initial $350,000 plus total default penalties of $100,000). The $100,000 default was expensed during the quarter ended March 31, 2012. The balance due to LPR at September 30, 2012 was $250,000. LPR sold the note to Southridge Partners, LLP ("Southridge") for consideration of $281,772 in October 2012 (See note 3).

iii. At September 30, 2012, the Company owed Baker Donelson Bearman Caldwell & Berkowitz, PC. approximately $39,581, which was assigned and sold to Southridge for consideration of $57,800 (See note 3).

iv. At September 30, 2012, the Company owed *University Centre West Ltd*. approximately $55,410, which was assigned and sold to Southridge (See note 3).

During the three months ended March 31, 2013, the suit was voluntarily dismissed involving the above debts assigned to Southridge. The debt was reverted back to the original holders. (See note 3).

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(3) At March 31, 2013, the balance of $640,702 consisted of the following convertible loans:

- In September and October 2011, the Company borrowed $250,000 each (aggregating $500,000) from two non-related parties. The principal of these loans were to be repaid with a balloon payment on or before October 1, 2012. On October 19, 2012 the parties amended the notes to extend the due date to May 1, 2013 and include a conversion feature that would allow the holders to convert some or all of their outstanding notes into restricted Company stock at a 15% discount to the average closing market price of the Company's stock traded over the previous 5 days. The Company issued a total of 4,000,000 restricted shares to the note holders per the amendment and recorded a loss on loan modification of $100,000 during the year ended December 31, 2012 (See note 6). Interest on these loans is payable monthly beginning in November 2011 with interest calculated at 20% and 12%, each, respectively. At March 31, 2013 and December 31, 2012, the accrued interest payable was $4,166 and $10,833, respectively. At March 31, 2013, this convertible note payable, at fair value, was recorded at $601,723.

The maturity date was extended to November 1, 2013 during May 2013.

- On March 22, 2013, the Company issued a Convertible Debenture in the amount of $20,000 to Coventry Enterprises, LLC (“Coventry”). The note carries interest at 10% and is due on March 22, 2014, unless previously converted into shares of restricted common stock. Coventry has the right to convert the note, until is no longer outstanding into shares of Common Stock at a price lesser of $.0075, or (ii) fifty-five percent (55%) of the average of the three lowest VWAP prices of the Company’s Common Stock for the twenty trading days preceding the conversion date.

In connection with the issuance of this convertible note payable, the Company encountered a day-one derivative loss of $24,931 and change in fair value of derivative in the amount of $5,952, respectively. At March 31, 2013, this convertible note payable, at fair value, was recorded at $38,979.

In connection with the issuances of the Note, the Company also granted five-year warrants to purchase an aggregate of 2,600,000 shares of the Company’s common stock at an exercise price of $0.01 per share. The Company classified embedded conversion features in these warrants as a derivative liability. The warrants were valued at their fair value of $21,226 and $18,402, respectively using the Black-Scholes method at the commitment and re-measurement dates of March 22, 2013 and March 31, 2013, respectively.

In the evaluation of these financing arrangements, the Company concluded that these conversion features did not meet the conditions set forth in current accounting standards for equity classification. Since equity classification is not available for the conversion feature, it requires bifurcation and liability classification, at fair value. The Company also concluded that the Default Put required bifurcation because, while puts on debt instruments are generally considered clearly and closely related to the host, the Default Put is indexed to certain events that are not associated with the convertible note payable.

The Company elected to account for these hybrid contracts under the guidance of ASC 815-15-25-4. The fair value has been defined as the common stock equivalent value, enhanced by the fair value of the default put plus the present value of the coupon.

The holder of this convertible note has substantial rights and protections regarding dilution if certain events, including a default were to occur. There are a number of events that could trigger a default, including but not limited to failure to pay principal or interest, failure to issue shares under the conversion feature, breach of covenants, breach of representations and warranties, appointment of a receiver or trustee, judgments, bankruptcy, delisting of common stock, failure to comply with the exchange act, liquidation, cessation of operations, failure to maintain assets, material financial statement restatement, reverse split of borrowers stock, etc. In the event of these events the lender may be entitled to receive significant amounts of additional stock above the amounts for conversion.

Furthermore, there are additional events that could cause the lender to be due additional shares of common stock above and beyond the shares due from a conversion. Some of these events include, but are not limited to a merger or consolidation of the Company, dividend distribution or spin off, dilutive issuances of the Company’s stock, etc. If the lender receives additional shares of the Company’s commons stock due to any of the foregoing events or for other reasons, then this may have an extremely dilutive effect on the shareholders of the Company. Such dilution would likely result in a significant drop in the per share price of the Company’s common stock. The potential dilutive nature of this note presents a very high degree of risk to the Company and its shareholders

6. STOCKHOLDERS' DEFICIT

Common Stock Issued for Services

During February, 2013, the Company issued 8,000,000 shares of the Company’s restricted common stock to a consultant for investor relation services for a year. The shares were valued at $0.008 per share. The Company recorded an equity compensation charge of $12,800 during the three months ended March 31, 2013. The remaining unrecognized compensation cost of $51,200 related to non-vested equity-based compensation to be recognized by the Company over the remaining vesting period of nine and half months.

During February 2013, the Company issued 1,500,000 shares of the Company’s restricted common stock to a consultant for investor relation services for two months. The shares were valued at $0.007 per share. The Company recorded an equity compensation charge of $10,322 during the three months ended March 31, 2013. The remaining unrecognized compensation cost of $178 related to non-vested equity-based compensation to be recognized in April 2013.

During February 2013, the Company issued a total of 3,000,000 shares of the Company’s restricted common stock to three consultants for marketing services for six months. The shares were valued at $0.009 per share. The Company recorded an equity compensation charge of $11,188 during the three months ended March 31, 2013. The remaining unrecognized compensation cost of $15,812 related to non-vested equity-based compensation to be recognized in by the Company over the remaining vesting period of three and half months.

On December 14, 2012 the Company issued a total of 1,000,000 shares of the Company’s restricted common stock to Roetzell & Andress for legal services for a one year term. The shares were valued at $0.014 per share. The Company recorded a prepaid equity compensation charge of $14,000 during the year ended December 31, 2012, and recognized an equity compensation charge of $4,104 during the three months ended March 31, 2013. The unrecognized compensation cost of $9,896 related to non-vested equity-based compensation to be recognized by the Company over the remaining vesting period of eight and half months.

During October, 2012 the Company issued a total of 15,100,000 shares of the Company’s restricted common stock to five consultants for marketing services for six months terms. The shares were valued at $0.0125 per share. The Company recorded an equity compensation charge of $93,734 and $80,216 during the three months ended March 31, 2013 and year ended December 31, 2012. The remaining unrecognized compensation cost of $14,800 related to non-vested equity-based compensation to be recognized by the Company over the remaining vesting period of half of a month.

During December, 2012 the Company issued 500,000 shares of the Company's restricted common stock to a consultant for real estate consulting services for a three months term. The shares were valued at $0.0125 per share. The Company recorded an equity compensation charge of $1,042 during the year ended December 31, 2012. The remaining unrecognized compensation cost of $5,208 was recognized during the three months ended March 31, 2013.

During August, 2012 the Company issued 3,000,000 shares of the Company's restricted common stock to JPU Ventures, Inc. under agreement dated August 13, 2012. The agreement was for investor relations services for a six months term. The shares were valued at $0.0125 per share. The Company recorded an equity compensation charge of $21,875 during the year ended December 31, 2012. The remaining unrecognized compensation cost of $15,625 was recognized by the Company during the three months ended March 31, 2013.

