NUTRA PHARMA CORP
Form 10-K
April 17, 2018

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

# FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2017

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

For the transition period from _____ to _____

Commission File Number 000-32141

**NUTRA PHARMA CORP.**

(Exact name of registrant as specified in its charter)

| **California** | **91-2021600** |
|---|---|
| (State or Other Jurisdiction of Incorporation or organization) | (IRS Employer Identification Number) |
| **12538 W. Atlantic Blvd, Coral Springs, FL** | **33071** |
| (Address of principal executive offices) | (Zip Code) |

| | |
|---|---|
| Registrant s telephone number, including area code: | **(954) 509-0911** |

Securities registered under Section 12(b) of the Exchange Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| **None** | **None** |

Securities registered pursuant to section 12(g) of the Act:

**Common stock, $0.001 par value**

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

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

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the registrant s most recently completed second quarter: $2,282,161.

As of April 16, 2018, there were 2,261,233,701 shares of common stock and 3,000,000 shares of Series A preferred stock.

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Nutra Pharma Corp and its wholly owned subsidiary, ReceptoPharm, Inc. ( ReceptoPharm ) are referred to herein as we , our or us (ReceptoPharm is also individually referred to herein).

**Forward Looking Statements**

This Annual Report on Form 10-K for the period ending December 31, 2017 contains forward-looking statements that involve risks and uncertainties**,** most significantly, Item 7 (Management s Discussion and Analysis of Financial Condition and Results of Operation), as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The words or phrases would be, will allow, intends to, will likely result, are expected to, will continue, is anticipated, project, or similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact, are statements that could be deemed forward-looking statements, including any projections of revenue, gross margin, expenses, earnings or losses from operations, synergies or other financial items; any statements of the plans, strategies and objectives of management for future operations; and any statement concerning developments, plans, or performance. Unless otherwise required by applicable law, we do not undertake and we specifically disclaim any obligation to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

**PART I**

**Item 1. Business**

**Introduction**

We were incorporated in California on February 1, 2000. We have conducted our operations since October 2003. We are a biopharmaceutical company that engages in the acquisition, licensing and commercialization of pharmaceutical products and technologies as well as homeopathic and ethical drugs for the management of pain, neurological disorders, cancer, autoimmune and infectious diseases. Homeopathic drugs are natural products that contain ingredients listed in the HPUS (Homeopathic Pharmacopoeia of the United States). An ethical drug is a licensed drug that has obtained Federal Drug Administration ( FDA ) approval after extensive pre-clinical and clinical testing. We seek strategic licensing partnerships to reduce the risks associated with the drug development process.

Our wholly owned subsidiary and drug discovery arm, ReceptoPharm, has carried out our homeopathic and drug discovery research and clinical development and has fully developed four homeopathic drugs for the treatment of pain:

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Nyloxin® and Nyloxin® Extra Strength

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Pet Pain-Away: an over-the-counter pain reliever designed to treat pain in cats and dogs

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Luxury Feet: an over-the-counter pain reliever designed to treat foot pain from high heels and stilettos

Our business plan will continue its efforts to produce, market and distribute our Nyloxin®, Pet Pain-Away and Luxury Feet branded products both domestically and internationally.

From October 2009 until December 31, 2017, our operations centered on the marketing of Cobroxin® (our discontinued product), Nyloxin® and Nyloxin® Extra Strength. In December of 2014, we launched Pet Pain-Away and

began actively marketing the product. During fiscal year 2017, we earned revenues of $120,979, $109,128 of it was from sales of Nyloxin® and $11,851 of it was from sales of Pet Pain-Away. We have not yet marketed Luxury Feet.

Additionally, the Company has developed two drug candidates:

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RPI-78M, to treat neurological diseases and autoimmune diseases, including; Multiple Sclerosis (MS), Adrenomyeloneuropathy (AMN), Amyotrophic Lateral Sclerosis (ALS or Lou Gehrig s disease), Rheumatoid Arthritis (RA) and Myasthenia Gravis; and

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RPI-MN, to treat viral diseases, including HIV/AIDS and Herpes.

The Company has developed proprietary therapeutic protein products primarily for the prevention and treatment of viral and neurological diseases, including Multiple Sclerosis (MS), Adrenomyeloneuropathy (AMN), Human Immunodeficiency Virus (HIV) and pain in humans. These potential products are subject to FDA approval.

We continue to identify biotechnology related intellectual property and companies with which we may potentially be able to enter into arrangements, agreements or to potentially acquire.

**Industry Overview of the Pain Market**

Pain is the most common symptom for patients seeking medical attention. Acute and chronic pain affects large numbers of Americans, with approximately 100 million U.S. adults burdened by chronic pain alone. The annual national economic cost associated with chronic pain is estimated to be $560-635 billion. (Institute of Medicine, *Relieving Pain in America*, 2011).

The global market for pain management products, including prescription and nonprescription analgesics, reached over $50 billion in 2009 according to an August 2010 article published in the journal *Nature Reviews Drug Discovery.* The current market for pain drugs is expected to continue to grow according to BCC Research, a market research firm that believes the aging baby boomer population will continue to trigger growth in this market resulting in a $44.3 billion US market size by 2020. According to a 2016 report published by Transparency Market Research, the global pain management therapeutics market is expected to reach $83 billion by 2024.

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**Our Products**

**Nyloxin®/Nyloxin® Extra Strength**

We offer Nyloxin®/Nyloxin® Extra Strength as our over-the-counter (OTC) pain reliever that has been clinically proven to treat moderate to severe (Stage 2) chronic pain.

Nyloxin® and Nyloxin® Extra Strength are 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.

Nyloxin® and Nyloxin® Extra Strength offer several benefits as a pain reliever. With increasing concern about consumers using opioid and acetaminophen-based pain relievers, the Nyloxin® products provide an alternative that does not rely on opiates or non-steroidal anti-inflammatory drugs, otherwise known as NSAIDs, for their pain relieving effects. Nyloxin® also has a well-defined safety profile. Since the early 1930s, the active pharmaceutical ingredient (API) of Nyloxin®, 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:

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safe and effective;

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all natural;

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long-acting;

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easy to use;

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non-narcotic;

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non-addictive; and

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analgesic and anti-inflammatory.

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

The primary difference between Nyloxin® and Nyloxin® Extra Strength is the dilution level of the venom. The approximate dilution levels for Nyloxin® and Nyloxin® Extra Strength are as follows:

Nyloxin®

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Topical Gel: 30 mcg/mL

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Oral Spray: 70 mcg/mL

Nyloxin® Extra Strength

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Topical Gel: 60 mcg/mL

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Oral Spray: 140 mcg/mL

In December 2011, 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 8 ounce pump bottle.

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.

**Nyloxin® Military Strength**

In December 2012, we announced the availability of Nyloxin® Military Strength for sale to the United States Military and Veteran's Administration. Over the past few years, the U.S. Department of Defense has been reporting an increase in the use and abuse of prescription medications, particularly opiates. In 2009, close to 3.8 million prescriptions for pain relievers were written in the military. This staggering number was more than a 400% increase from the number of prescriptions written in the military in 2001. But prescription drugs are not the only issue. The most common and seemingly harmless way to treat pain is with non-steroidal, anti-

inflammatory drugs (NSAIDS). But there are risks. Overuse can cause nausea, vomiting, diarrhea, heartburn, ulcers and internal bleeding. In severe cases chest pain, heart failure, kidney dysfunction and life-threatening allergic reactions can occur. It is reported that approximately 7,600 people in America die from NSAID use and some 78,000 are hospitalized. Ibuprofen, also an NSAID has been of particular concern in the military. The terms Ranger Candy and Military Candy refer to the service men and women who are said to use 800mg doses of Ibuprofen to control their pain. But when taking anti-inflammatory Ibuprofen in high doses for chronic pain, there is potential for critical health risks; abuse can lead to serious stomach problems, internal bleeding and even kidney failure. There are significantly greater health risks when abuse of this drug is combined with alcohol intake. Our goal is that with Nyloxin®, we can greatly reduce the instances of opiate abuse and overuse of NSAIDS in high risk groups like the US military. The Nyloxin® Military Strength represents the strongest version of Nyloxin® available and is approximately twice as strong as Nyloxin® Extra Strength. We are working with outside consultants to register Nyloxin® Military Strength and the other Nyloxin® products for sale to the US government and the various arms of the military as well as the Veteran's Administration. To date, we have been unable to get our products onto the Federal Supply Schedule for eventual sales to governmental agencies or to the US Military, but will continue these efforts.

**International Sales**

We are pursuing international drug registrations in Canada, Mexico, India, Australia, New Zealand, 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. On March 25, 2013 we announced the publication of our patent and trademark for Nyloxin® in India. We are currently working with potential Distributors in India. In February, 2015 we completed the first test shipments to India. We plan to begin active sales and marketing in India in 2018.

On April 30, 2015 we announced that we had received notification of the acceptance of Nyloxin® by the China International Exchange and Promotive Association for Medical and Healthcare (CPAM). This process was successfully conducted by the Vancouver Commodities Group (VCG) that had been hired by Nutra Pharma to begin the process of identifying and vetting potential distributors in China. With this approval, we have been working with several groups to find a large distributor for our products in the People's Republic of China. We expect to announce a distribution partner in 2018.

On May 14, 2015 we announced that we had engaged the Nature's Clinic to begin the process of regulatory approval of our Company's Over-the-Counter pain drug, Nyloxin® for marketing and distribution in Canada. The Nature s Clinic has already begun setting up their Chatham, Ontario warehouse and expect to complete the approval process to begin distributing Nyloxin® by mid-2018.

On February 1, 2018 we announced a Distribution Agreement with the Australian company, Pharmachal PTY LTD to market and distribute Nyloxin® in Australia and New Zealand. Pharmachal has begun the registration process with the TGA (Therapeutic Goods Administration) and expect to be able to place initial orders in late 2018.

Additionally, we plan to complete several human clinical studies aimed at comparing the ability of Nyloxin® Extra Strength to replace prescription pain relievers. We have provided protocols to several hospitals and will provide details and timelines when those protocols have been accepted. 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.

**Pet Pain-Away**

During June of 2013, we announced the launch of our new homeopathic formula for the treatment of chronic pain in companion animals, Pet Pain-Away . Pet Pain-Away is a homeopathic, non-narcotic, non-addictive, over-the-counter pain reliever, primarily aimed at treating moderate to severe chronic pain in companion animals. It is specifically indicated to treat pain from hip dysplasia, arthritis pain, joint pain, and general chronic pain in dogs and cats. The initial product run was completed in December of 2014 and launched through Lumaxa Distributors on December 19, 2014.

In May of 2016, we signed a license agreement to begin the process of creating an infomercial (Direct Response) campaign for Pet Pain-Away . In November of 2016, we announced the license agreement with DEG Productions for the marketing and distribution of Pet Pain-Away globally. DEG has the ability to earn the exclusive distribution rights for the product by reaching certain sales milestones. DEG has created their own website (www.getpetpainaway.com) and began airing commercials in December of 2016. DEG is expected to ramp up their sales and marketing of Pet Pain-Away throughout 2018.

**Luxury Feet**

In June of 2017 we announced the creation of *Luxury Feet*; an over-the-counter pain reliever and anti-inflammatory product that is designed for women who experience pain or discomfort due to high heels and stilettos. We are currently seeking distributors for *Luxury Feet* and expect the sales rollout by the end of 2018.

**Equine Nyloxin®**

In October of 2013, we announced that we were in the process of launching the newest addition to our line of homeopathic treatments for chronic pain, *Equine Nyloxin*®, a topical therapy for horses that is packaged as a two piece kit: *Nyloxin® Topical Gel* comprises Step 1 and a solution of DMSO (dimethylsulfoxide) comprises Step 2. We have been working with trainers and veterinarians in the equine industry and have already identified distributors for the product. The *Equine Nyloxin*® represents the Company's first topical solution for the animal market. The product is now undergoing market evaluation and is expected to be commercially available by the end of 2018.

**Regulation**

The active pharmaceutical ingredient (API) in Nyloxin®, Nyloxin® Extra Strength & Pet Pain-Away, Asian cobra venom, has an approved United States monograph under the Homeopathic Pharmacopoeia of the United States (HPUS), which allowed us to register them with the FDA as homeopathic drugs. A United States monograph is a prescribed formulation for the production of any drug or product that is recognized by law for a specific application and that may be introduced into commerce. The FDA requires this registration process to maintain full compliance of companies marketing and selling medicines classified as homeopathic. In August 2009, we successfully completed submission of final packaging and labeling to the FDA to begin selling our over-the-counter pain reliever, Cobroxin®. In December 2009, we completed our submission of final packaging and labeling to the FDA of Nyloxin® and Nyloxin® Extra Strength. In December 2016 we completed our submission of final packaging and labeling to the FDA of Pet Pain-Away.

**Manufacturing**

ReceptoPharm oversees Nyloxin s and Pet Pain-Away s manufacturing activities, both at its Good Manufacturing Practice ( GMP ) certified facility and at a third-party manufacturing and bottling facility. ReceptoPharm is also responsible for acquiring appropriate amounts of Asian cobra venom required to manufacture Nyloxin® and Pet Pain-Away.