On October 1, 2012, the Company issued 5,500,000 shares of the Company's restricted common stock under the amended agreement with Mark Bergman, a consultant. The contract is for six months term. The shares were valued at $0.0125 per share. The Company recorded an equity compensation charge of $17,188 and $40,104 for the agreement during the three months ended March 31, 2013 and the year ended December 31, 2012. The remaining unrecognized compensation cost of $11,458 related to non-vested equity-based compensation is to be recognized by the Company over the remaining vesting period of two months.

During October, 2012, the Company entered into an agreement for investor relations services with a Consultant. The contract was for a six months term and calls for the issuance of 1,000,000 shares of restricted common stock. The share was valued at $0.0125 per share. The Company recorded an equity compensation charge of $8,697 during the year ended December 31, 2012. The remaining unrecognized compensation cost of $3,533 was recognized by the Company during the three months ended March 31, 2013.

On February 22, 2012 the Company engaged Capital Path Securities, LLC (“CPS”) as its exclusive advisor on a proposed placement by way of an equity line of approximately $10,000,000 of the Company’s equity or equity linked securities. All upfront fees have been waived by CPS. The Company will pay CPS a cash placement fee equal to 5% of all principal amounts invested from the source originated by CPS. In addition, 10,000,000 restricted shares were issued on October 26, 2012, and valued at $0.0125 per share. The Company recorded an equity compensation charge of $151,375 during the year ended December 31, 2012. The remaining unrecognized compensation cost of $21,625 and 125,000 non-vested shares was recognized by the Company during the three months ended March 31, 2013.

Common Stock Issued for Settlement of Accounts Payable & Debt

Following the agreements with Coventry Enterprises, LLC (see Note 3), Coventry made the following conversions for a total of 15,119,481 shares of the company’s restricted stock during the first quarter of 2013 satisfying the notes in full:

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| January 21, 2013 | 4,032,258 | $ 37,619 |
| February 11, 2013 | 5,405,405 | $ 42,510 |
| March 20, 2013 | 5,681,818 | $ 40,414 |

7. STOCK OPTIONS AND WARRANTS

Equity Compensation Plans

On December 3, 2003, the 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. At March 31, 2013, a total of

5,000 shares of common stock were available to be issued under the 2003 Plan.

On June 6, 2007 the 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. On July 27, 2011 the Company issued 5,714,236 shares to be placed in escrow under a settlement agreement with Liquid Packaging Resources, Inc. dated August 2, 2011. At September 30, 2012, the LPR assigned the debt to Southridge Partners. The Company is currently negotiating with Southridge Partners to arrange a settlement of the debt. Once the debt is satisfied, LPR will return all of the Company's collateral shares currently held by LPR's attorney (See note 3). At March 31, 2013, a total of 250,000 shares of common stock were available to be issued under the 2007 Employee/Consultant Stock Compensation Plan.

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 our common stock.

No options were issued under the plans during three months ended March 31, 2013.

We account for option and stock awards under our option plans in accordance with ASC Topic 718, *Compensation – Stock Compensation* ("ASC Topic 718"), which requires the measurement and recognition of compensation expense in our statement of operations for all share-based option and stock awards, based on estimated grant-date fair values.

ASC Topic 718 requires us to estimate the fair value of stock-based option awards on the date of grant using an option-pricing model. The grant-date fair value of the award is recognized as expense over the requisite service period using the straight-line method. In accordance with ASC Topic 718, the estimated stock-based compensation expense to be recognized is reduced by an estimate of the annualized rate of stock option forfeitures.

Common Stock Warrants

From time to time, we issue warrants to purchase our common stock. These warrants have been issued for cash in conjunction with the private placement of shares of our common stock.

During March, 2013, the Company issued a total of 2,600,000 warrants to purchase common stock at an exercise price of $0.01 per share in connection with issuance of a convertible note payable to Coventry. The warrants expire on March 22, 2018 (See note 5).

A summary of warrants outstanding in conjunction with private placements of common stock were as follows during the three months ended March 31, 2013:

| | Number of shares | Weighted average exercise price |
|---|---|---|
| Balance December 31, 2012 | 57,256,667 | $ 0.10 |
| Exercised | - | - |
| Issued | 2,600,000 | $ 0.01 |
| Forfeited | - | - |
| Balance March 31, 2013 | 59,856,667 | $ 0.096 |

The following table summarizes information about fixed-price warrants outstanding as of March 31, 2013**:**

| Exercise Price | Weighted Average Number | Weighted Average Contractual | Weighted Average Exercise |
|---|---|---|---|

| | Outstanding | Life | Price |
|---|---|---|---|
| $0.01-0.10 | 59,856,667 | 1.93 years | $ 0.096 |

As of March 31, 2013, the aggregate intrinsic value of all stock options and warrants outstanding and expected to vest was $0. The intrinsic value of each option share is the difference between the fair market value of our common stock and the exercise price of such option share to the extent it is “in-the-money”. Aggregate intrinsic value represents the value that would have been received by the holders of in-the-money options had they exercised their options on the last trading day of the year and sold the underlying shares at the closing stock price on such day. The intrinsic value calculation is based on the $0.0072 closing stock price of our common stock on March 28, 2013, the last trading day of first quarter of 2013. There were no in-the-money warrants at March 31, 2013.

8. COMMITMENTS AND CONTINGENCIES

Operating Leases

In February 2010, Nutra Pharma entered into an operating lease for the use of office space. The lease expired in January 2013 and required monthly payments of approximately $9,000. In February 2013, Nutra Pharma entered into a new operating lease for monthly payments of approximately $3,500 for three years. ReceptoPharm leases a lab and renewed operating lease agreement for five years in July of 2012. The lease requires monthly payments of approximately $5,000 beginning August 1, 2012.

We incurred rent expense of $34,780 and $46,869 during three months ended March 31, 2013 and 2012.

**Litigation**

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

On August 18, 2006, ReceptoPharm was named as a defendant in Patricia Meding, et. al. v. ReceptoPharm, Inc. f/k/a Receptogen, Inc., Index No.: 18247/06 (New York Supreme Court, Queens County). The original proceeding claimed that ReceptoPharm owed the Plaintiffs, including Patricia Meding, a former ReceptoPharm officer and shareholder and several corporations that she claims to own, the sum of $118,928.15 plus interest and counsel fees on a series of promissory notes that were allegedly executed in 2001 and 2002. On August 23, 2007, the Queens County, New York Supreme Court issued a decision denying Plaintiffs motion for summary judgment in lieu of a complaint, concluding that there were issues of fact concerning the enforceability of the promissory notes. On May 23, 2008, the Plaintiffs filed an amended complaint in which they reasserted their original claims and asserted new claims seeking damages of no less than $768,506 on their claims that in or about June 2004 ReceptoPharm breached its fiduciary duty to the Plaintiffs as shareholders of ReceptoPharm by wrongfully canceling certain of their purported ReceptoPharm share certificates. In late 2010, Plaintiffs further amended their complaint alleging that ReceptoPharm violated Plaintiffs contractual and statutory rights by cancelling an additional 1,214,800 share certificates and failing to permit the Plaintiffs to exercise dissenting shareholder rights with respect to those share certificates. The damages associated with the Plaintiff’s claims could rise as the result of any increases in the Company’s share price as the ReceptoPharm shares may be convertible into the Company’s common shares. The potential exposure may exceed $10,000,000 if the Plaintiffs are successful with all of their claims.

ReceptoPharm believes the suit is without merit and has filed an answer denying the material allegations of the amended complaint and asserted a series of counterclaims against the Plaintiffs alleging claims for declaratory judgment, fraud, breach of fiduciary duty, and conversion and unjust enrichment as a result of the promissory notes. Plaintiffs have moved for partial summary judgment on their claims regarding the additional 1,214,800 shares, but not on their claims regarding the alleged promissory notes or the additional 1,750,000 shares they alledge they are owed. In August of 2011, the Plaintiff's motion was partially granted. In September 2012, Recepto Pharm's attorneys filed a Motion to be removed as counsel. Their motion was denied on April 26, 2013 due to the current Involuntary Bankruptcy action filed against Nutra Pharma. The court has issued a stay in the proceedings pending the outcome of the Bankruptcy action. ReceptoPharm is seeking new counsel to oppose the partial summary judgment. We intend to vigorously contest this matter and accordingly no effect has been given to any loss that may result from the resolution of this matter in the accompanying condensed consolidated financial statements.