Subject to availability of funds, ReceptoPharm also plans to begin additional clinical studies for our pain relievers. These studies will be designed to compare the efficacy of Nyloxin® Extra Strength to other prescription strength pain relievers. A ReceptoPharm study published in *Toxicon*, which is the journal of the International Society of Toxinology, showed that ReceptoPharm s leading drug product for the treatment of pain (RPI-78) had pain-reducing effects that lasted four times as long as morphine without the negative side effects associated with opioid-based pain relievers. Another study published in the journal Neuropharmacology showed a new mechanism on the use of Alpha-Cobratoxin as a treatment for pain. Alpha-Cobratoxin is the main component of the cobra venom used in Nyloxin® and Pet Pain-Away.

The FDA requires those companies manufacturing homeopathic medicines to have their facilities certified as GMP. As of October 2005, ReceptoPharm s manufacturing and laboratory facility has been fully compliant with its GMP certification. In March 2009, ReceptoPharm received an ISO Class 5 certification for its clean room facility. An ISO Class 5 certification is a type of classification granted for a clean room facility according to the number and size of particles permitted per volume of air. An ISO Class 5 clean room has at most, 3,500 particles per square meter.

Manufacturing Nyloxin® and Pet Pain-Away entails a two-step process, the first of which consists of ReceptoPharm manufacturing the bulk raw materials and completing the dilution levels of the active pharmaceutical ingredient ( API ) as provided for in the Homeopathic Pharmacopeia of the United States, which is a compilation of continuously updated statements of Homeopathic Pharmacopoeia standards and monographs as recognized by that organization. Once this process is completed, the second step entails transport of raw materials to a third-party manufacturer that completes the final mixing, bottling and shipping processes.

We began limited manufacturing of Nyloxin® in November 2010. We scaled up manufacturing in the first quarter of 2011. Our production level is contingent upon product demand level and we can scale up as sales demand increases. We began manufacturing Pet Pain-Away in late 2014 and completed the first run of products for distribution on December 19, 2014.

**Marketing and Distribution**

In August 2009, we completed an agreement with XenaCare granting them the exclusive license to market and distribute Cobroxin®within the United States. To maintain this market exclusivity, XenaCare was required to meet certain minimum performance requirements. On April 1, 2011, we notified our Cobroxin® Distributor, XenaCare Holdings 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. It is our plan to eventually re-launch Cobroxin® with an eventual return to retail stores.

In December of 2013, we announced an agreement with MyNyloxin.com for the exclusive rights to market and distribute Nyloxin® in the Network Marketing channel. In November of 2014, MyNyloxin.com changed their name to Lumaxa. They provide a business opportunity to their Distributors to earn commissions on the sale of our products through their Distributor groups. In January of 2014, we announced the first product shipments to the MyNyloxin Independent Entrepreneurs (MIEs). Lumaxa conducts webinars, conference calls and live meetings to support recruitment of new distributors as well as to provide product and business education.

In May of 2016, we signed a license agreement to begin the process of creating an infomercial (Direct Response) campaign for Pet Pain-Away . In November of 2016, we announced the license agreement with DEG Productions for the marketing and distribution of Pet Pain-Away globally. DEG has the ability to earn the exclusive distribution rights for the product by reaching certain sales milestones. DEG has created their own website (www.getpetpainaway.com) and began airing commercials in December of 2016. DEG is expected to ramp up their sales and marketing of Pet Pain-Away throughout 2018.

We are continuing our efforts to find strategic partnerships for the promotion, marketing, registration, licensing and sales of our products domestically and internationally.

**Dependence on one or a Few Major Customers**

With respect to Nyloxin®, Nyloxin® Extra Strength and Pet Pain-Away, we have been distributing the products online and to various retailers. We are seeking both domestic and international distributors for these products. It may be that a larger distributor may require exclusivity in the US or any particular foreign market. If so, we would be dependent on that distributor for those Nyloxin® sales.

**International Drug Registrations**

We are continuing our efforts to complete the registration process internationally. On March 25, 2013 we announced the publication of our patent and trademark for Nyloxin® in India. We are currently working with potential Distributors in India. In February, 2015 we completed the first test shipments to India through our importer, S.Zhaveri Pharmakem. We plan to begin active sales and marketing in India by the end of 2016. In April of 2015 we announced the engagement of the Vancouver Commodity Group to identify potential distribution partners in China. Later that month, we announced the acceptance of Nyloxin® by the China International Exchange and Promotive Association for Medical and Healthcare (CPAM). With this approval, we have been working with several groups to find a large distributor for our products in the People's Republic of China. We expect to announce a distribution partner by end of 2018. On May 14, 2015 we announced that we had engaged the Nature's Clinic to begin the process of regulatory approval of our Company's Over-the-Counter pain drug, Nyloxin® for marketing and distribution in Canada. The Nature s Clinic has already begun setting up their Chatham, Ontario warehouse and expects to complete the approval process to begin distributing Nyloxin® by mid-2018. On February 1, 2018 we announced a Distribution Agreement with the Australian company, Pharmachal PTY LTD to market and distribute Nyloxin® in Australia and New Zealand. Pharmachal has begun the registration process with the TGA (Therapeutic Goods Administration) and expect to be able to place initial orders in late 2018.

While many countries adopt similar regulation to the United States for registering homeopathic drugs, the international application process is more complex and may be lengthier. We will continue to seek qualified, well-funded distributors for the international distribution of Cobroxin®, Nyloxin® and Pet Pain-Away.

**ReceptoPharm s Homeopathic Drug Pain Relief Studies**

Pending adequate financing or revenues, we will continue our research and development into this area, with the ultimate goal of improving product claims for Nyloxin® Extra Strength, which is a treatment for stage 3 pain. We have planned the following three studies and will pursue these pending adequate financing:

*MS Neuropathic Pain Phase IV*

This is a planned 10-week patient trial period. We have thus far incurred costs of $5,000 with a total estimated budget of $130,000. We plan to reinitiate this trial pending adequate funding.

*Chronic Back Pain Phase I*

We will continue our research and development in this area, with the ultimate goal of completing development of our future product, Recet, which is an injectable version of Cobratoxin. This is a planned 4-week patient trial period. We have thus far incurred costs of $25,000 with a total estimated budget of $250,000. We plan to reinitiate this trial pending adequate funding.

Chr*onic Back Pain Phase IV*

We will continue our research and development, with this ultimate goal of improving product claims for Nyloxin® Extra Strength, which is a treatment for stage 3 pain. This is a planned 4-week patient trial period. We have an estimated budget of $250,000. We have not yet incurred any costs associated with the Chronic Back Pain Phase IV project. We plan to reinitiate this trial pending adequate funding.

All of these studies have been delayed due to our lack of revenues and funding. We will reassess our start and completion dates upon generating a sufficient amount of revenues, if ever.

**ReceptoPharm Research and Development**

ReceptoPharm was engaged in the research and development of novel anticholinergic therapeutic protein products for the treatment of autoimmune and neurologic disorders, including Human Immunodeficiency Virus (HIV), Multiple Sclerosis (MS) Adrenomyeloneuropathy (AMN), Rheumatoid Arthritis (RA) and pain.

**Drug Applications**

We have set forth below a summary of ReceptoPharm s proposed drugs and their potential applications.

| Drug | Potential Applications |
|---|---|
| RPI-78M | MS, AMN, Rheumatoid Arthritis (RA), Myasthenia Gravis (MG) and Amyotrophic Lateral Sclerosis (ALS) |
| RPI-MN | HIV, Herpes, general anti-viral applications |
| RPI-78 | Pain, Arthritis |
| RPI-70 | Pain |

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

**Primary Disease Targets**

Through ReceptoPharm s research program, our goal is to obtain required regulatory approvals of ReceptoPharm s HIV, MS, and AMN products, so that they can be marketed. In September of 2015 we were granted Orphan Designation by the US-FDA for the treatment of Pediatric Multiple Sclerosis. The Orphan designation may greatly reduce the costs of clinical trials and shorten the timeline to potential drug approval. ReceptoPharm secures confidentiality agreements prior to initiating contract research in order to protect any patentable opportunities.

Human Immunodeficiency Virus (HIV) Infection

The analytic firm GBI Research reported in April 2014 that the HIV/AIDS therapeutics market reached $14.3 billion in 2012 in seven top markets: the United States, the United Kingdom, Germany, France, Italy, Spain and Japan. GBI Research predicts these markets will continue to grow to reach $16.3 billion by 2019. According to UNAIDS, an estimated 36.7 million people were living with HIV in 2016 with 52% of all HIV sufferers in sub-Saharan Africa. There were 2.1 million new infections in 2015 and 1.1 million people died of AIDS-related illnesses. Since the beginning of the epidemic, more than 75 million people have contracted HIV and nearly 36 million have died of HIV-related causes. Growth in the HIV therapy market will continue to be driven by the rapidly growing HIV

and AIDS population. In the absence of therapeutic intervention, the vast majority of individuals infected with HIV will ultimately develop AIDS, on average in about 10 years, which has a mortality rate approaching 100%. Experts say that the drugs currently available may extend life as much as 40 years, but all of these therapies have negative side effects and fail over time as the virus mutates. These facts make new therapies a necessity. The foregoing information was obtained from the World Health Organization website at www.who.int and the UNAIDS website at www.unaids.org.

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

HIV infection therapy currently uses antiviral drug therapies that are associated with the virus s attachment, fusion with and entry into the host cell. At the present time, there are 35-licensed antiretroviral drugs employed to combat HIV-1 infection and two licensed by the FDA that act as binding/entry inhibitory drugs.

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

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

RPI-MN demonstrated the ability to inhibit the replication of highly drug-resistant strains of HIV isolates. Drug resistance has become a critical factor in long-term management of HIV infection with some viral strains developing resistance in as little as 3 weeks.

*Multiple Sclerosis (MS)*

Multiple Sclerosis (MS) is thought to be an autoimmune disease that primarily causes central nervous system problems. In MS, the insulating fatty material surrounding the nerve fibers, also known as myelin, which functions to speed signaling from one end of the nerve cell to the other, is attacked by cells of the immune system causing problems in signal transduction. MS is the most common of demyelinating disorders, having a prevalence of approximately 1 per 1,000 persons in most of the United States and Europe. According to the Accelerated Cure Project for Multiple Sclerosis, a national nonprofit organization, 400,000 people in the US are affected by MS and another 2.1 million globally, with 10,000 new cases diagnosed in the US every year. According to the National Multiple Sclerosis Society, although MS occurs most commonly in adults, it is also diagnosed in children and adolescents. Estimates suggest that 8,000-10,000 children (up to 18 years old) in the United States have MS, and another 10,000-15,000 have experienced at least one symptom suggestive of MS. Studies suggest that two to five percent of all people with MS have a history of symptom onset before age 18.

People with MS may experience diverse signs and symptoms. MS symptoms may include pain, fatigue, cognitive impairment, tremors, loss of coordination and muscle control, loss of touch sensation, slurred speech and vision impairment. The course of the disease is unpredictable and for most MS patients, the disease initially manifests a relapsing-remitting pattern. Periods of apparent stability are punctuated by acute exacerbations that are sudden unpredictable episodes that might involve impaired vision, diminished ability to control a limb, loss of bladder control, or a great variety of other possible neurologic deficits. In relapsing-remitting MS, some or all of the lost function returns, however, the patient sustains an unceasing, often insidious, accumulation of neuronal damage. As the burden of neural damage grows, new lesions are more likely to produce irreversible impairment of function. Typically, about eight to fifteen years after onset, MS patients enter the secondary-progressive phase. Eventually, progressive MS sufferers become wheelchair-bound, and may become blind and even incapable of speech. There is currently no FDA approved drug that reverses the course of the progressive form of MS.

RPI-78M has shown efficacy in animal models (EAE) for MS and ReceptoPharm is planning new animal studies to gain more insight into the levels of protection that the drugs afford. In one study conducted in August 2007, all members of an untreated animal control group developed signs of disease with different levels of paralysis/muscle weakness. A similar group in the August 2007 study treated with RPI-78M showed no disease in 90% of the animals in both acute and chronic applications of the test. Moreover, there were no toxicities reported though the animals which received doses the equivalent of 280 times a human dose.

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

In August of 1984, Biogenix applied for and received an Intrastate Investigational Drug (FSDHRS Protocol RA-1 (002)) from the Department of Health and Rehabilitation (HRS) in Florida that permitted the 4-week study of RPI-MN in 13 patients with Rheumatoid arthritis ranging in age from 49 to 81. Patients were enrolled for a period of 4 weeks; the results showed 30% to 49% improvement in range of joint motion, early morning stiffness and stamina (this data, along with other supporting intellectual property was acquired by ReceptoPharm from Biogenix). We believe that the data obtained from the examination of clinical efficacy in these three diseases can augment information from prior clinical studies and lead to the future investigation of treatments for other chronic conditions.

*Adrenomyeloneuropathy (AMN), Pediatric MS and other Orphan Indications*

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

Adrenomyeloneuropathy (AMN) is the most common form of X-ALD, a maternally inherited type of ALD. AMN affects about 40-45% of X-ALD patients and usually presents itself in adolescence or adult life and may be preceded by hypoadrenalism. It is characterized by spastic paraplegia and a peripheral neuropathy, often being diagnosed as Multiple Sclerosis (MS). Nerve conduction studies in AMN show a predominant axonal neuropathy and show a loss of all axons. Lorenzo s oil, a mixture of glyceryltrioleate and glyceryltrierucate, has been used for over a decade in an open, unblinded fashion with mixed results.

RPI-78M has been utilized in two clinical studies, which were completed at the Charles Dent Metabolic Unit located in London, England. The last trial was classified as a Phase IIb/IIIa study. These studies provided important safety data, showing RPI-78M to be well tolerated by the patients. Further study is warranted to provide data on the potential efficacy of RPI-78M to treat the symptoms of AMN.

In September of 2015 we were granted Orphan Designation by the US-FDA for the treatment of Pediatric Multiple Sclerosis. We are currently working with potential sites of care to conduct a Phase I/II in Pediatric MS. The designation of RPI-78M as an Orphan Drug provides Nutra Pharma with a 7-year period of market exclusivity in the U.S. once the drug is approved. Additional benefits over conventional drug applications include: tax credits for clinical research costs, the ability to apply for grant funding, clinical trial design assistance, plus assistance from the FDA in the drug development process and the waiver of Prescription Drug User Fee Act (PDUFA) filing fees which could be in excess of $2.5 million. The granting of Orphan Drug Designation allows the Company to move forward with their preparation of an Investigative New Drug Application and proposal of clinical trials. The FDA grants Orphan Drug Designation status to products that treat rare diseases, providing incentives to sponsors developing drugs or biologics. According to the FDA, the Orphan Drug program has successfully enabled the development and marketing of more than 400 drugs and biologic products for rare diseases since 1983. Evaluate Ltd., in its 2014 EvaluatePharma Orphan Drug Report, estimated that orphan drug sales will constitute 19% of the total share of prescription drug sales by 2020, totaling $176bn.

In December of 2015, we announced that we had applied for an Orphan Drug designation from the US-FDA for the Company's RPI-78M drug candidate for the treatment of Myasthenia Gravis (MG). The application was subsequently rejected with an offer to re-file in the future as more data becomes available.

*Pain and Arthritis*

Protein or peptide-based drugs are penetrating the pain market with neurotoxins taking the lead. Botox (Allergan) and Prialt (Elan) have the potential to substitute over the long-term for morphine and other opiates in chronic pain indications. Opiates, though potent painkillers, suffer from drawbacks because they are addictive, short acting, and drug-resistance inducing. We plan to assess the effects of several peptides in animal models of pain in association with Soochow University in China. Several peptides have demonstrated positive effects and the research and development continues.

August 2007 studies at Soochow University proved the potential of ReceptoPharm s drug candidates, RPI-78 and RPI-70. When compared to Dolantin, an opiate-based drug subordinate to morphine, the effects were very encouraging. While Dolantin provided immediate pain relief it began wearing off just as RPI-70 began to take effect. The effects of RPI-70 do not seem dramatic in contrast

to Dolantin, considering the quantity of drug employed in this animal model. The concentration of RPI-70 was approximately 100 times less than the opiate product. Also, RPI-70 showed real potential for combining with other pain killing medications. RPI-78 was calculated to be 150,000 times more potent than aspirin. This product can be injected systemically providing evidence of a more practical application than Prialt, which must be administered intrathecally (into the spinal cord). Opiate drugs induce tolerance and dependence. This problem is not encountered with RPI-70 and RPI-78.

In February 2009, ReceptoPharm filed a patent application with the United States Patent and Trademark Office for the use of RPI-78 as a novel method for treating arthritis in humans. Also in February 2009, ReceptoPharm, in collaboration with Soochow University in China published positive data from its recent animal studies on the use of RPI-78 (Cobratoxin) as a method for treating arthritis. In March of 2011, ReceptoPharm was issued a patent for the use of cobratoxin as an analgesic (US patent #7,902,152). In February of 2012, ReceptoPharm, in collaboration with Soochow University published another study that demonstrated a novel mechanism of action for the use of RPI-78 as a treatment for pain.

*Nerve Agent Countermeasures*

In February of 2018, we announced that we had filed a new provisional patent to protect our intellectual property surrounding the development of nerve agent counter measures. In much the same way that our therapies protect the nerves of patients with disease, our findings indicate that we may protect against or at least mitigate the damage caused by - nerve agents that are utilized as chemical weapons; such as sarin gas and VX. We will be working with experts in the field to have our products in testing shortly.

Nerve agents are identified as a class of phosphorus-containing organic chemicals (organophosphates) that may disrupt the transfer of messages to organs through the nerves. This disruption is caused by the over-stimulation of certain receptors on the surface of the neurons. These same receptors are the target of Nutra Pharma s drugs, which may block the action of the nerve agents or minimize the damage that they may cause.

The company has very encouraging preclinical data, a demonstrated molecular mechanism of action and a robust scientific rational for the continued commercial development of its nerve agent counter measure. Organophosphate nerve agents such as VX and Sarin remain a troubling threat to American service people and civilians as evidenced by the recent attacks in Syria, Malaysia and London. Supply chain issues with existing counter measures and the safety and effectiveness of these drugs is a great concern. Based on our pre-clinical studies and experience in neurobiology products, we believe that we have a superior product ready for testing in the near term.

According to a recent BBC report, chemical weapons remain a real threat to the West. In the seven-year period since the beginning of the Syrian conflict there have been over a thousand documented uses of chemical weapons; making

this issue a major topic of concern in the US department of Defense and the United Nations.

**Market Values**

*Human Immunodeficiency Virus (HIV)*

The analytic firm GBI Research reported in April 2014 that the HIV/AIDS therapeutics market reached $14.3 billion in 2012 in seven top markets: the United States, the United Kingdom, Germany, France, Italy, Spain and Japan. GBI Research predicts these markets will continue to grow to reach $16.3 billion by 2019. According to UNAIDS, an estimated 35.3 million people were living with HIV in 2012 with 69% of all HIV sufferers in sub-Saharan Africa. There were 2.3 million new infections in 2012 and 1.6 million people died of AIDS-related illnesses. Since the beginning of the epidemic, more than 75 million people have contracted HIV and nearly 36 million have died of HIV-related causes. Growth in the HIV therapy market will continue to be driven by the rapidly growing HIV and AIDS population. In the absence of therapeutic intervention, the vast majority of individuals infected with HIV will ultimately develop AIDS, on average in about 10 years, which has a mortality rate approaching 100%. Experts say that the drugs currently available may extend life as much as 40 years, but all of these therapies have negative side effects and fail over time as the virus mutates. These facts make new therapies a necessity. The foregoing information was obtained from the World Health Organization website at www.who.int and the UNAIDS website at www.unaids.org.

According to the Centers for Disease Control and Prevention, in the United States alone, an estimated 1.2 million people are infected with an estimated 39,500 Americans becoming infected with HIV each year. The majority undergoes treatment for HIV-related conditions at an individual cost of $14,000 (HAART) to $34,000 (AIDS patients). According to DataMonitor; the HIV market was worth $9.3 billion in 2007. GBI Research predicts these markets will continue to grow to reach $16.3 billion by 2019, driven by the increasing prevalence of HIV worldwide and the longer life expectancy of patients receiving treatment.

*Multiple Sclerosis (MS)*

MS affects an estimated 2.5 million people globally with approximately 400,000 sufferers in the United States. There are 12 approved drugs for the treatment of this disease. According to an April 2015 article published in the journal *Neurology*, the average annual cost of these drugs has increased to over $60,000 per person. In 2013, sales by one manufacturer, Teva, were reported to be $4.328 billion for its drug, Copaxone. Biogen has the largest market share in the MS drug category; bringing in $8 billion from the sales of Avonex, Tysabri and Tecfidera. The global multiple sclerosis therapeutics market is expected to reach USD 24.8 billion by 2024 according to a May, 2016 report by Grand View Research, Inc.

*Adrenomyeloneuropathy (AMN)*

AMN/ALD affects an estimated 30,000 people in the US with some estimates exceeding this number.

*Pediatric Multiple Sclerosis (pediatric-MS)*

According to the National Multiple Sclerosis Society, although MS occurs most commonly in adults, it is also diagnosed in children and adolescents. Estimates suggest that 8,000-10,000 children (up to 18 years old) in the United States have MS, and another 10,000-15,000 have experienced at least one symptom suggestive of MS. Studies suggest that two to five percent of all people with MS have a history of symptom onset before age 18.

*Myasthenia Gravis (MG)*

According to the Myasthenia Gravis Foundation of America, the prevalence of MG in the United States is estimated to be about 64,000 patients. However, MG is probably under diagnosed and the prevalence may be higher.

**Current Technologies**

ReceptoPharm, operating in its capacity as a clinical stage biotechnology company, created a process that safely modifies proteins derived from cobra venom. ReceptoPharm also has rights to a drug delivery method that uses an aerosol formulation, which is administered under the tongue. By using this shared aerosol delivery technology, oral

delivery is attainable, an important step for a biologic product. The system is 50% efficient and affects drug delivery in approximately 40% of patients in which it was tested. Topical preparations are being examined for future applications in treatment of such conditions as pain and Rheumatoid Arthritis (RA).

**Business Strategy**

Pending adequate financing or revenues, ReceptoPharm seeks to develop proprietary pharmaceutical products for human illnesses that qualify for Fast-Track or Orphan Drug status under FDA regulations, which can expedite regulatory review. For some conditions, the FDA has created the two animal rule which permits ReceptoPharm to collect data from ongoing animal research for human treatment applications.

We believe the results from ReceptoPharm s research will assist in getting its applications processed through the FDA s Fast-Track approval process and enable ReceptoPharm to plan the commercialization of each product independently and/or through joint ventures, partnerships and licensing arrangements. Fast-Track denotes life-threatening illnesses, while Orphan status refers to serious ailments affecting less than 200,000 individuals nationwide. AMN qualifies under both labels because it is considered an orphan disease and has no known cure. Pediatric MS and Myasthenia Gravis are also considered "Orphan" diseases because of the disease prevalence as well as the lack of effective therapies.

In the areas of HIV and MS, ReceptoPharm plans to conduct clinical studies of its HIV and MS drugs under development. These Phase II studies will either prove or disprove the preliminary efficacy of ReceptoPharm's HIV and MS drugs under development. ReceptoPharm is in the process of attempting to secure agreements with third parties to conduct such clinical studies.

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

*Short-term Goal*

Although we focused our drug development efforts from 2006 to 2008 on clinical trials for ReceptoPharm s HIV drug, RPI-MN, our primary focus now is on RPI-78M for the treatment of MS and MG. With the recent Orphan designation for Pediatric MS, we expect to move into Phase I/II clinical studies in the next 12 months.

*Mid-term Goal*

Our midterm strategy is to license ReceptoPharm s AMN, MS and HIV technologies in our attempt to bring these technologies to market within 5 years, should we obtain adequate financing.

*Long-Term Goal*

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

**Compassionate Release Programs**

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

**Clinical Trial Applications**

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

**Current Research and Development Projects**

**Neurological Studies**

*Pain Studies*

In an effort to further support Nyloxin® Extra Strength, ReceptoPharm had planned to complete two human clinical studies aimed at comparing the ability of Nyloxin® Extra Strength to replace prescription pain relievers. ReceptoPharm originally estimated that these studies would begin during the second quarter of 2010; however, these studies have been delayed because of lack of funding. We have no way of knowing at this time, if or when we will have adequate funding to reinitiate these trials.

*AMN Phase II*

ReceptoPharm has been conducting research and development in this area since February 2006 with an original expected completion date of September 2010, which includes a 12-month patient trial period that has already been completed. We have thus far expended approximately $400,000, because ReceptoPharm has completed its AMN Phase II project, there is no further budget for this project.

*AMN Phase III*

ReceptoPharm had planned to continue research and development, with the ultimate goal of completing development of its future drug, RPI-78M. ReceptoPharm s originally estimated start and completion dates are July 2010 and December 2011, respectively, which includes a 12-month patient trial period. ReceptoPharm has thus far incurred costs of $5,000. ReceptoPharm has an estimated budget of $500,000. We have no way of knowing at this time, if or when we will have adequate funding to reinitiate these trials.

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*MS Phase II (Pediatric MS Phase I/II)*

We are working with our Chief Scientific Officer, Dale Vanderputten, PhD; along with consultants to begin our Phase I/Phase II studies in pediatric Multiple Sclerosis. Pending adequate financing or revenues, ReceptoPharm will continue its research and development, with the ultimate goal of commencing these trials with RPI-78M under its Orphan Designation. ReceptoPharm has thus far incurred costs of $40,000. ReceptoPharm has an estimated budget of $2,000,000. Our goal is to initiate these trials in 2018.

Currently, ReceptoPharm s total estimated costs for all of the above projects are approximately $3,000,000.

Since receiving Orphan designation for the treatment of Pediatric MS, our plans have changed. We are now working with potential sites of care to initiate a Phase I/II clinical trial in Pediatric MS. Our next step is to have a pre-IND meeting with the FDA to go over the proposed trial protocols. It is our goal to begin these trials in 2018.

**Dependence on one or a Few Major Customers**

We have no customers with respect to our research and development projects since we have not received FDA approval for our drug candidates and have not licensed any of our technologies.

**Marketing**

We currently do not have a marketing program for our drug candidates because none of ReceptoPharm s products have received FDA approval. Our lack of financing has hampered our efforts to navigate the regulatory process in a timely fashion; however, if and when we have FDA-approved drug treatments, we plan to develop a marketing strategy to market ReceptoPharm s products through pharmaceutical companies, other biotechnology companies, and diagnostic laboratories. Our Chief Executive Officer will market the treatments to licensing and development officers of those companies and will otherwise direct our marketing program. Additionally, we will attempt to secure consulting agreements with marketing consultants who will actively market our products to such companies and/or provide our Chief Executive Officer with marketing guidance.