Liquid Packaging Resources, Inc. v. Nutra Pharma Corp. and Erik "Rik" Deitsch

On April 21, 2011, Nutra Pharma Corp. and its CEO, Erik Deitsch, were named as defendants in Liquid Packaging Resources, Inc. v. Nutra Pharma Corp. and Erik "Rik" Deitsch, Superior Court of Fulton County, Georgia, Civil Action No. 2011-CV-199562. Liquid Packaging Resources, Inc. ("LPR") claimed that Nutra Pharma Corp. and Mr. Deitsch, directly or through other companies, placed orders with LPR that required LPR to purchase components from third parties. LPR sought reimbursement for those third party expenses in the amount of not less than $359,826.85 plus interest. LPR also sought punitive damages in the amount of not less than $500,000 and attorney's fees.

That civil action was then removed by Nutra Pharma Corp. and Mr. Deitsch to the United States District Court, Northern District of Georgia, Civil Action No. 11-CV-01663-ODE. After removal, LPR amended the Complaint to assert that Nutra Pharma Corp. and Mr. Deitsch were the alter egos of the alleged other companies through whom the subject orders were placed and therefore should be considered one and the same. Nutra Pharma Corp. and Mr. Deitsch moved to dismiss the Complaint on several grounds including statute of frauds, failure to state a claim, and jurisdiction (only for Mr. Deitsch). Nutra Pharma Corp. and Mr. Deitsch believe the suit is without merit.

Subsequent to June 30, 2011, at LPR's request, the parties mediated the dispute before LPR responded to the Motion to Dismiss. At the mediation, the parties worked out an agreement whereby Nutra Pharma would purchase from LPR the components LPR purchased from third parties at an amount slightly less than the principal amount of the suit and on terms acceptable to Nutra Pharma. The agreed price was $350,000 payable over 7 months in equal $50,000.00 amounts. This agreement was reached by Nutra Pharma because it provided tangible value in exchange for the purchase price rather than incurring the expense of litigation which would likely be substantial and not recouped. While Nutra Pharma had counterclaims it could assert, this was a practical resolution. The settlement allowed Nutra Pharma to take possession of the components prior to full payment and, in exchange, provided security to LPR in the form of Nutra Pharma stock valued at $400,000 at the time of issuance. The stock can only be sold in event of a default of the payment schedule. The litigation was dismissed in August of 2011. The Company made the August, September and November payments (totaling $150,000) in a timely fashion. The Company was late for the payment due October 15, 2011 and requested an accommodation from LPR, eventually paying an extra $5,000 towards that payment. At December 31, 2011, the Company had made total payments of $205,000 with an additional $150,000 owed. In order to allow the Company to skip the December payment, LPR agreed to another accommodation whereby the Company would pay both the December and January payment with an additional $10,000 on or before January 16, 2012. The Company was unable to make this payment and on January 26, 2012 signed an amended payment schedule adding an additional $15,000 for a total of $175,000 owed. The Company's CEO, Rik Deitsch, added additional collateral stock in a separate company that he held personally. In January, $25,000 was paid, with subsequent payments of $30,000 due monthly on the 15th of March through the 15th of July, 2012. The Company failed to make the March payment and was subsequently called in default of the Agreement. Under the original agreement, if Nutra Pharma is in default of the agreement, LPR has the right to sell shares of the company’s free trading stock held in escrow by their attorney and receive cash settlements for a total amount of $450,000 representing the new total cash amount due to LPR by the Company.

On June 11, 2012, LPR sold their debt to Southridge Partners, LLP in an agreement to be paid out over time. We had expected them to complete those payments by the end of 2012 to satisfy the obligation in its entirety. The action from Southridge was removed pending the outcome of the Bankruptcy action against us. The Company is currently negotiating with Southridge to arrange a settlement of the debt. We expect a rapid settlement once the Bankruptcy action is completed. Once satisfied, LPR will return all of the Company's collateral shares currently held by LPR's attorney.

Laurence N. Raymond v. Receptopharm, Inc. et al.

On December 30, 2011 Laurence N. Raymond ("Raymond") brought the case against Receptopharm, Inc. ("Receptopharm") and Nutra Pharma to recover approximately $300,000 that was allegedly either loaned to Receptopharm or owing to Raymond pursuant to an oral employment agreement. The Complaint alleges that Nutra Pharma is jointly liable for Raymond's damages because Receptopharm was allegedly merged into Nutra Pharma. The parties have engaged in settlement discussions. The outcome of this matter is uncertain, no range of potential loss can be estimated and accordingly no effect has been given to any loss above what has already been accrued that may result from the resolution of this matter in the accompanying condensed consolidated financial statements.

Paul F. Reid v, Harold H. Rumph et al.

On December 28, 2011 Paul F. Reid ("Reid") brought the case against Harold H. Rumph ("Rumph"), Receptopharm, and Nutra Pharma to recover approximately $330,000 that was allegedly either loaned to Receptopharm or owing to Reid pursuant to an oral employment agreement, The Complaint alleges that Nutra Pharma is jointly liable for Reid's damages because Receptopharm was allegedly merged into Nutra Pharma. Nutra Pharma has answered the Complaint and specifically denied the validity of several promissory notes that form the basis of Reid's damages. According to Nutra Pharma, Reid may have a claim for approximately $140,000 (which is included in accruals for disputed services), but any amounts above that are not supported by the record. The parties have engaged in limited discovery to date, including the June 2012 deposition of Rumph. The Company will vigorously defend against this action and, in so doing, will attempt to settle this case favorably and accordingly no effect has been given to any loss above what has already been accrued that may result from the resolution of this matter in the accompanying condensed consolidated financial statements

Involuntary Petition of Bankruptcy

On August 31, 2012 a Petition for Involuntary Bankruptcy was filed against us by former ReceptoPharm employees and a former consultant to ReceptoPharm in the United States Bankruptcy Court, Southern District of Florida. The Petitioners are claiming a total of $990,927.75 due them in the form of accrued wages and a Note Payable. On October 12, 2012 the Plaintiffs filed an amended Petition, in effect lowering their claims to $816,662.39. We believe that the petition is frivolous and that their claims lack merit. The Company will vigorously defend against this action and accordingly no effect has been given to any loss above what has already been accrued that may result from the resolution of this matter in the accompanying condensed consolidated financial statements.

9. SUBSEQUENT EVENTS

Settlements of Notes Payable

*Coventry Enterprises, LLC-Michael McDonald Trust*

In April, 2013, the debt held by Michael McDonald Trust was assigned to Coventry Enterprises, LLC (“Coventry”) in the amount of $88,500 and in the form of a Convertible Redeemable Note bearing interest of 8% annum. Coventry was entitled to convert all or any amount of the this note into shares of the Company's common stock (the "Common Stock") at a conversion price ("Conversion Price") for each share of Common Stock equal to 55% of the average of the daily volume weighted average prices of the Common Stock for the 3 trading days with the lowest volume weighted average prices during the 15 trading days immediately preceding the Conversion Date. Coventry made a conversion for 7,133,333 shares of the company’s restricted stock satisfying the note in the amount of $26,750 on April 17, 2013.

Common Stock Issued for Services

During May, 2013, the Company issued 1,000,000 shares of the Company’s restricted common stock to a consultant for investor relations for a six month term.