**Potential Revenue Segments**

Our potential revenue segments are composed of our attempt to generate revenues from license agreements, joint ventures in foreign countries and drug sales.

To date, we have not earned any revenues regarding any FDA drug candidate.

**Product Liability**

We maintain product liability insurance for our commercial products. Even so, product liability claims may result in significant legal costs related to our defense of such actions if damage amounts exceed our product liability insurance coverage. The design, development, and manufacture of drug products or diagnostic tests involves an inherent risk of product liability claims and corresponding damage to our brand name reputation, including claims of product failure or harm caused by the drug product.

**Sources and Availability of Raw Materials**

ReceptoPharm uses the raw material, cobra venom, for the drugs that it studies and in Nyloxin® and Pet Pain-Away production. We currently have two US suppliers of cobra venom that we use according to product demand. In addition, there are other suppliers in China, Thailand and India. ReceptoPharm s management is responsible for locating cobra venom suppliers on an as-needed basis, which involves obtaining a small test amount from a supplier for scientific validation of that raw material prior to purchase. Apart from cobra venom, we do not currently use raw materials in our business.

**Compliance with Government Regulations and Need for Government Approval**

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

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In order to obtain FDA approval to market a new biological or pharmaceutical product, proof of product safety, purity, potency and efficacy, and reliable manufacturing capability must be submitted. This requires companies to conduct extensive laboratory, pre clinical and clinical tests. This testing, as well as preparation and processing of necessary applications, is expensive, time-consuming and often takes several years to complete. There is no assurance that the FDA will act favorably in making such reviews. Our potential partners, or we, may encounter significant difficulties or costs in their efforts to obtain FDA approvals, which could delay or preclude from marketing any products that may be developed. The FDA may also require post-marketing testing and surveillance to monitor the effects of marketed products or place conditions on any approvals that could restrict the commercial applications of such products. Product approvals may be withdrawn if problems occur following initial marketing, such as, compliance with regulatory standards is not maintained. Delays imposed by governmental marketing approval processes may materially reduce the period during which a company will have the exclusive right to exploit patented products or technologies. Refusals or delays in the regulatory process in one country may make it more difficult and time consuming to obtain marketing approvals in other countries.

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

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

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

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

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

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

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

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

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

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

**Ability to Compete**

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

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

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

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

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

**Main Competitors (Biologics)**

Competition is intense among companies that develop and market products based on advanced cellular and molecular biology. ReceptoPharm s competitors, including Amgen, Sanofi-Aventis, Biogen-Idec, Cephalon, Genetech, Genzyme, Novartis, Regeneron and Bayer, which have far superior financial, technological and operational resources. We face significant competition from these and other biotechnology and pharmaceutical firms in the United States, Europe and elsewhere. Certain specialized biotechnology firms have also entered into cooperative arrangements with major companies for development and commercialization of products, creating an additional source of competition.

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

Interferon-based drugs and their indications represent target markets for ReceptoPharm. Sales of interferon-based drugs annually exceed $8 billion and have attracted the participation of several major drug companies, including Bayer and Roche. Currently, there are eight interferon-based drugs licensed in Canada and the U.S.; five for the treatment of the milder Relapsing-Remitting form of MS, one for Hepatitis C, one for granulomatous disease and one for genital warts. These interferons are also used in the treatment of other

conditions where treatment options are limited. The interferons for MS are Betaseron (Bayer), Avonex (Biogen), Plegridy (Biogen), Extavia (Novartis) and Rebif (EMD Serono). Since the launch of these drugs, the number of patients undergoing treatment has stabilized at current levels, indicating that there is a high turnover rate of patients in the administration of these individual drugs due to cost and side effects. Biogen developed Avonex in the early 1990 s and has been shipping the drug since late 1996. In the United Kingdom, the National Institute for Clinical Efficiency (NICE) has called for the withdrawal of Betaseron and another unrelated drug, Copaxone (Teva), from the market based on poor cost/effectiveness.

Gilead Sciences markets Harvoni as a 'cure' for Hepatitis C. It combines two drugs: Sovaldi (sofosbuvir) and ledipasvir. Harvoni is taking over the market as Gilead has turned Hepatitis C into a curable illness and has generated over $25B in sales.

**Main Competitors (Venom-Based Drugs)**

We view our main competitors as those who also engage in the development of protein-based neurotoxins as therapeutics. Employing venoms as therapeutics is not new**.** A large number of well-known pharmaceutical companies are developing novel therapies derived from snake venoms and other reptiles. Most of those using snake venoms employ the anticoagulant enzymes usually from viperids (adders and rattlesnakes) though elapids (cobra family) are also being investigated.

We have set forth below a summary of venom-based drugs and their potential applications.

| Company | Drug | Application |
|---|---|---|
| Pentapharm | Batroxobin | Anticoagulant from Lancehead viper |
| Knoll Pharmaceutical | Ancrod | Anticoagulant from rattlesnakes |
| Bristol-Myers Squibb | Capoten | Antihypertensive from Brazilian Pit Viper |
| Medicure | Aggrastat | Antiplatelet drug from vipers |
| Millennium Pharmaceutical | Integrilin | Antiplatelet drug from rattlesnakes |
| Amylin Pharmaceuticals | Byetta | Treatment for type 2 diabetes and obesity from Gila Monster |
| Elan Pharmaceuticals | Prialt | Intrathecal drug from cone snails for intractable pain |

Current cobra venom-based therapies include Keluoqu, a pain-killing drug on the market in China since 1978. Keluoque contains cobrotoxin as its primary ingredient and is used to control severe pain in advanced cancer patients and for post-operative pain.

**Bio-Therapeutics, Inc.**

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

The 2003 license agreement provides that for a non-exclusive license to certain intellectual property of Bio-Therapeutics, Inc., which consists of the following two distinct technology platforms:

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

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

**Patents, Trademarks, Licenses and Intellectual Property**

We have the following patents expiring at various dates indicated below:

*Bio-Therapeutics Patents*

We hold the license to certain intellectual property belonging to Bio-Therapeutics that has either been granted a patent or is in the patent application process as follows:

U.S. Patent No. 5,989,857, Polypeptide compositions and methods was granted in November 1999 with 10 claims. The patent outlines a method of preparing a bioactive polypeptide in a stable, inactivated form, the method comprising the step of treating the polypeptide with ozonated water in order to oxidize and/or stabilize the cysteine residues, and in turn, prevent the formation of disulfide bridges necessary for bioactivity. This patent expired on May 10, 2016.

U.S. Patent No. 6,670,148, Compositions comprising bioactive peptides prepared without formation of native disulfide bonds was granted in December 2003, with 9 claims. The patent further describes a method of preparing a bioactive polypeptide in a stable, inactivated form, the method comprising the step of treating the polypeptide with ozonated water in order to oxidize and/or stabilize the cysteine residues, and in turn, prevent the formation of disulfide bridges necessary for bioactivity. The method can involve the use of ozonated water to both oxidize the disulfide bridges in a bioactive polypeptide, and to then stabilize the resultant cysteine residues. Optionally, and preferably, the method can involve the use of ozonated water to stabilize the cysteine residues, and thereby prevent the formation of disulfide bridges, in a polypeptide produced by recombinant means in a manner that allows the polypeptide to be recovered with the disulfide bridges unformed. This Patent expired on May 10, 2016.

U.S. Patent Application Number 11/415377, Buccal Delivery System, with 20 claims. The patent describes a delivery formulation and system for delivering inactivated bioactive peptides to the body. The formulation includes effective amounts of the peptide as well as a mucosal permeation enhancer selected from the group consisting of quaternary ammonium salts. The system can be used by spraying the formulation into the buccal cavity, e.g., to the roof of the mouth. This application is currently listed as abandoned as of December 2009.

U.S. Patent Application Number 11/431126, Immunokine composition and method with 31 claims. The patent describes a composition and method for preventing HIV infection of mammalian cells. One aspect of the invention relates to an anti-immunodeficiency virus immunokine capable of binding to a cellular protein in a manner that prevents HIV infection of that cell. The compositions can include either an active bioactive polypeptide, such as native cobratoxin, and/or an inactivated bioactive polypeptide, such as cobratoxin in which one or more of the native

disulfide bridges have been prevented from forming. The term immunokine is used to refer to an inactivated bioactive polypeptide, whether inactivated by chemical, genetic, and/or synthetic means as described herein, with the proviso that a corresponding active bioactive polypeptides can be included where applicable (e.g., for in vitro use). This application is currently listed as abandoned as of June 2009.

*ReceptoPharm Patents*

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

U.S. Patent No. 8,034,777, Modified Anticholinergic Neurotoxins as Modulators of the Autoimmune Reaction was granted in October 2011with 7 claims. The patent describes a method of treatment of a human patient suffering from Multiple Sclerosis comprising the administration of a disease-mitigating amount of a composition consisting of detoxified and modified alpha-cobratoxin in a saline solution. This patent is meant to protect and support our work in the production of drugs for the treatment of auto-immune diseases.

U.S. Patent No. 7,902,152, Use of cobratoxin as an analgesic was granted in March 2011 with 16 claims. The patent describes a composition of matter for an analgesic and its method of use is disclosed. The method of use is for the treatment of chronic pain, especially to the treatment of heretofore intractable pain as associated with advanced cancer. The pain associated with neurological conditions, rheumatoid arthritis, viral infections and lesions is also contemplated. The method includes administering to a host an alpha-neurotoxin that is characterized by its ability to blocking of the action of acetylcholine at nicotinic acetylcholine receptors. Currently, this would be applied to the Company's current and future drugs for the treatment of pain.

U.S. Patent No. 7,758,894, Modified elapid venoms as stimulators of the immune reaction was granted in July, 2010 with 14 claims. The patent describes a method of protection from infections by administering a detoxified and neurotropically active modified venom containing alpha-cobratoxin. Protection includes bacterial, viral and parasitic infections. This patent is meant to protect and support our work in our production of anti-infective treatments. Currently, this would be applied to RPI-MN and RPI-78.

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

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

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

*Patents Assigned to Us by Nanologix, Inc.*

Because we have focused on our drugs, we have not continued any activity in our former Designer Diagnostics division since June, 2011. As results become available through the validation process taking place at National Jewish Hospital in Denver and funding becomes available, we may revisit the technology and re-engage our efforts in Designer Diagnostics.

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

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

We own 11 issued U.S. patents covering technologies related to growing, detecting, identifying, defining antibiotic sensitivity and designing apparatus for the detection of 32 different paraffin-eating microorganisms that were assigned to us by Nanologix, Inc. These patents will be used by our wholly owned subsidiary, Designer Diagnostics, should it again become operational.

U.S. Patent No. 5,989,902, Method for determining the antimicrobial agent sensitivity of a nonparaffinophilic hydrophobic microorganism and an associated apparatus was granted in November 1999 with 3 claims. The patent describes a method for determining a sensitivity of a nonparaffinophilic hydrophobic microorganism to an antimicrobial agent. The method includes providing at least one receptacle containing an aqueous broth including a carbon source and introducing the nonparaffinophilic hydrophobic microorganism into the receptacle. The method further includes placing into the receptacle (i) a slide coated with a hydrophobic material and (ii) a predetermined quantity of the antimicrobial agent to be tested. By observing the nonparaffinophilic hydrophobic microorganism growth or lack thereof on the slide, it can be determined whether the predetermined quantity of the antimicrobial agent is effective in inhibiting growth of the nonparaffinophilic hydrophobic microorganism on the slide. An associated apparatus is also disclosed. This Patent expires on November 13, 2017.

U.S. Patent No. 5,981,210, Method for determining a presence or absence of a nonparaffinophilic hydrophobic microorganism in a body specimen by using a DNA extraction procedure and a novel DNA extraction procedure was granted in November 1999 with 17 claims. The method of the invention involves providing a first receptacle and a second receptacle. The first receptacle contains a sterile aqueous broth and the second receptacle contains an aqueous broth including a carbon source. The method then includes placing into the first receptacle a first support surface having a paraffin wax coating thereon and placing into the second receptacle a second support surface having a hydrophobic material coating thereon. A body specimen, such as sputum, is then introduced into each of the first and second receptacles. The presence of a nonparaffinophilic hydrophobic microorganism in the body specimen is determined by observing (i) a lack of microorganism growth on the paraffin coated material of the first support surface and (ii) a presence of microorganism growth on the hydrophobic material coating of the second support surface. The presence of the nonparaffinophilic hydrophobic microorganism can be further confirmed by performing a DNA extraction. An associated DNA extraction procedure is also provided. This Patent expires on November 13, 2017.

U.S. Patent No. 5,935,806, Method and apparatus for speciating and identifying MAI (Mycobacterium Avium Intracellulare) and testing the same for antibiotic sensitivity was granted in August 1999 with 3 claims. The patent describes a method of speciating and identifying MAI in a specimen comprises placing a paraffin coated slide in a receptacle containing a sterile aqueous solution inoculated with the specimen, analyzing the slide after exposure to the specimen to determine the presence or absence of atypical Mycobacteria, and after the analysis step, if atypical Mycobacteria are determined to be present, performing at least one speciation assay to ascertain if the atypical Mycobacteria are MAI. A related apparatus is also disclosed for speciating and identifying MAI in a specimen comprising a paraffin-wax coated slide, a tube having a sterile aqueous solution contained therein, the tube adapted to hold the slide, and at least one speciation assay means for performing an assay to determine the presence or absence of MAI in the specimen after the specimen is introduced into the tube holding the solution and the slide. An apparatus and method for determining the sensitivity of MAI to different antibiotics and dosages thereof is also provided. This Patent expired on October 24, 2009 for failure to timely pay maintenance fees.

U.S. Patent No. 5,882,920, Apparatus for determining the presence or absence of a paraffinophilic microorganism was granted in March 1999 with 4 claims. The patent describes a method of determining the presence of a paraffinophilic microorganism in a specimen taken from a patient. The method includes providing a receptacle containing an aqueous solution and adjusting the solution to mimic the in vivo clinical conditions of the patient. The method then further includes inoculating the solution with the specimen and then placing in the receptacle a paraffin coated slide to bait the paraffinophilic microorganism. The slide is then analyzed after exposure to the specimen to determine the presence or absence of the paraffinophilic microorganism. An associated apparatus is also disclosed. This Patent expired on November 9, 2015.

U.S. Patent No. 5,854,014, Apparatus for testing paraffinophilic microorganisms for antimicrobial sensitivity was granted in December 1998 with 2 claims. The patent describes an apparatus for determining the antimicrobial agent sensitivity of a paraffinophilic microorganism from a specimen obtained from a patient. The apparatus includes a receptacle containing an aqueous solution, an amount of antimicrobial agent to be tested and the specimen. The apparatus further consists of a paraffin coated slide placed into the receptacle. This Patent expired October 24, 2009 for failure to timely pay maintenance fees.

U.S. Patent No. 5,846,760, Method for determining a presence or absence of a nonparaffinophilic hydrophobic microorganism in a body specimen and an associated kit was granted in December 1998 with 15 claims. The method of the invention involves providing a first receptacle and a second receptacle. The first receptacle contains a sterile aqueous broth and the second receptacle contains an aqueous broth including a carbon source. The method then includes placing into the first receptacle a first support surface having a paraffin wax coating thereon and placing into the second receptacle a second support surface having a hydrophobic material coating thereon. A body specimen, such as sputum, is then introduced into each of the first and second receptacles. The presence of a nonparaffinophilic hydrophobic microorganism in the body specimen is determined by observing (i) a lack of microorganism growth on the paraffin coated material of the first support surface and (ii) a presence of microorganism growth on the hydrophobic material coating of the second support surface. An associated kit is also disclosed. This Patent expires on November 13, 2017.

U.S. Patent No. 5,776,722, Method of testing a body specimen taken from a patient for the presence or absence of a microorganism and a further associated method and associated apparatus was granted in July 1998 with 40 claims. The patent describes a method of testing a body specimen taken from a patient for the presence or absence of a microorganism. A transport/isolator assembly is provided which includes a receptacle and a baiting assembly including a baiting section having disposed thereon a coating material. A baiting liquid and the body specimen are then introduced into the receptacle. The method further comprises securing the baiting assembly to the receptacle so that at least a portion of the coated section is introduced into the baiting liquid. The transport/isolator assembly containing the baiting liquid and the body specimen are then transported to a laboratory for subsequent observation of the coated section for growth or lack thereof of the microorganism. A further method of processing the body specimen and an associated isolator/transport assembly kit as well as an associated isolator/transport assembly are also disclosed. This Patent expires on September 25, 2017.

U.S. Patent No. 5,569,592, Apparatus for testing MAI (Mycobacterium Avium Intracellulare) for antimicrobial agent sensitivity was granted in October 1996 with 3 claims. The patent describes an apparatus for determining the sensitivity of MAI to different antimicrobial agents and dosages thereof is provided. The apparatus comprises a plurality of test tubes adapted to contain an amount of an antimicrobial agent to be tested and MAI complex organisms to be assayed and a separate paraffin coated slide adapted for placement in each of the test tubes. The growth of the MAI complex organisms on the slide can be used to determine the concentration of the antimicrobial agent necessary to resist MAI complex organism growth on the slide. An associated method is also disclosed. This Patent expired on October 29, 2013.

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

having a sterile aqueous solution contained therein, the tube adapted to hold the slide, and at least one speciation assay means for performing an assay to determine the presence or absence of MAI in the specimen after the specimen is introduced into the tube holding the solution and the slide. An apparatus and method for determining the sensitivity of MAI to different antibiotics and dosages thereof is also provided. This Patent expired on December 5, 2012.

U.S. Patent No. 5,316,918, Method and apparatus for testing MAI (Mycobacterium Avium Intracellulare) for antimicrobial agent sensitivity was granted in May 1994 with 7 claims. The patent describes an apparatus and method for determining the sensitivity of MAI to different antimicrobial agents and dosages thereof is provided. The apparatus comprises a plurality of test tubes adapted to contain an amount of an antimicrobial agent to be tested and MAI complex organisms to be assayed and a separate paraffin coated slide adapted for placement in each of the test tubes. The growth of the MAI complex organisms on the slide can be used to determine the concentration of the antimicrobial agent necessary to resist MAI complex organism growth on the slide. An associated method is also disclosed. This Patent expired on May 31, 2011.

U.S. Patent No. 5,153,119, Method for speciating and identifying MAI (Mycobacterium Avium Intracellulare) was granted in October 1992 with 15 claims. The patent describes a method of speciating and identifying MAI in a specimen comprises placing a paraffin coated slide in a receptacle containing a sterile aqueous solution inoculated with the specimen, analyzing the slide after exposure to the specimen to determine the presence or absence of atypical Mycobacteria, and after the analysis step, if atypical Mycobacteria are determined to be present, performing at least one speciation assay to ascertain if the atypical Mycobacteria are MAI. A related apparatus is also disclosed for speciating and identifying MAI in a specimen comprising a paraffin-wax coated slide, a tube having a sterile aqueous solution contained therein, the tube adapted to hold the slide, and at least one speciation assay means for performing an assay to determine the presence or absence of MAI in the specimen after the specimen is introduced into the tube holding the solution and the slide. An apparatus and method for determining the sensitivity of MAI to different antibiotics and dosages thereof is also provided. This Patent expired on October 24, 2009.

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

**Employees**

We employ a total of 4 employees, consisting of: (a) our Chief Executive Officer (b) Our Director of Marketing (c) our Chief Scientific Officer, and (d) our Warehouse Manager. We utilize outside consultants, legal and accounting

personnel as necessary and as funding permits.

**Report to Security Holders**

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

**Item 1A. Risk Factors**

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 $4,028,748 and $3,447,613 for the years ended December 31, 2017 and 2016. 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 Nyloxin® and Pet Pain Away 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 annual losses of $4,028,748 and $3,447,613 during the fiscal years of operations ending December 31, 2017 and 2016 respectively. As a result, at December 31, 2017 we had an accumulated deficit of $57,388,147. 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 Nyloxin® and Pet Pain-Away products; or a potential licensing of our therapies under development.

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

At December 31, 2017 we had a working capital deficit of $5,442,207. Our recurring losses from operations and working capital deficiency raise substantial doubt about our ability to continue as a going concern. We have a negative cash flow from operations of approximately $1.14 million and $1.36 million for the years ended December 31, 2017 and 2016, respectively. We have insufficient financial resources to fund our operations.

**We have a history of failed distributors, which has negatively affected our revenues and may continue to do so if we fail to locate a successful distributor.**

Due to poor performance, we cancelled our distribution agreement with our Cobroxin® distributor, XenaCare in April, 2011. We plan to re-launch Cobroxin®, but we have not yet ordered product or provided planned sales. To date, we have only limited sales of Nyloxin® and Pet Pain-Away through outside distributors. Most of the current sales are through Lumaxa. If we fail to improve our own marketing and distribution or fail to find a competent outside distributor 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. Total sales of Cobroxin® have been $1,995,673 since the fourth quarter of 2009, with no significant sales since the second quarter of 2010.

To date, sales of Nyloxin® have been limited and inconsistent. During 2011, we sold $66,568 of Nyloxin®. During 2012, we sold $199,231 of Nyloxin®. During 2013, we sold $119,898 of Nyloxin®. During 2014, we sold $587,804 of Nyloxin®. During 2015, we sold $279,969 of Nyloxin®. During 2016, we sold $161,342 of Nyloxin®. During 2017, we sold $109,128 of Nyloxin®. We launched Pet Pain-Away in late December of 2014 and generated $6,701 in 2014. During 2015, we sold $11,333 of Pet Pain-Away. During 2016, we sold $7,014 of Pet Pain-Away. During 2017, we sold $11,851 of Pet Pain-Away. If we cannot achieve sufficient sales levels of our Nyloxin® and Pet Pain-Away 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 Cobroxin® from November 2009 until December 31, 2017 are $1,995,673. Our total sales of Nyloxin® from January 1, 2011 to December 31, 2017 are $1,523,940. Our total sales of Pet Pain-Away from December 2014 to December 31, 2017 are $36,899. 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:

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our ability to effectively and efficiently market and distribute our products;

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our ability to obtain market acceptance of our current products and future products that may be developed by us; and

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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 Nyloxin® and Pet Pain-Away 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.

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Among other things, our efforts to expand our sales of Nyloxin® and Pet Pain-Away will be adversely affected if:

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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;

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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;

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we are unable to scale up manufacturing to meet product demand, which would negatively affect our revenues and brand name recognition;

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we are unable to meet regulatory requirements in the intellectual marketplace that would otherwise allow us for wider distribution; and

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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®, Nyloxin® and Pet Pain-Away 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:

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pending and future patent applications will result in issued patents,

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patents licensed by us will not be challenged by competitors,

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our patents, licensed and other proprietary rights from third parties will not result in costly litigation;

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pending and future patent applications will result in issued patents,

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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,

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if we are sued for patent infringement, whether we will have sufficient funds to defend our patents, and

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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 Nyloxin® and Pet Pain-Away, which may increase our costs or otherwise adversely affect our operations.**

Our Nyloxin® and Pet Pain-Away products are subject to FDA regulations, including manufacturing and labeling, approval of ingredients, advertising and other claims made regarding Nyloxin® and Pet Pain-Away, and product ingredients disclosure. If we fail to comply with current or future regulations, the FDA could force us to stop selling Nyloxin® and Pet Pain-Away 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 Nyloxin® and Pet Pain-Away involves claims that they assist in reducing Stage 2 chronic pain, while Nyloxin®Extra Strength and Nyloxin® Military Strength involves claims that they assist in reducing Stage 3 chronic pain. The marketing of Pet Pain-Away involves claims that they assist in relieving pain in dogs and cats. Under FDA and Federal Trade Commission ( FTC ) rules, we are required to have adequate data to support any claims we make concerning Nyloxin® and Pet Pain-Away. We have scientific data for our Nyloxin® and Pet Pain-Away 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. 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 Nyloxin® and Pet Pain-Away 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 Nyloxin® and Pet Pain-Away 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.

**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) our Chief Scientific Officer who conducts 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 trades on the OTC-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 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 OTC 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 December 31, 2017, we had 2,261,233,701outstanding shares that were 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 six-months, are entitled to sell their restricted stock freely, provided that we stay current in our SEC filings. After one year, a non-affiliate may sell without any restrictions.

An affiliate may sell after one year with the following restrictions: (i) we are current in ours 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:

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our failure to generate revenue,

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our failure to achieve and maintain profitability,

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short selling activities,

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the sale of a large amount of common stock by our shareholders including those who invested prior to commencement of trading,

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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,

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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 1B. Unresolved Staff Comments**

None

**Item 2. Properties**

In February of 2016 we moved offices to 12538 West Atlantic Blvd, Coral Springs, Florida. We have a 3-year lease that expires on February 1, 2019 with an option to renew for an additional 3 years. Our offices are comprised of a reception area, conference room, 6 offices, a restroom, a kitchen and a file room. Our offices are adequate for our needs. We pay monthly rent of approximately $3,200.

Since May 13, 2004, ReceptoPharm has leased their office space at 1537 NW 65th Avenue, Plantation, Florida for three consecutive two-year terms. ReceptoPharm's 5,500 square foot facilities include a reception area, conference room and five offices, a warehouse and a laboratory. On May 10, 2010 ReceptoPharm renewed the lease with Shelter Developers of America ( Shelter ) for the last two-year term beginning on June 1, 2010 and ending May 31, 2012. On July 9, 2012 ReceptoPharm entered into a new lease agreement for a five year period beginning on August 1, 2012. In February of 2016 we signed a lease extension agreement in exchange for certain leasehold improvements that extended our lease through July 31, 2022. The lease calls for current monthly payments of approximately $6400, which includes base rent, common area expenses, real estate taxes and insurance.

We incurred rent expense of $127,396 and $116,257 for the years ended December 31, 2017 and 2016.

**Item 3. Legal Proceedings**

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

On June 1, 2015, ReceptoPharm entered into a settlement agreement with Patricia Meding, a former officer and shareholder of ReceptoPharm. The settlement relates to a lawsuit filed by Ms. Meding against ReceptoPharm (Patricia Meding, et. al. v. ReceptoPharm, Inc. f/k/a Receptogen, Inc., Index No.: 18247/06, New York Supreme Court, Queens County) in which she claimed to own certain shares of ReceptoPharm stock and claimed to be owed amounts on a series of promissory notes allegedly executed in 2001 and 2002.