Officer Loans

During April and May 2013, an officer of the Company loaned the Company $75,925. These funds are unsecured, bearing interest at 4% and due on demand.

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

*Introduction*

During the first quarter of 2013, our business has focused upon marketing our fully developed three homeopathic drugs for the treatment of pain:

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

We will continue this focus during the remainder of 2013.

During our first quarter of 2013 and thereafter, the following has occurred:

On January 31, 2013 we relocated to our new corporate headquarters in the Lakeside Professional Village in Coral Springs, Florida. Our offices are comprised of a reception area, conference room, 3 offices, 2 restrooms, a break area and 2 cubicle workstations. These facilities are saving us more than $70,000 in annual costs and are more than adequate for our purposes.

On March 25, 2013 we announced that we had received notification that our patent for our pain drug and our trademarks for Nyloxin™ had been published in India's Official Journal. The patent, "Use of Cobratoxin as an Analgesic," was published in the Official Journal No.: 09/2013 of the Indian Patent Office (IPO) on March 1, 2013. The Trademarks for Nyloxin™ are registered in India under Class 5, which represents a Pharmaceutical or a dietetic substances adapted for medical use. This allows for patent and brand protection, leading to eventual sales through Indian distributors.

In April 2013, we created a portal website for Nyloxin™ Distribution to a buyer's club, Freedom 10. The Freedom 10 group is able to buy our products at a discount based on the volume of products sold.

**Cobroxin®**

We offer Cobroxin®, our over-the-counter pain reliever that has been clinically proven to treat moderate to severe (Stage 2) chronic pain. Cobroxin® was developed by ReceptoPharm, our drug discovery arm and wholly owned subsidiary. Cobroxin® is not currently being marketed. In August 2009, we completed an agreement with XenaCare Holdings ("XenaCare") granting it the exclusive license to market and distribute Cobroxin® within the United States. In mid-October 2009, XenaCare began selling Cobroxin® online through its product website, www.Cobroxin.com.

In November 2009, XenaCare began selling Cobroxin® to brick-and-mortar retailers, including distribution to CVS in March 2010 and Walgreens in May 2010. On April 1, 2011, we notified our Cobroxin® Distributor, XenaCare that they were in breach of our agreement. As a result of this, the distribution agreement was terminated effective April 10, 2011. XenaCare had a large stock of the product that they had ordered from us and we have allowed them to continue to market their existing inventory of Cobroxin®. In October, 2011 we discontinued their website at www.Cobroxin.com. All current traffic to that website is now redirected to www.Nyloxin.com. We plan to begin manufacturing, marketing and distributing Cobroxin® again when funding is available.

Cobroxin® is available at the following retailers as XenaCare continues to sell through their existing inventory:

- Overstock.com
- Home Shopping Group
- USA Vitamin Shop
- Amazon.com

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

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

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

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

**Nyloxin™/Nyloxin™ Extra Strength**

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

Nyloxin™

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

Nyloxin™ Extra Strength

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

Cobroxin®

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

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

In September of 2012 we began distributing Nyloxin™ through TCN International, a Network Marketing Company. TCN distributes products and software applications to approximately 400,000 independent agents in more than 30 countries, including more than 40,000 agents in the United States.

In April of 2013, we created a portal website for Nyloxin™ Distribution to a buyer's club, Freedom 10. The Freedom 10 group is able to buy our products at a discount based on the volume of products sold.

We are currently marketing Nyloxin™ and Nyloxin™ Extra Strength as treatments for moderate to severe chronic pain. Nyloxin™ is available as an oral spray for treating back pain, neck pain, headaches, joint pain, migraines, and neuralgia and as a topical gel for treating joint pain, neck pain, arthritis pain, and pain associated with repetitive stress. Nyloxin™ Extra Strength is available as an oral spray and gel application for treating the same physical indications, but is aimed at treating the most severe (Stage 3) pain that inhibits one’s ability to function fully.

We are pursuing international drug registrations in India, Canada, Mexico, Central and South America and Europe. Since European rules for homeopathic drugs are different than the rules in the US, we cannot estimate when this process will be completed. Additionally, we plan to complete two human clinical studies aimed at comparing the ability of Nyloxin™ Extra Strength to replace prescription pain relievers. We originally believed that these studies would begin during the second quarter of 2010; however, these studies have been delayed because of lack of funding. We cannot provide any timeline for these studies until adequate financing is available.

To date, our marketing efforts have been limited due to lack of funding. As sales increase, we plan to begin marketing more aggressively to increase the sales and awareness of our products.

**Critical Accounting Policies and Estimates**

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

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

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

*Ability to Continue as a Going Concern:* Our ability to continue as a going concern is contingent upon our ability to secure additional financing, increase ownership equity, and attain profitable operations. In addition, our ability to continue as a going concern must be considered in light of the problems, expenses and complications frequently encountered in established markets and the competitive environment in which we operate. At March 31, 2013, there is substantial doubt about the Company's ability to continue as a going concern.

*Revenue Recognition:* In general, we record 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. Provision for sales returns will be estimated based on the Company's historical return experience.

*Accounts Receivable and Allowance for Doubtful Accounts:* Our accounts receivable are stated at estimated net realizable value. Accounts receivable are comprised of balances due from customers net of estimated allowances for uncollectible accounts. In determining collectability, historical trends are evaluated and specific customer issues are reviewed to arrive at appropriate allowances.

*Inventory Obsolescence:* Inventories are valued at the lower of average cost or market value. We periodically perform an evaluation of inventory for excess, impairments and obsolete items.

*Long-Lived Assets:* The carrying value of long-lived assets is reviewed annually and on a regular basis for the existence of facts and circumstances that may suggest impairment. If indicators of impairment are present, we determine whether the sum of the estimated undiscounted future cash flows attributable to the long-lived asset in question is less than its carrying amount. If less, we measure the amount of the impairment based on the amount that the carrying value of the impaired asset exceeds the discounted cash flows expected to result from the use and eventual disposal of the impaired assets.

*Derivative Financial Instrument:* We do not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. Management evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income. For option-based simple derivative financial instruments, we use the Black-Scholes option pricing model to value the derivative instruments at inception and subsequent valuation dates. For complex embedded derivatives, we use a Dilution-Adjusted Black-Scholes method to value the derivative instruments at inception and subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

*Share-Based Compensation:* We record share-based compensation in accordance with FASB ASC 718, Stock Compensation. FASB ASC 718 requires that the cost resulting from all share-based transactions are recorded in the financial statements over the respective service periods. It establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value-based measurement in accounting for share-based payment transactions with employees. FASB ASC 718 also establishes fair value as the

measurement objective for transactions in which an entity acquires goods or services from non-employees in share-based payment transactions.

**Results of Operations – Comparison of Three Months Periods Ended March 31, 2013 and March 31, 2012**

Net sales for the three months period ended March 31, 2013 are $37,781 compared to $14,934 for the three months period ended March 31, 2012. The increase in net sales is primarily attributable to a significant increase in Nyloxin sales. The sales during the three months ended March 31, 2013 and 2012 was primarily related to the sales of Nyloxin; sales of Cobroxin during the three months ended March 31, 2013 and 2012 was $1,300 and $0, respectively.

Cost of sales for the three-month period ended March 31, 2013 is $7,254 compared to $3,010 for the three-month period ended March 31, 2012. Our cost of sales includes the direct costs associated with Nyloxin™ manufacturing. Our gross profit margin for the three-month period ended March 31, 2013 is $30,527 or 81% compared to $11,924 or 80% for the three-month period ended March 31, 2012. The increase in our profit margin is primarily due to a decrease in the direct costs of components associated with manufacturing.