The settlement agreement executed on June 1, 2015 provides that ReceptoPharm will pay Ms. Meding a total of $360,000 over 35 months. The first payment of $20,000 was made on July 1, 2015. A second payment of $20,000 was made on August 17, 2015 with 32 subsequent monthly $10,000 payments due on the 15th of every month thereafter. To date, ReceptoPharm has made all monthly payments due under the agreement. In the event of default on any of the payments due under the settlement agreement, the settlement amount would increase by an additional $200,000. As of December 31, 2017, we have accrued the legal settlement amount at present value of $39,020 and an additional contingency of $200,000. The settlement agreement is personally guaranteed by Rik Deitsch, our CEO.

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 Nutra Pharma Corp. 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.

At LPR's request, the parties mediated the dispute. At the mediation, the parties worked out an agreement whereby Nutra Pharma Corp. 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 payable over 7 months in equal $50,000 amounts. The litigation was dismissed in August of 2011. Following several payments under the parties agreement, the parties entered into two amended payment schedules as accommodations to Nutra Pharma Corp. to allow it to make payments that had been missed. Nutra Pharma Corp. did not make a payment in March 2012 and LPR subsequently called Nutra Pharma Corp. in default of the parties agreement.

On June 11, 2012, LPR sold its debt to Southridge Partners, LLP in an agreement to be paid out over time. In August 2013, LPR cancelled their agreement with Southridge Partners, LLP. LPR filed a notice of intent to administratively dissolve in May 2015 (with the dissolution becoming effective in December 2015) and has not pursued its claimed default against Nutra Pharma Corp. in any court or other formal proceeding since that date.

Paul Reid et al. v. Nutra Pharma Corp. et al.

On August 26, 2016, certain of former ReceptoPharm employees and a former ReceptoPharm consultant filed a lawsuit in the 17th Judicial Circuit in and for Broward County, Florida (Case No. CACE16-015834) against Nutra Pharma and Receptopharm to recover $315,000.00 allegedly owing to them under a settlement agreement reached in an involuntary bankruptcy action that was brought by the same individuals in 2012 and for payment of unpaid wages/breach of written debt confirms. On September 28, 2016, Nutra Pharma and Receptopharm filed a motion to dismiss the lawsuit.

Nutra Pharma and Receptopharm believe that the lawsuit is without merit and also intend to file a counterclaim against these former employees/consultants for misconduct that Nutra Pharma discovered after execution of the aforementioned settlement agreement. We intend to vigorously contest this matter.

On October 26, 2017, the Court dismissed the claims for unpaid wages/breach of written debt confirms but allowed the claim for alleged breach of the settlement agreement to go forward. Since the Petitioners can only reinforce the settlement amount due to passing of statute of limitation, we have accrued the settlement for $315,000 and recorded the gain on settlement of $770,968 in other income for the year ended December 31, 2015. The accrued balance for the settlement has not changed as of December 31, 2017.

**Item 4. Mine Safety Disclosures**

None

**PART II**

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

*Market Information*

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

| | 2016 Fiscal Year | |
|---|---|---|
| | **High Bid** | **Low Bid** |
| First Quarter | $ 0.05 | $ 0.018 |
| Second Quarter | $ 0.0205 | $ 0.0071 |
| Third Quarter | $ 0.012 | $ 0.0072 |
| Fourth Quarter | $ 0.0175 | $ 0.0071 |

| | 2017 Fiscal Year | |
|---|---|---|
| | **High Bid** | **Low Bid** |
| First Quarter | $ 0.01 | $ 0.004 |
| Second Quarter | $ 0.008 | $ 0.0007 |
| Third Quarter | $ 0.0033 | $ 0.0006 |
| Fourth Quarter | $ 0.0011 | $ 0.0004 |

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

*Penny Stock Considerations*

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

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

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

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

.

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

.

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

.

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

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

**Holders**

As of April 16, 2018, based upon records obtained from our transfer agent, there were 337 holders of record of our common stock. Our transfer agent records does not account for other holders of our common stock that are held in street name or by broker dealers as custodian for individual holders of our stock. We have one class of common stock outstanding.

**Dividends**

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

**Equity Compensation Plans**

Securities authorized per issuance under Equity Compensation Plans as of December 31, 2017 and 2016 are as follows:

**Equity Compensation Plan Information**

| | Number of Securities to be issued upon exercise of outstanding options, warrants and | Weighted-average exercise price of outstanding options, warrants | Number of Securities Remaining available for future issuance under equity compensation |
|---|---|---|---|

| Plan category | rights (a) | and rights (b) | plans (excluding securities reflected in column(a)) (c) |
|---|---|---|---|
| Equity compensation plans approved by security holders | 0 | N/A | N/A |
| Equity compensation plans not approved by security holders | 0 | $ 4.00 | 6,375 |
| **Total** | 0 | $ 4.00 | 6,375 |

The figures contained in the above chart are composed of our 2003 and 2007 Employee /Consultant Stock Compensation Plans and two (2) option agreements we have with a corporate entity and our former Chairman of the Board/Executive Chairman, as follows:

*2003 Plan*

On December 3, 2003, our Board of Directors approved the Employee/Consultant Stock Compensation Plan (the 2003 Plan ). The purpose of the 2003 Plan is to further our growth by allowing us to compensate employees and consultants who have provided bona fide services to us through the award of our common stock. The maximum number of shares of common stock that may be issued under the 2003 Plan is 62,500. As of December 31, 2017 and 2016, we had issued a total of 62,375 shares under the 2003 Plan.

*2007 Plan*

On June 6, 2007, our Board of Directors approved the 2007 Employee/Consultant Stock Compensation Plan (the 2007 Plan ). The purpose of the 2007 Plan is to further our growth by allowing us to compensate employees and consultants who have provided bona fide services to us through the award of our common stock. The maximum number of shares of common stock that may be issued under the 2007 Plan is 625,000. As of December 31, 2017 and 2016, we had issued a total of 618,750 shares under the 2007 Plan.

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

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**Recent Sales of Unregistered Securities**

With respect to the securities issuances described below, no solicitations were made and no underwriting discounts were given or paid in connection with these transactions. The Company believes that the issuance of these securities as described below were exempt from registration with the Securities and Exchange Commission pursuant to Section 4(2) of the Securities Act of 1933.

Series A Preferred Stock

Effective October 30, 2017, pursuant to authority of its Board of Directors, filed a Certificate of Determination for its Series A Preferred Stock. The Series A Preferred Stock consists of 3,000,000 shares. The Series A Preferred Stock will vote with the Corporation s common stock as a single class on all matters or consents for the Corporation s common stockholders. Each share of Series A Preferred Stock is entitled to one thousand votes per share.

The Series A Preferred Stock was issued to Rik J. Deitsch, the Corporation s Chairman, to discharge four hundred thousand dollars ($400,000) of Mr. Deitsch s loan to the Corporation .

Common Stock Issued for Services

During February 2017, we signed an agreement with a consultant to provide investor relation services for twelve months. In connection with the agreement, 1,500,000 shares of our restricted common stock were issued. The shares were valued at $0.0075 per share. We recorded an equity compensation charge of $11,250 during the year ended December 31, 2017.

During January 2017, we signed an agreement with a consultant to provide investor relation services for twelve months. In connection with the agreement, 1,000,000 shares of our restricted common stock were issued. The shares were valued at $0.0087 per share. We recorded an equity compensation charge of $8,700 during the year ended December 31, 2017.

Common Stock Issued for Debt Modification

During April 2017, we issued a total of 350,000 restricted shares to a Note holder due to the default on repayment of the promissory note of $50,000 originated in October 2016. The shares were valued at fair value of $1,645.

During March 2017, we issued a total of 50,000 restricted shares to a Note holder due to the default on repayment of the convertible note of $150,000 originated in August 2016. The shares were valued at fair value of $275.

In March 2017, the amendment was signed to waive Labrys obligation to return the 4,532,810 Returnable Shares issued as a commitment fee .

During January 2017, we issued a total of 300,000 restricted shares to a Note holder due to the default on repayment of the convertible note of $50,000 originated in July 2016. The shares were valued at fair value of $2,520.

During October and November 2017, we issued a total of 450,000 restricted shares to Note holders due to the default on repayment of three promissory notes. The shares were valued at fair value of $700.

Common Stock Issued with Indebtedness

In January 2017, in connection with the restatement of a convertible note payable of $56,567, we issued 300,000 shares of our common stock with a fair value of $2,413.

In April 2017, in connection with the restatement of a promissory note payable of $180,250, we issued 500,000 shares of our common stock with a fair value of $2,413.

During April 2017, 1,000,000 warrants were exercised via cashless exercise into 615,230 shares with a fair value of $3,015 .

In July 2017, in connection with the issuance of a promissory note payable of $50,000, we issued 2,000,000 shares of our common stock with a fair value of $4,912.

In August 2017, in connection with the restatement of a promissory note payable of $56,567, we issued 300,000 shares of our common stock with a fair value of $417.

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In September 2017, in connection with the issuance of a promissory note payable of $51,000, we issued 4,000,000 shares of our common stock with a fair value of $3,656.

In October through November 2017, in connection with the issuance of four promissory notes payable, we issued a total of 25,000,000 shares of our common stock with a fair value of $15,000.

Common Stock Issued for Conversion of Debt

During October 2017, the Noteholder made the conversions of a total of 50,125,000 of our restricted stock satisfying the principal balance of $16,040 with a fair value of $35,596.

During July and August 2017, a Note holder received 164,935,000 shares of our restricted stock with a fair value of $225,143 upon conversion of $55,325 of an $84,971 Note originated in June 2017.

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 7/18/2017 | 50,000,000 | $81,016 |
| 7/27/2017 | 37,000,000 | 56,236 |
| 8/8/2017 | 60,000,000 | 73,159 |
| 8/23/2017 | 17,935,000 | 14,732 |

During August 2017, a Noteholder received 85,491,054 of our restricted stock with a fair value of $90,976 upon conversion of a $53,000 Note originated in February 2017.

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 8/10/2017 | 70,426,471 | 78,859 |
| 8/21/2017 | 15,064,583 | 12,117 |

In June through October 2017, B+A received 83,125,164 shares of our restricted stock with a fair value of $107,970 upon conversion of $60,000 of an $80,000 Note originated in April 2016.

| Date | Number of | Fair Value of |
|---|---|---|

| | shares converted | Debt Converted |
|---|---|---|
| 6/8/2017 | 23,715,415 | 56,303 |
| 7/6/2017 | 17,044,486 | 11,166 |
| 10/9/2017 | 42,365,263 | 40,501 |

During April, 2017, a Note holder received 5,000,000 shares of our restricted stock with a fair value of $25,000 upon conversion of $25,000 of a $75,000 promissory Note originated in May 2016.

During March and May 2017, Coventry received 47,011,483 shares of our restricted stock with a fair value of $214,795 upon conversion of a $100,000 Note.

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 3/7/2017 | 15,500,000 | $78,909 |
| 3/31/2017 | 15,000,000 | 66,000 |
| 5/25/2017 | 16,511,483 | 69,886 |

During March, April, and May 2017, the Note holder received 25,558,744 shares of our restricted stock with a fair value of $198,451 upon conversion of a $45,000 Note originated in August 2016.

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 3/2/2017 | 2,300,000 | $9,982 |
| 3/28/2017 | 5,700,000 | 21,186 |
| 4/18/2017 | 5,700,000 | 31,057 |
| 4/24/2017 | 5,700,000 | 26,717 |
| 5/11/2017 | 6,158,744 | 19,510 |

During February and March 2017, a Noteholder received 20,971,375 of our restricted stock with a fair value of $94,857 upon conversion of a $52,500 Note originated in August 2016.

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 2/26/2017 | 2,681,327 | $18,381 |
| 3/6/2017 | 4,633,425 | 20,760 |
| 3/13/2017 | 3,059,501 | 16,016 |
| 3/24/2017 | 10,597,122 | 39,700 |

During May and June 2017, a Noteholder received 43,244,572 of our restricted stock with a fair value of $106,000 upon conversion of a $52,500 Note originated in February 2017.

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 5/4/2017 | 11,473,225 | $55,549 |
| 5/24/2017 | 8,603,866 | 25,108 |
| 6/26/2017 | 23,167,481 | 25,343 |

During August 2017, a Noteholder received 106,713,358 of our restricted stock with a fair value of $96,261 upon conversion of a $52,500 Note originated in March 2017.

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 8/4/2017 | 37,138,936 | $42,923 |
| 8/21/2017 | 69,574,422 | 53,338 |

During February and March 2017, a Noteholder received 19,573,258 of our restricted stock with a fair value of $98,147 upon conversion of a $51,000 Note originated in August 2016.

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 2/27/2017 | 6,250,000 | $42,171 |
| 3/8/2017 | 8,000,000 | 38,234 |
| 3/28/2017 | 5,323,258 | 17,742 |

During April through July 2017, a Noteholder received 138,541,668 shares of the company s restricted stock with a fair value of $218,353 upon conversion of a Note of $66,500 and default penalty of $22,617.

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 4/25/2017 | 13,631,346 | $60,202 |
| 6/15/2017 | 10,679,950 | 20,949 |
| 6/21/2017 | 27,429,600 | 38,401 |
| 6/26/2017 | 27,429,750 | 30,173 |
| 6/29/2017 | 26,171,885 | 28,789 |
| 7/6/2017 | 33,199,136 | 39,839 |

During July through September 2017, a Note holder received 249,809,724 shares of the company s restricted stock with a fair value of $270,726 upon conversion of a Note of $66,500 and default penalty of $5,000.

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 7/13/2017 | 50,650,959 | $117,179 |
| 8/10/2017 | 21,275,000 | 23,486 |
| 9/13/2017 | 9,711,900 | 5,062 |
| 9/19/2017 | 82,122,533 | 65,229 |
| 10/10/2017 | 86,049,332 | 59,760 |

During November 2017, the Note holder made a conversion of 62,059,253 shares of stock with a fair value of $51,732 satisfying the principal balance of $11,057 of a $45,000 Note originated in May 2017.

During November 2017, the Note holder made a conversion of 31,532,125 shares of stock with a fair value of $21,399 satisfying the principal balance of $856 and penalty of $6,400 of a $64,000 Note originated in May 2017.

During June and July 2017, a Noteholder received 179,800,000 shares of our restricted stock with a fair value of $298,575 upon conversion of $63,001 of a $110,000 Note originated in December 2016.

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 6/12/2017 | 19,000,000 | $33,123 |
| 6/20/2017 | 19,000,000 | 26,231 |
| 6/30/2017 | 19,000,000 | 19,992 |
| 7/13/2017 | 19,000,000 | 49,517 |
| 7/19/2017 | 53,800,000 | 96,005 |
| 7/31/2017 | 50,000,000 | 73,707 |

During June and July 2017, a Noteholder received 31,582,547 shares of our restricted stock with a fair value of $53,979 upon conversion of a $22,500 Note originated in December 2016.

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 6/6/2017 | 9,000,000 | $27,051 |
| 6/20/2017 | 9,000,000 | 11,872 |
| 7/5/2017 | 13,582,547 | 15,056 |

During June and July 2017, the Note holder made conversions of a total of 116,386,891 shares of stock satisfying the principal balance and accrued interest in full for a fair value of $123,121. During June and July 2017, a Noteholder received 116,386,891 shares of our restricted stock with a fair value of $123,121 upon conversion of a $50,000 Note originated in December 2016.

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 6/28/2017 | 11,560,500 | $10,158 |
| 6/29/2017 | 30,352,771 | 32,450 |
| 7/5/2017 | 32,252,381 | 43,664 |

| | | |
|---|---|---|
| 7/10/2017 | 42,221,167 | 36,849 |

During June and July 2017, the Note holder made conversions of a total of 222,707,390 shares of stock satisfying the principal balance and accrued interest in full for a fair value of $304,050.During June and July 2017, a Noteholder received 222,707,390 shares of our restricted stock with a fair value of $304,050 upon conversion of $41,925 of a $67,500 Note originated in December 2016.

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 6/19/2017 | 20,000,000 | $28,858 |
| 6/23/2017 | 28,000,000 | 34,433 |
| 6/27/2017 | 30,000,000 | 27,747 |
| 6/30/2017 | 33,000,000 | 32,781 |
| 7/5/2017 | 42,960,000 | 55,666 |
| 7/13/2017 | 45,000,000 | 115,625 |
| 7/31/2017 | 23,747,390 | 8,941 |

**Item 6. Selected Financial Data**

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

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

**Critical Accounting Policies and Estimates**

In preparing the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), we have adopted various accounting policies. Our most significant accounting policies are disclosed in Note 1 to the consolidated financial statements.

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Our estimates and assumptions, including those related to the ability to continue as going concern, legal proceedings, the recoverability of inventory, long-lived assets, the fair value of stock-based compensation and the fair value of warrant liabilities are updated as appropriate, which in most cases is at least quarterly. We base our estimates on historical experience, or various assumptions that are believed to be reasonable under the circumstances and the results form the basis for making judgments about the reported values of assets, liabilities, revenues and expenses. Actual results may materially differ from these estimates.

Estimates are considered to be critical if they meet both of the following criteria: (1) the estimate requires assumptions about material matters that are uncertain at the time the accounting estimates are made, and (2) other materially different estimates could have been reasonably made or material changes in the estimates are reasonably likely to occur from period to period. Our critical accounting estimates include the following:

*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. At December 31, 2017, our inventory consisted entirely of raw materials that are utilized in the manufacturing of finished goods. These raw materials generally have

expiration dates in excess of 10 years.

*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.

**Accomplishments during 2017 & Subsequent Accomplishments**

On February 15, 2017 we announced that we were featured in an interview aired on Miami s NBC News affiliate (www.tinyurl.com/NyloxinNBC). The interview took place at our lab facility as well as at the snake farm where our cobras are housed. Our CEO, Rik Deitsch, outlined the history and use of cobra venom in the treatment of pain and other diseases, while focusing on the availability of Nyloxin and Pet Pain-Away. The interview was subsequently distributed nationally throughout US NBC affiliates.

On February 22, 2017 we announced that Global Small Caps had initiated coverage of our company, including operations and overall shareholder value. The report is available at: http://tinyurl.com/NPHCreport

On March 14, 2017 we announced that Stockguru.com released an interview with our CEO, Rik Deitsch, through their website. The interview focused on our OTC products as well as our mid to long-term goals for our future drugs for Multiple Sclerosis and HIV.

On May 23, 2017 we announced a collaboration with International Security Group to develop our nerve agent counter measures. Nerve agents are identified as a class of phosphorus containing organic chemicals (organophosphates) that may disrupt the transfer of messages to organs through the nerves. This disruption is caused by the over stimulation of certain receptors on the surface of the neurons. These same receptors are the target of our drugs, which may block the action of the nerve agents or minimize the damage that they may cause.

On May 31, 2017 we announced a collaboration with the University of Maryland Bioprocess Scale Up Facility (BSF) to optimize manufacturing processes for the production of RPI 78M for the planned upcoming clinical trials in Pediatric Multiple Sclerosis. The BSF will utilize the cloned alpha cobratoxin gene as the raw material for the production of the recombinant drug, RPI 78M. BSF work will include process development and process optimization to develop an efficient, compliant and scalable process for the reliable production of high quality material at a reasonable cost of goods.

On June 7, 2017 we announced that Nutra Pharma and our products were featured in an interview aired June 6 on the Univision network's Spanish language news show, Primer Impacto (https://www.youtube.com/watch?v=owfKEkaf0QI). The interview was conducted by Kiki Garcia Montes with filming at our laboratory facility and the reptile farm that houses our cobras for venom production.

On June 21, 2017 we announced that we were expanding our product line with the introduction of *Luxury Feet;* an over the counter pain reliever and anti inflammatory product that is designed for women who experience pain or

discomfort due to wearing high heels and stilettos.

On August 3, 2017 we announced that the textbook, *Multimodal Management of Canine Osteoarthritis, Second Edition*, includes references to our development of cobra venom based products for treating pain in dogs. The addition of our research in the new textbook on canine arthritis further supports the use of Pet Pain Away among Veterinarians as an alternative to opiates and NSAIDS.

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On October 17, 2017 we published to our website that Nutra Pharma and our products were featured in an interview aired October 16 on the Spanish language show: ALTO NIVEL TV with Leida Alvarez (https://youtu.be/EtMmtWWqlXs). The interview was conducted by Leida Alvarez with filming at our laboratory facility and the reptile farm that houses our cobras for venom production.

On January 18, 2018 we announced that we have partnered with EuroAmerican IP, LLC to distribute our Over-the-Counter (OTC) pain reliever, Nyloxin® Topical Gel, to governmental buyers. They are working on registrations with government contracts through the US - General Services Administration (GSA Advantage) website at www.gsaadvantage.gov.

On January 25, 2018 we announced an updated corporate website at www.nutrapharma.com as well as an updated product website at www.nyloxin.com. The newly redesigned websites offer quick and easy access to essential information and features that offer a more comprehensive understanding of the Company's products and services. The website also has a comprehensive investor section with updated company news and events, financial and stock information, SEC filings and corporate governance information.

On February 1, 2018 we announced that we had signed a definitive Distribution Agreement with the Australian company, Pharmachal PTY LTD to market and distribute Nyloxin® in Australia and New Zealand. Once they receive regulatory approval through the TGA (Therapeutics Goods Administration), they will be able to warehouse, market and distribute Nyloxin throughout their territories. We believe this will allow for broad distribution and marketing in that region by the end of this year.

On February 21, 2018 we announced that we had filed a new provisional patent to protect our intellectual property surrounding the development of nerve agent counter measures. Nerve agents are identified as a class of phosphorus-containing organic chemicals (organophosphates) that may disrupt the transfer of messages to organs through the nerves. This disruption is caused by the over-stimulation of certain receptors on the surface of the neurons. These same receptors are the target of our drugs, which may block the action of the nerve agents or minimize the damage that they may cause.

**Results of Operations**

**Status of Operations**

In November, 2014 we announced the recertification of our laboratory facility as the first step in re-engaging our drug development activities. In September, 2015 we received Orphan designation from the FDA for our lead drug candidate, RPI-78M for the treatment of Pediatric Multiple Sclerosis. This will allow us to shorten the timeline on clinical studies and may allow an eventual *Fast Track* through the approval process. We are currently working with our consultants to prepare a pre-IND meeting with the FDA in order to gain approval of a protocol for a Phase I/II clinical study in Pediatric MS. Our goal is to begin the study by the end of 2018.

We estimate that we will require approximately $600,000 to fund our existing operations and the operations of our subsidiary ReceptoPharm over the next twelve months. These costs include: (i) compensation for four (4) 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® and Nyloxin® Extra Strength in January of 2011. We began sales of Pet Pain-Away in December 2014. While sales have increased year over year, they have been limited and inconsistent. Our ability to meet our future operating expenses is highly dependent on the amount of such future revenues. If future revenues from the sale of Nyloxin® and Pet Pain-Away 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.

**Comparison of Years Ended December 31, 2017 and 2016**

Sales for the year ended December 31, 2017 were $120,979 compared to $168,356 for the comparable period in 2016. All of the sales in 2017 and 2016 were related to product sales. The decrease in sales is primarily attributable to an overall decrease in sales of Nyloxin®.

Cost of sales for the year ended December 31, 2017 and 2016 was $26,903 and $38,965. Cost of sales includes the direct costs associated with manufacturing, shipping and handling costs. Our gross profit margin for the year ended December 31, 2017 was $94,076 or 77.8% compared to $129,391 or 76.9% for the year ended December 31, 2016. The increase in our profit margin is primarily due to decrease in the credit card processing fees and commissions.. In addition, we had an impairment of inventory of $0 and $184,039 for the years ended December 31 2017 and 2016, respectively, due to slow-moving inventory.

Selling, general and administrative expenses ( SG&A ) decreased $512,852 or 25.8% from $1,988,868 for the year ended December 31, 2016 to $1,476,016 for the year ended December 31, 2017. The decrease is generally due to the decrease of stock based compensation of approximately $317,000, and the decrease of approximately $195,800 in consulting, investor relations, payroll, travel and professional fees.

Rental income decreased $19,381 or 100%, from $19,381 for the year ended December 31, 2016 to $0 for the year ended December 31, 2017. This decrease was due to a sublease agreement entered in April, 2017 and ended in April, 2016.

Interest expense increased $64,866 or 22.1%, from $293,785 for the year ended December 31, 2016 to $358,651 for the year ended December 31, 2017. This increase was primarily due to amortization of loan discount for the short term indebtedness in the year ended December 31, 2017 compared to the year ended December 31, 2016.

We carry certain of our debentures and common stock warrants at fair value. For the year ended December 31, 2017 and 2016, the liability related to these hybrid instruments fluctuated, resulting in a loss of $2,273,968 and $1,258,649, respectively.

Gain on settlement of debt decreased $143,145 or 87.5%, from a gain of $128,956 for the year ended December 31, 2016 to a loss of $14,189 for the year ended December 31, 2017. This decrease was due to a decrease in settlement of debts and accounts payable through issuance of stocks.

Our net loss increased by $583,135 or 16.9%, from $3,447,613 for the year ended December 31, 2016 to $4,028,748 for the year ended December 31, 2017.

**Liquidity and Capital Resources**

During December 31, 2017 and 2016, respectively, we have negative cash from operations of approximately $1.14 million and $1.36 million. Our lack of cash, significant losses and working capital and stockholders deficits raise substantial doubt about our ability to continue as a going concern. For the years ended December 31, 2017 and 2016, we have experienced significant losses totaling $4,028,748 and $3,447,613, respectively and had an accumulated deficit of $57,388,147 for the period from our inception to December 31, 2017. In addition, we had working capital and stockholders deficits at December 31, 2017 of $5,442,207 and $5,410,194, 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 December 31, 2017, we had $0 in cash and as of April 16, 2018, we had approximately $33,000 in cash and we owed approximately $301,000 in vendor payables. We currently do not have sufficient cash to sustain our operations for the next 12 months and will require additional financing or an increase in sales in order to execute our operating plan and continue as a going concern. Our plan is to continue to increase sales of our products and attempt to secure adequate funding to bridge the commercialization of our Nyloxin® and Pet Pain-Away products. We cannot predict whether additional financing will be in the form of equity, debt, or another form and we may be unable to obtain the necessary additional capital on a timely basis, on acceptable terms, or at all. In the event that these financing sources do not materialize, or that we are unsuccessful in increasing our revenues and profits, we may be unable to implement our current plans for expansion, repay our obligations as they become due or continue as a going concern, any of which circumstances would have a material adverse effect on our business prospects, financial condition and results of operations.