Selling, general and administrative expenses ("SG&A") decreased $375,450 or 51% from $737,825 for the quarter ended March 31, 2012 to $362,375 for the quarter ended March 31, 2013, generally due to a decrease in advertising, research and development, consulting, legal and professional fees. Our SG&A expenses include office expenses such as rent and utilities, product liability insurance and outside legal and accounting services. Also included in SG&A expenses is stock based compensation expense, which decreased $218,944 or 53% from $414,271 for the three months period ending March 31, 2012 to $195,327 for the three months period ending March 31, 2013.

Interest expense increased $1,769 or 5%, from $37,444 for the quarter ended March 31, 2012 to $39,213 for the comparable 2013 period. This increase was due to an overall increase in short term indebtedness in the quarter ended March 31, 2013 compared to the quarter ended March 31, 2012.

We carry certain of our debentures and common stock warrants at fair value. For the three months ended March 31, 2013 and 2012, the liability related to these hybrid instruments fluctuated, resulting in a loss of $37,199 and $111,980, respectively.

We had a one-time loss on the settlement of debt and accounts payable for $65,039 and $213,090 for the three months ended March 31, 2013 and 2012, respectively.

As a result of the foregoing, our net loss decreased by $615,116 or 57%, to $473,299 for the quarter ended March 31, 2013 from $1,088,415 for the comparable 2012 period,

**Liquidity and Capital Resources**

We have incurred significant losses from operations and working capital and stockholders' deficits raise substantial doubt about our ability to continue as a going concern. Further, as stated in Note 1 to our condensed consolidated financial statements for the period ended March 31, 2013, we have an accumulated deficit of $38,117,155 and working capital and stockholders' deficits of $3,888,367 and $3,827,226, respectively.

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. As of March 31, 2013, we do not believe that our source of cash is adequate for the next 12 months of operation and there is substantial doubt about our ability to continue as a going concern.

Historically, we have relied upon loans from our Chief Executive Officer, Rik Deitsch, to fund our operations. These loans are unsecured, accrue interest at a rate of 4.0% per annum and are due on demand. During the three month period ended March 31, 2013, we borrowed an additional $8,816 from Mr. Deitsch and repaid him $1,400. As of March 31, 2013, we owe Mr. Deitsch $619,570. Included in this amount is $330,840 of accrued interest.

Subsequent to March 31, 2013 and through May 15, 2013, the Company received additional advances from its President, Rik Deitsch in the amount of $75,925 and repaid $400. The amount owed to Mr. Deitsch at May 15, 2013 was $698,307, which includes $334,053 of accrued interest.

During the three months ended March 31, 2013, we raised $20,000 through issuance of convertible notes.

We expect to utilize the proceeds from these funds and additional capital to manufacture Cobroxin® and Nyloxin™, and reduce our debt level. We estimate that we will require approximately $300,000 to fund our existing operations and ReceptoPharm's operations through December 31st. These costs include: (i) compensation for three (3) full-time employees; (ii) compensation for various consultants who we deem critical to our business; (iii) general office expenses including rent and utilities; (iv) product liability insurance; and (v) outside legal and accounting services. These costs reflected in (i) – (v) do not include research and development costs or other costs associated with clinical studies.

We began generating revenues from the sale of Cobroxin® in the fourth quarter of 2009 and from the sale of Nyloxin™ during the first quarter of 2011. Our ability to meet our future operating expenses is highly dependent on the amount of such future revenues. To the extent that future revenues from the sales of Cobroxin® and Nyloxin™ are insufficient to cover our operating expenses we may need to raise additional equity capital, which could result in substantial dilution to existing shareholders. There can be no assurance that we will be able to raise sufficient equity capital to fund our working capital requirements on terms acceptable to us, or at all. We may also seek additional loans from our officers and directors; however, there can be no assurance that we will be successful in securing such additional loans.

**Uncertainties and Trends**

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

- whether Cobroxin®, Nyloxin™, and Nyloxin™ Extra Strength will be accepted by retail establishments where they are sold;
- because Cobroxin® is a novel approach to the over-the-counter pain market, whether it will be accepted by consumers over conventional over-the-counter pain products;
- whether our international drug applications will be approved and in how many countries;
- whether we will be successful in marketing Cobroxin®, Nyloxin™ and Nyloxin™ Extra Strength in our target markets and create nationwide and international visibility for our products;
- whether our drug delivery system, i.e. oral spray and gel, will be accepted by consumers who may prefer a pain pill delivery system;
- whether competitors' pain products will be found to be more attractive to consumers;
- whether we successfully develop and commercialize products from our research and development activities;
- whether we compete effectively in the intensely competitive biotechnology area;
- whether we successfully execute our planned partnering and out-licensing products or technologies;
- whether the current economic downturn and related credit and financial market crisis will adversely affect our ability to obtain financing, conduct our operations and realize opportunities to successfully bring our technologies to market;
- whether we are subject to litigation and related costs in connection with use of products;

- whether we will successfully contract with domestic distributor(s)/advertiser(s) for our products and whether that will cause interruptions in our operations;

- whether we comply with FDA and other extensive legal/regulatory requirements affecting the healthcare industry.

**Off-Balance Sheet Arrangements**

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

¨An obligation under a guarantee contract.

¨A retained or contingent interest in assets transferred to the unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets.

¨Any obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument.

¨Any obligation, including a contingent obligation, arising out of a variable interest in an unconsolidated entity that is held by us and material to us where such entity provides financing, liquidity, market risk or credit risk support to, or engages in leasing, hedging or research and development services with us.

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

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Not applicable

**Item 4. Controls and Procedures**

*Disclosure Controls and Procedures*

As of March 31, 2013, 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 March 31, 2013, as defined in Rule 13a-15 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, because of the material weaknesses in internal control over financial reporting discussed in Section 9A of our annual report on Form 10-K, our disclosure controls and procedures were not effective, at a reasonable assurance level, as of March 31, 2013. In light of this, we performed additional post-closing procedures and analyses in order to prepare the Condensed Consolidated Financial Statements included in this report. As a result of these procedures, we believe our Condensed Consolidated Financial Statements included in this report present fairly, in all material respects, our financial condition, results of operations and cash flows for the periods presented. 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.

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

*Changes in Internal Control over Financial Reporting*

During the first quarter we continued the enhancement of our internal controls. Otherwise, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or 15d-15 under the Exchange Act that occurred during the quarter ended March 31, 2013 that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

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

On August 18, 2006, ReceptoPharm was named as a defendant in Patricia Meding, et. al. v. ReceptoPharm, Inc. f/k/a Receptogen, Inc., Index No.: 18247/06 (New York Supreme Court, Queens County). The original proceeding claimed that ReceptoPharm owed the Plaintiffs, including Patricia Meding, a former ReceptoPharm officer and shareholder and several corporations that she claims to own, the sum of $118,928.15 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 seeking damages of no less than $768,506 on their claims 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. In late 2010, Plaintiffs further amended their complaint alleging that ReceptoPharm violated Plaintiffs contractual and statutory rights by cancelling and additional 1,214,800 share certificates and failing to permit the Plaintiffs to exercise dissenting shareholder rights with respect to those share certificates. The damages associated with the Plaintiff’s claims could rise as the result of increases in our share price

as the Receptopharm shares may be convertible into our common shares. The potential exposure may exceed $10,000,000 if the Plaintiffs are successful with all of their claims.

ReceptoPharm believes the suit is without merit and has filed an answer denying the material allegations of the amended complaint and asserted a series of counterclaims against the Plaintiffs alleging claims for declaratory judgment, fraud, breach of fiduciary duty, conversion and unjust enrichment as a result of the promissory notes. Plaintiffs have moved for partial summary judgment on their claims regarding the additional 1,214,800 shares, but not on their claims regarding the alleged promissory notes or the 1,750,000 alleged shares. In August of 2011, the Plaintiff's motion was partially granted. In September 2012, ReceptoPharm's attorneys filed a Motion to be removed as counsel. Their motion was denied on April 26, 2013 due to the current Involuntary Bankruptcy action filed against Nutra Pharma. The court has issued a stay in the proceedings pending the outcome of the Bankruptcy action. ReceptoPharm is seeking new counsel to oppose the partial summary judgment. We intend to vigorously contest this matter.

Liquid Packaging Resources, Inc. v. Nutra Pharma Corp. and Erik "Rik" Deitsch

On April 21, 2011, Nutra Pharma Corp. and its CEO, Erik Deitsch, were named as defendants in Liquid Packaging Resources, Inc. v. Nutra Pharma Corp. and Erik "Rik" Deitsch, Superior Court of Fulton County, Georgia, Civil Action No. 2011-CV-199562. Liquid Packaging Resources, Inc. ("LPR") claimed that Nutra Pharma Corp. and Mr. Deitsch, directly or through other companies, placed orders with LPR that required LPR to purchase components from third parties. LPR sought reimbursement for those third party expenses in the amount of not less than $359,826.85 plus interest. LPR also sought punitive damages in the amount of not less than $500,000 and attorney's fees.

Mr. Deitsch and we then removed the action to the United States District Court, Northern District of Georgia, Civil Action No. 11-CV-01663-ODE. After removal, LPR amended the Complaint to assert that Nutra Pharma Corp. and Mr. Deitsch were the alter egos of the alleged other companies through whom the subject orders were placed and therefore should be considered one and the same. Mr. Deitsch and we moved to dismiss the Complaint on several grounds including statute of frauds, failure to state a claim, and jurisdiction (only for Mr. Deitsch). Mr. Deitsch and we believe the suit is without merit.

After June 30, 2011, at LPR's request, the parties mediated the dispute before LPR responded to the Motion To Dismiss. At the mediation, the parties worked out an agreement whereby we would purchase from LPR the components LPR purchased from third parties at an amount slightly less than the principal amount of the suit and on terms acceptable to us. The agreed price was $350,000.00 payable over 7 months in equal $50,000.00 amounts. This agreement was reached by us because it provided tangible value in exchange for the purchase price rather than incurring the expense of litigation, which would likely be substantial and not recouped. While we had counterclaims we could assert, we believe this was a practical resolution. The settlement allowed us to take possession of the components prior to full payment and, in exchange, provided security to LPR in the form of our stock valued at $400,000 at the time of issuance. The stock can only be sold in event of a default of the payment schedule. The litigation was dismissed in August of 2011. We made the August, September and November payments (totaling $150,000) in a timely fashion. We were late for the payment due October 15, 2011 and requested an accommodation from LPR, eventually paying an extra $5,000 towards that payment. At December 31, 2011, we had made total payments of $205,000 with an additional $150,000 owed. In order to allow us to skip the December payment, LPR agreed to another accommodation whereby we would pay both the December and January payment with an additional $10,000 on or before January 16, 2012. We were unable to make this payment and on January 26, 2012 signed an amended payment schedule adding an additional $15,000 for a total of $175,000 owed. Our CEO, Rik Deitsch, added additional collateral stock in a separate company that he held personally. $25,000 was paid in January, with subsequent payments of $30,000 due monthly on the 15th of March through the 15th of July, 2012. We failed to make the March payment and was subsequently called in default of the Agreement. Under the original agreement, if we are in default of the agreement, LPR has the right to sell shares of our free trading stock held in escrow by their attorney and receive cash settlements for a total amount of $450,000 representing the new total cash amount due to LPR by the Company.

On June 11, 2012, LPR sold their debt to Southridge Partners, LLP in an agreement to be paid out over time. Once satisfied, LPR will return all of our collateral shares currently held by LPR's attorney. We are currently negotiating with Southridge Partners to arrange a settlement of the debt.

Laurence N. Raymond v. Receptopharm, Inc. et al.

On December 30, 2011 Laurence N. Raymond ("Raymond") brought the case against Receptopharm, Inc. ("Receptopharm") and Nutra Pharma to recover approximately $300,000 that was allegedly either loaned to Receptopharm or owing to Raymond pursuant to an oral employment agreement. The Complaint alleges that we are jointly liable for Raymond's damages because Receptopharm was allegedly merged into us. We will vigorously defend against this action and, in so doing, will attempt to settle this case favorably.

Paul F. Reid v, Harold H. Rumph et al.

On December 28, 2011 Paul F. Reid ("Reid") brought the case against Harold H. Rumph ("Rumph"), Receptopharm, and us to recover approximately $330,000 that was allegedly either loaned to Receptopharm or owing to Reid pursuant to an oral employment agreement, The Complaint alleges that we are jointly liable for Reid's damages because Receptopharm was allegedly merged into us. We have answered the Complaint and specifically denied the validity of several promissory notes forming the basis of Reid's damages. Additionally, we have answered that Reid may have a claim for approximately $140,000, but any amounts above that are not supported by the record. The parties have engaged in limited discovery to date, including the June 2012 deposition of Rumph. We will vigorously defend against this action and, in so doing, will attempt to settle this case favorably.

Involuntary Petition of Bankruptcy

On August 31, 2012, former ReceptoPharm employees and a former ReceptoPharm consultant filed a Petition for Involuntary Bankruptcy against us in the United States Bankruptcy Court, Southern District of Florida. The Petitioners are claiming a total of $990,927 due them in the form of accrued wages and a Note. On October 12, 2012 the Plaintiffs filed an amended Petition, in effect lowering their claims to $816,662. We believe that the petition is frivolous and that their claims lack merit. We have filed a Motion to Dismiss and will continue to vigorously defend against this action.

**Item 1A. Risk Factors**

You should carefully consider the risks described below regarding our operations, financial condition, financing, our common stock and other matters. If any of the following or other material risks actually occur, our business, financial condition, or results or operations could be materially adversely affected.

**Our ability to continue as a going concern is in doubt absent obtaining adequate new debt or equity financing and achieving sufficient sales levels.**

We incurred net losses of $3,812,351 for the 12 months ended December 31, 2012. In addition we have net losses of $473,299 for the three months ended March 31, 2013. We anticipate that these losses will continue for the foreseeable future. We have a significant working capital deficiency, and have not reached a profitable level of operations, which raises substantial doubt about our ability to continue as a going concern. Our continued existence is dependent upon our achieving sufficient sales levels of our Cobroxin® and Nyloxin™ products and obtaining adequate financing. Unless we can begin to generate material revenue, we may not be able to remain in business. We cannot assure you that we will raise enough money or generate sufficient sales to meet our future working capital needs.

**We have a limited revenue producing history with significant losses and expect losses to continue for the foreseeable future.**

We have yet to establish any history of profitable operations. We have incurred operating losses of $473,299 during the three months ended March 31, 2013. As a result, at March 31, 2013 we had an accumulated deficit of $38,117,155. Our revenues have been insufficient to sustain our operations and we expect our revenues will be insufficient to sustain our operations for the foreseeable future. Our potential profitability will require the successful commercialization of our Cobroxin® and Nyloxin™ products.

**We will require additional financing to sustain our operations and without it will be unable to continue operations.**

At March 31, 2013 we had a working capital deficit of $3,888,367 and a negative cash flow from operations of approximately $71,899. We have insufficient financial resources to fund our operations.

Additionally, as of March 31, 2013 we have borrowed $619,570 from our Chief Executive Officer.

If we do not raise the necessary working capital, our operations and potential revenues will be negatively affected.

**Our Chief Executive Officer may be unwilling or unable to continue funding our operations.**

Our Chief Executive Officer has historically funded our operations by providing loans to us. As of March 31, 2013, we owe Mr. Deitsch $619,570. Mr. Deitsch may be unwilling or unable to fund our operations in the future. If we have no other source of funding and we are unable to secure additional loans from Mr. Deitsch, our operations will be negatively affected.

**To date, none of our prescription drug candidates have received FDA drug orphan status approval.**

To date, none of our prescription drug candidates have received FDA drug orphan status, which would otherwise place our drug candidates on a “fast track” with the FDA application process. If none of our drug candidates can achieve that status, our operations and financial condition will be negatively affected.

**If we cannot sell a sufficient volume of our products, we will be unable to continue in business.**

To date, sales of Cobroxin® have been limited and inconsistent. We sold $1,300 of Cobroxin® during the first quarter of 2013. We had no sale of Cobroxin® during the first quarter of 2012.

To date, sales of Nyloxin™ have been limited and inconsistent. During the first quarter of 2013 and 2012, we sold $36,481 and $14,934 of Nyloxin™, respectively. If we cannot achieve sufficient sales levels of our Cobroxin® and Nyloxin™ products or we are unable to secure financing our operations will be negatively affected.

**We have a limited history of generating revenues on which to evaluate our potential for future success and to determine if we will be able to execute our business plan; accordingly, it is difficult to evaluate our future prospects and the risk of success or failure of our business.**

Our total sales of Nyloxin™ and Cobroxin® from January 1, 2012 to December 31, 2012 were $199,231 and $4,059, respectively You must consider our business and prospects in light of the risks and difficulties we will encounter as an early-stage revenue producing company. During the first quarter of 2013 we had sales of Nyloxin™ of $36,481 and Cobroxin® of $1,300. You must consider our business and prospects in light of the risks and difficulties we will encounter as an early-stage revenue producing company. These risks include:

- our ability to effectively and efficiently market and distribute our products;
- our ability to obtain market acceptance of our current products and future products that may be developed by us; and
- our ability to sell our products at competitive prices which exceed our per unit costs.

We may be unable to address these risks and difficulties, which could materially and adversely affect our revenue, operating results and our ability to continue to operate our business.

**Our growth strategy reflected in our business plan may be unachievable or may not result in profitability.**

We may be unable to implement our growth strategy reflected in our business plan rapidly enough for us to achieve profitability. Our growth strategy is dependent on a number of factors, including market acceptance of our Cobroxin® and Nyloxin™ products and the acceptance by the public of using these products as pain relievers. We cannot assure you that our products will be purchased in amounts sufficient to attain profitability.

Among other things, our efforts to expand our sales of Cobroxin® and Nyloxin™ will be adversely affected if:

- we are unable to attract sufficient customers to the products we offer in light of the price and other terms required in order for us to attain the level of profitability that will enable us to continue to pursue our growth strategy;
-

adequate penetration of new markets at reasonable cost becomes impossible limiting the future demand for our products below the level assumed by our business plan;

- we are unable to scale up manufacturing to meet product demand, which would negatively affect our revenues and brand name recognition;
- we are unable to meet regulatory requirements in the intellectual marketplace that would otherwise allow us for wider distribution; and
- we are unable to meet FDA regulatory requirements that would potentially expand our product base and potential revenues.

**If we cannot manage our growth effectively, we may not become profitable.**

Businesses which grow rapidly, often have difficulty managing their growth. If we grow rapidly, we will need to expand our management by recruiting and employing experienced executives and key employees capable of providing the necessary support. We cannot assure you that our management will be able to manage our growth effectively or successfully.

Among other things, implementation of our growth strategy would be adversely affected if we were not able to attract sufficient customers to the products and services we offer or plan to offer in light of the price and other terms required in order for us to attain the necessary profitability.

**If we are unable to protect our proprietary technology, our business could be harmed.**

Our intellectual property, including patents, is our key asset. We currently have 21 patents that we either own or have the rights to from third parties. 16 of these patents have been approved and 5 are pending. Competitors may be able to design around our patents for our Cobroxin® and Nyloxin™ products and compete effectively with us. The cost to prosecute infringements of our intellectual property or the cost to defend our products against patent infringement or other intellectual property litigation by others could be substantial. We cannot assure you that:

¨pending and future patent applications will result in issued patents,
¨patents licensed by us will not be challenged by competitors,
¨our patents, licensed and other proprietary rights from third parties will not result in costly litigation;
¨pending and future patent applications will result in issued patents,
..the patents or our other intellectual property will be found to be valid or sufficiently broad to protect these technologies or provide us with a competitive advantage,
¨if we are sued for patent infringement, whether we will have sufficient funds to defend our patents, and
¨we will be successful in defending against future patent infringement claims asserted against our products.

Should any risks pertaining to the foregoing occur, our brand name reputation, results of operation and revenues will be negatively affected.

**We are subject to substantial FDA regulations pertaining to Cobroxin® and Nyloxin™, which may increase our costs or otherwise adversely affect our operations.**

Our Cobroxin® and Nyloxin™ products are subject to FDA regulations, including manufacturing and labeling, approval of ingredients, advertising and other claims made regarding Cobroxin® or Nyloxin™, and product ingredients disclosure. If we fail to comply with current or future regulations, the FDA could force us to stop selling Cobroxin® or Nyloxin™ or require us to incur substantial costs from adopting measures to maintain FDA compliance.

**The inability to provide scientific proof for product claims may adversely affect our sales.**

The marketing of Cobroxin® and Nyloxin™ involves claims that they assist in reducing Stage 2 chronic pain, while involves claims that it assists in reducing Stage 3 chronic pain. Under FDA and Federal Trade Commission (“FTC”) rules, we are required to have adequate data to support any claims we make concerning Cobroxin®, Nyloxin™ and Nyloxin™ Extra Strength. We have scientific data for our Cobroxin® and Nyloxin™ product claims; however, we cannot be certain that these scientific data will be deemed acceptable to the FDA or FTC. If the FDA or FTC requests

supporting information and we are unable to provide support that it finds acceptable, the FDA or FTC could force us to stop making the claims in question or restrict us from selling the products.

**None of our ethical drug candidates have received FDA approval.**

Our non-homeopathic or ethical products require a complex and costly FDA regulation process that takes several years for drug approval, if ever. None of the drug applications we have submitted to the FDA have received FDA approval. If we do not receive FDA approval for our drug applications, our operations and financial condition will be negatively affected.

**If we are unable to secure sufficient cobra venom from available suppliers, our operating results will be negatively affected.**

We secure cobra venom on an as-needed basis according to customer orders for Cobroxin® and Nyloxin™ received by our distributor. If we do not have an available supplier to fill customer orders, there will be distribution delays and/or our failure to fulfill purchase orders, either of which will negatively affect our brand name reputation and operating results.

**Our Cobroxin® and Nyloxin™ products may be unable to compete against our competitors in the pain relief market.**

The pain relief market is highly competitive. We compete with companies that have already achieved product acceptance and brand recognition, including multi-billion dollar private label manufacturers and more established pharmaceutical and health products companies, or low cost generic drug manufacturers. Most such companies have far greater financial and technical resources and production and marketing capabilities than we do. Additionally, if consumers prefer our competitors' products, or if these products have better safety, efficacy, or pricing characteristics, our results could be negatively impacted. If we fail to develop and actualize strategies to compete against our competitors we may fail to compete effectively, which will negatively affect our operations and operating results.

**If we incur costs resulting from product liability claims, our operating results will be negatively affected.**

If we become subject to product liability claims for Cobroxin® and Nyloxin™ that exceed our product liability policy limits, we may be subject to substantial litigation costs or judgments against us, which will negatively impact upon our financial and operating results.

**Should we become dependent upon a small group of large national retailers for distribution of Cobroxin® and Nyloxin™ and any such retailer ceases to purchase our product, our sales, operating margins and income will be negatively affected.**

We will continue to attempt to secure other large national retailers for Cobroxin® and Nyloxin™. Should we secure such retailers, but they stop carrying Cobroxin® and Nyloxin™, our financial results will be adversely affected.

**Loss of any of our key personnel could have a material adverse effect on our operations and financial results.**

We are dependent upon a limited number of our employees: (a) our Chief Executive Officer who directs our operations; and (b) ReceptoPharm's employees who conduct our research and development activities. Our success depends on the continued services of our senior management and key research and development employees as well as our ability to attract additional members to our management and research and development teams. The unexpected loss of the services of any of our management or other key personnel could have a material adverse effect upon our operations and financial results.

**We may be unable to maintain and expand our business if we are not able to retain, hire and integrate key management and operating personnel.**

Our success depends in large part on the continued services and efforts of key management personnel. Competition for such employees is intense and the process of locating key personnel with the combination of skills and attributes required to execute our business strategies may be lengthy. The loss of key personnel could have a material adverse impact on our ability to execute our business objectives. We do not have any key man life insurance on the lives of any of our executive officers**.**

**Risks Related to Our Common Stock**

**Because the market for our common stock is limited, persons who purchase our common stock may not be able to resell their shares at or above the purchase price paid by them.**

Our common stock is quoted on the over-the-counter ("OTC") Pink Market, which is not a liquid market. There is currently only a limited public market for our common stock. We cannot assure you that an active public market for our common stock will develop or be sustained in the future. If an active market for our common stock does not develop or is not sustained, the price may decline.

**Because we are subject to the "penny stock" rules, brokers cannot generally solicit the purchase of our common stock, which may adversely affects its liquidity and market price.**

The SEC has adopted regulations, which generally define "penny stock" to be an equity security that has a market price of less than $5.00 per share, subject to specific exemptions. The market price of our common stock on the Bulletin Board has been substantially less than $5.00 per share and therefore we are currently considered a "penny stock" according to SEC rules. This designation requires any broker-dealer selling these securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities. These rules limit the ability of broker-dealers to solicit purchases of our common stock and therefore reduce the liquidity of the public market for our shares.

**Because the majority of our outstanding shares are freely tradable, sales of these shares could cause the market price of our common stock to drop significantly, even if our business is performing well.**

As of March 31, 2013, we had outstanding 589,393,259 shares of common stock, of which our principal shareholder/executive officer owns 79,351,700, which are subject to the limitations of Rule 144 under the Securities Act of 1933. In general, Rule 144 provides that any our non-affiliates, who have held restricted common stock for at least one year, are entitled to sell their restricted stock freely, provided that we stay current in our SEC filings. After two years, a non-affiliate may sell without any restrictions.

An affiliate may sell after one year with the following restrictions: (i) we are current in our filings, (ii) certain manner of sale provisions, (iii) filing of Form 144, and (iv) volume limitations limiting the sale of shares within any three-month period to a number of shares that does not exceed 1% of the total number of outstanding shares. A person who has ceased to be an affiliate at least three months immediately preceding the sale and who has owned such shares of common stock for at least one year is entitled to sell the shares under Rule 144 without regard to any of the limitations described above.

**An investment in our common stock may be diluted in the future as a result of the issuance of additional securities or the exercise of options or warrants.**

In order to raise additional capital to fund our strategic plan, we may issue additional shares of common stock or securities convertible, exchangeable or exercisable into common stock from time to time, which could result in substantial dilution to any person who purchases our common stock. Because we have a negative net tangible book value, purchasers will suffer substantial dilution. We cannot assure you that we will be successful in raising funds from the sale of common stock or other equity securities.

**Since we intend to retain any earnings for development of our business for the foreseeable future, you will likely not receive any dividends for the foreseeable future.**

We have not and do not intend to pay any dividends in the foreseeable future, as we intend to retain any earnings for development and expansion of our business operations. As a result, you will not receive any dividends on your investment for an indefinite period of time.

**Due to factors beyond our control, our stock price may continue to be volatile.**

The market price of our common stock has been and is expected to be highly volatile. Any of the following factors could affect the market price of our common stock:

- our failure to generate revenue,
- our failure to achieve and maintain profitability,
- short selling activities,
- the sale of a large amount of common stock by our shareholders including those who invested prior to commencement of trading,
- actual or anticipated variations in our quarterly results of operations,
- announcements by us or our competitors of significant contracts, new products, acquisitions, commercial relationships, joint ventures or capital commitments,
- the loss of major customers or product or component suppliers,
- the loss of significant business relationships,
- our failure to meet financial analysts' performance expectations,

¨changes in earnings estimates and recommendations by financial analysts, or
¨changes in market valuations of similar companies.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. A securities class action suit against us could result in substantial costs and divert our management's time and attention, which would otherwise be used to benefit our business.

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

During February 2013, the Company issued 8,000,000 shares of the Company's restricted common stock to a consultant for investor relation services for a year. The shares were valued at $0.008 per share. The Company recorded an equity compensation charge of $12,800 during the three months ended March 31, 2013. The remaining unrecognized compensation cost of $51,200 related to non-vested equity-based compensation to be recognized by the Company over the remaining vesting period of nine and half months.

During February, 2013, the Company issued 1,500,000 shares of the Company's restricted common stock to a consultant for investor relation services for two months. The shares were valued at $0.007 per share. The Company recorded an equity compensation charge of $10,322 during the three months ended March 31, 2013. The remaining unrecognized compensation cost of $178 related to non-vested equity-based compensation to be recognized in April 2013.

During February 2013, the Company issued a total of 3,000,000 shares of the Company's restricted common stock to three consultants for marketing services for six months. The shares were valued at $0.009 per share. The Company recorded an equity compensation charge of $11,188 during the three months ended March 31, 2013. The remaining unrecognized compensation cost of $15,812 related to non-vested equity-based compensation to be recognized in by the Company over the remaining vesting period of three and half months.

Following the agreements with Coventry Enterprises, LLC, Coventry converted notes for a total of 15,119,481 shares of the company's restricted stock during the first quarter of 2013, satisfying the debt of $60,000 assigned from Immunoclin in full.

Following the agreement with Coventry Enterprises, LLC, Coventry converted notes for a total of 7,133,333 shares of the company's restricted stock during April 2013, satisfying the debt of $26,750 assigned from MacDonald Trust in full.

During May, 2013, the Company issued 1,000,000 shares of the Company's restricted common stock to a consultant for investor relations.

**Item 3. Defaults Upon Senior Securities**

During the third quarter of 2010 we borrowed $200,000 from one of our directors. We repaid $10,000 during the third quarter of 2012. Under the terms of the loan agreement, this loan was expected to be repaid in nine months to a year from the date of the loan along with interest calculated at 10% for the first month plus 12% after 30 days from funding. We are in default regarding this loan. At March 31, 2013, we owed this director accrued interest of $94,762.

In May 2011, the Company received two loans for a total of $50,000 from non-related parties. These loans were expected to be repaid no later than December 31, 2011, along with interest calculated at 10% for the first month plus 12% after 30 days from funding. These loans are guaranteed by an officer of the Company. The Company was unable to repay the loans and they continue to accrue interest. At March 31, 2013, the accrued interest payable was $18,380.

On June 11, 2012, LPR sold their debt of $450,000 to Southridge Partners, LLP in an agreement to be paid out over time. We had expected them to complete those payments by the end of 2012 to satisfy the obligation in its entirety. The action from Southridge was removed pending the outcome of the Bankruptcy action against us. The Company is currently negotiating with Southridge to arrange a settlement of the debt. We expect a rapid settlement once the Bankruptcy action is completed. Once satisfied, LPR will return all of the Company's collateral shares currently held by LPR's attorney.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

**None**

**Item 6. Exhibits**

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

**SIGNATURES**

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

NUTRA PHARMA CORP.

Registrant

Dated: May 20, 2013 /s/ Rik J. Deitsch
Rik J. Deitsch
Chief Executive Officer/Chief Financial Officer