Historically, we have relied upon loans from our Chief Executive Officer Rik J Deitsch, to fund costs associated with our operations. These loans are unsecured, accrue interest at a rate of 4.0% per annum and are due on demand. During the year ended December 31, 2017, we borrowed $330,350 and repaid $266,900 to Mr. Deitsch and the Companies owned by him. In addition, Mr. Deitsch accepted a total of 3,000,000 shares of the Company s Series A preferred stock as a repayment to discharge $400,000 of his outstanding loan in October 2017.

During the year ended December 31, 2017, we raised $595,500 and $690,500 through the issuance of convertible notes and promissory notes, respectively.

**Uncertainties and Trends**

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

.

Whether we successfully develop and commercialize products from our research and development activities.

.

If we fail to compete effectively in the intensely competitive biotechnology area, our operations and market position will be negatively impacted.

.

If we fail to successfully execute our planned partnering and out-licensing of products or technologies, our future performance will be adversely affected.

.

The recent economic downturn and related credit and financial market crisis may adversely affect our ability to obtain financing, conduct our operations and realize opportunities to successfully bring our technologies to market.

.

Biotechnology industry related litigation is substantial and may continue to rise, leading to greater costs and unpredictable litigation.

.

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

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**Off-Balance Sheet Arrangements**

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

.

An obligation under a guarantee contract.

.

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

.

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

.

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

We do not have any off-balance sheet arrangements or commitments that have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material, other than those which may be disclosed in this Management s Discussion and Analysis of Financial Condition and the audited Consolidated Financial Statements and related notes.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Not applicable. We have no investments in market risk sensitive instruments or in any other type securities.

**Item 8. Financial Statements and Supplementary Data**

The information required by this item begins on page F-1 and is attached hereto and incorporated herein by reference. The index to our annual financial statements as of and for the years ended December 31, 2017 and 2016 can be found under Item 15.

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

None.

**Item 9A. Controls and Procedures**

Section 1.

Evaluation of Disclosure Controls and Procedures:

As of December 31, 2017, we carried out an evaluation under the supervision and the participation of our Chief Executive Officer/Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of December 31, 2017, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 ( Exchange Act ). Based on that evaluation, our management, including our Chief Executive Officer/Chief Financial Officer, concluded that, because of the material weaknesses in internal control over financial reporting discussed in Management s Report on Internal Control Over Financial Reporting below, our disclosure controls and procedures were not effective, at a reasonable assurance level, as of December 31, 2017. In light of this, we performed additional post-closing procedures and analyses in order to prepare the Consolidated Financial Statements included in this report. As a result of these procedures, we believe our 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.

Section 2.

Management s Annual Report on Internal Control over Financial Reporting

During its evaluation of the effectiveness of internal control over financial reporting as of December 31, 2017, our management concluded that its material weaknesses in its internal controls over financial reporting include matters pertaining to: (a) lack of qualified accounting personnel; and (b) the need to enhance the supervision, monitoring and reviewing of financial statement preparation processes due to lack of qualified accounting personnel.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is the process designed by and under the supervision of our Chief Executive Officer/Chief Financial Officer, or the persons performing similar functions, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external reporting in accordance with accounting principles generally accepted in the United States of America. Management has evaluated the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO-2013) in Internal Control over Financial Reporting - Guidance for Smaller Public Companies. Under the supervision and with the participation of our Chief Executive Officer/Chief Financial Officer, our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2017 and concluded that it is ineffective because of the material weaknesses. These identified material weaknesses included (i) an insufficient accounting staff; (ii) limited checks and balances in processing cash and other transactions; and (iii) lack of independent directors and an independent audit committee.

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

Changes in Internal Control over Financial Reporting

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 fourth quarter ended December 31, 2017 that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

In conjunction with Item 9A above (Evaluation of Internal Controls over Financial Reporting) and following our management s assessment and conclusion that our internal control over financial reporting as of December 31, 2017 is ineffective, because of the material weaknesses described above, we are actively seeking a new Chief Financial Officer.

## PART III

### Item 10. Directors and Executive Officers and Corporate Governance

Paul Reid, PhD resigned as ReceptoPharm s Chief Executive Officer in November 2011. Since that time our Director, Harold Rumph, has filled the role in running ReceptoPharm operations.

Directors and Executive Officers

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

Listed below are our executive officers and directors as of December 31, 2017

| Name | Age | Position with the Company | Director Since |
|---|---|---|---|
| Rik J. Deitsch | 50 | Chairman, President and Chief Executive Officer* | 2002 |
| Stewart Lonky, M.D. | 71 | Director (1) | 2004 |
| Harold H. Rumph | 87 | Director | April 2008 |
| Garry R. Pottruck | 61 | Director (1) | July 2009 |
| Dan Oran | 51 | Director | July 2016 |
| Dale Vanderputten | 58 | Chief Scientific Officer | August 2016 |

(1) Dr. Lonky and Garry R. Pottruck are members of our Audit Committee and Compensation Committee.
* Rik Deitsch also served as Chief Financial Officer until the appointment of Bruno Sartori in March 2012. Upon the termination of Mr. Sartori, Mr. Deitsch resumed the role of Chief Financial Officer in September, 2012

**Rik J. Deitsch** has been our President, Chief Executive Officer and a Director since November 7, 2002 and our Chairman of the Board from December 15, 2003 until June 1, 2005 and from April 1, 2006 to present. Mr. Deitsch served as our Chief Financial Officer from November 2002 until March 2012 and from September 2012 to present. From February 1998 through November 2002, Mr. Deitsch served as the President of NDA Consulting Inc., a biotechnology research group that provided consulting services to the pharmaceutical industry. NDA Consulting specializes in the research of peptides derived from Cone Snail venom and Cobra venom. In October 1999, Mr.

Deitsch founded Wellness Industries, a private corporation that provides formulations, research and education in the dietary supplement industry. Research conducted by Rik J Deitsch provided some of the beginning fundamentals for the development of drugs being studied for the treatment of cancer and intractable pain. Mr. Deitsch has prepared several papers and posters on rational drug design using computer simulations. Mr. Deitsch received a B.S. in Chemistry and an M.S. in Biochemistry from Florida Atlantic University in June 1997 and December 1999, respectively. Throughout 1999 and 2000, he conducted research for the Duke University Medical School Comprehensive Cancer Center. Mr. Deitsch has served as an adjunct professor and has taught several courses for Florida Atlantic University's College of Business and Continuing Education Department. Mr. Deitsch also teaches physician CME courses internationally, lecturing on lifestyle choices in the prevention and treatment of chronic disease states. He is the co-author of two books: Are You Age-Wise, a book that reviews current research in healthy aging as it relates to lifestyle choices and supplementation and Invisible Killers, a book that outlines our exposure to environmental toxins.

**Dr. Stewart Lonky** has been our director since November 5, 2004. Dr. Lonky was a co-founder of the Trylon Corporation, a medical device firm located in Torrance, California, and served as its Chief Medical Officer from 1990-2005. Trylon Corporation developed diagnostic products for the early diagnosis of cervical and oral cancer, and in connection with that Dr. Lonky's responsibilities included product development, the direction of clinical research and interacting with regulatory agencies, including the U.S. Food and Drug Administration (FDA). In these roles he has been instrumental in successfully bringing a number of products to the medical marketplace. He has continued to be engaged in both clinical and biochemical research, and has published research articles in the peer-reviewed literature in the areas of cervical cancer and cellular pathophysiology. Since 2005, Dr. Lonky has held a similar position with another device company, Histologics, LLC. Dr. Lonky has been a practicing physician in the Los Angeles Area since 1982. He is Board Certified in Internal Medicine, Pulmonary Medicine, and Critical Care Medicine. Prior to entering practice, Dr. Lonky served as a full-time faculty member at the University of California, San Diego in the Department of Medicine, Pulmonary Division, where he was engaged in research in the biochemistry of lung injury. He was a National Institutes of Health (NIH) Postdoctoral Fellow from 1974-77. He has published over twenty articles and abstracts in the peer-reviewed literature during that time, and authored two book chapters.

**Harold H. Rumph** became our Director on April 10, 2008 when ReceptoPharm became our wholly owned subsidiary. Since November of 2011, Mr. Rumph has acted in the capacity as Interim President of ReceptoPharm. From May 2003 to present, Harold H. Rumph has been the President/Director of ReceptoPharm, Inc., a biotechnology company located in Plantation, Florida. From September 1988 to April 2003, Mr. Rumph was the President/Founder of Project Scheduling Services, Inc., a computerized scheduling services company to the construction industry, located in Pompano Beach, Florida. From 1962 to 1988, Mr. Rumph held managerial, marketing , and other positions with IBM, RCA, Xerox , Harris Corporation and was a founder and President of Biogenix, Inc., a biotechnology company located in Boca Raton, Florida. From 1953 to 1962, Mr. Rumph served on active duty with various responsibilities including Tactical Fighter Pilot and at Headquarters United States Air Force Intelligence with the United States Air Force. In 1953, Mr. Rumph received a Bachelor of Science Degree in Military Science from the United States Naval Academy in Annapolis Maryland.

**Garry Pottruck** became our Director and Chairman of our Audit and Compensation Committees after our December 31, 2008 year-end, in July 2009. Since January 2011, Mr. Pottruck has been employed as a tax principal at the CPA firm of Blum and Blum. From October 2005 until December 2010, he was a principal in the accounting, tax and consulting firm, Argy, Wiltse & Robinson, PC ( Argy ), headquartered in McLean, Virginia. From July 1997 through October 2005, he was managing partner in the certified public accounting firm, Friedberg & Pottruck, PA, located in Deerfield Beach, Florida until Argy acquired the firm. Friedberg & Pottruck specialized in providing accounting, tax and consulting services to physician practices. Mr. Pottruck held financial executive positions with several companies, both public and private, from 1984 through 1994. Prior to 1984, Mr. Pottruck worked for public accounting firms after graduating with a B.S. Degree in Accounting from the C.W. Post School of Professional Accountancy at Long Island University in 1979. He is currently a member of both the Florida and American Institutes of Certified Public Accounting, and is licensed as a Certified Public Accountant in both Missouri and Florida.

**Dan Oran** became our Director on July 27, 2016. Mr. Oran was raised and educated in Israel, moving to the United States in 1990. He has more than 27 years of experience as a successful business owner in the US and Israel with extensive knowledge of finances, sales and cost management skills. Mr. Oran is also a seasoned Real Estate investor who owns and manages both commercial and residential properties in South Florida and abroad. Since 2014 he has been the brand builder and consultant for the Cybertec Group, a communications technology company. From 2008 through 2014 he owned and managed Aboulafia Since 1879, a manufacturer and distributor of electronics equipment. From 1999 through 2008, Mr. Oran owned and managed Lav Distributors, a distributor of electronics equipment. He is serving as an active Board member for Nutra Pharma with a focus on increasing the sales and distribution of Nyloxin® and Pet Pain-Away

**Dale Vanderputten, PhD** became our Chief Scientific Officer on July 27, 2016. Dr. Vanderputten has been CEO and CSO of the biotechnology company Omnia Biologics, Inc., headquartered in Rockville, MD since 2003. From 1999 through 2003 he was COO and CSO of cancer gene therapy company DirectGene, Inc., headquartered in Annapolis, MD. Dr VanderPutten has held scientific and technology development positions in government, academia and industry from 1980 through 1999 including at the National Institutes of Health, University of Maryland, and Proteome Sciences, plc. Dr. VanderPutten received a Bachelor of Sciences degree in Biology and Chemistry from the American University in Washington, DC in 1982, a PhD in Genetics from the George Washington University in 1993 and an MBA from the University of Maryland in 1996. He did his doctoral and post-doctoral training in molecular neuro-biology at the National Institutes of Health. Dr. Vanderputten will begin his tenure as CSO by taking over Nutra

Pharma's clinical product development. RPI-78M, the Company's therapy for Multiple Sclerosis, received Orphan Designation from the FDA for the treatment of Juvenile Multiple Sclerosis in September 2015. Dr. Vanderputten will work with our researchers and regulators to move RPI-78M through the clinical process for an eventual approval or licensing.

**Section 16(a) Compliance of Officers and Directors**

As of April 17, 2017, based on our review of Forms 3, 4, 5, and Schedule 13D furnished to us during the last fiscal year, all of our officers and directors filed the required reports.

**Corporate Governance**

**a. Committees**

*(i) Audit Committee*

On November 5, 2004, our Board of Directors established an Audit Committee. An audit committee charter was approved by the Board on October 14, 2012. Mr. Pottruck became the Chairman/Member of the Audit Committee as of July 29, 2009. Dr. Lonky also serves on the Audit Committee. During our 2015 Fiscal Year, our Audit Committee met three times in connection with our Fiscal Year audit, at which time the audit committee reviewed the audited financial statements and related notes. In addition, the audit committee met prior to the filing of each of the 2015 quarterly reports to review such reports. The Audit Committee addresses any questions it has to our Board members and officers, and our principal independent accountants.

*(ii) Compensation Committee*

On November 5, 2004, our Board of Directors established a Compensation Committee. We do not have a Compensation Committee Charter. Dr. Lonky serves on our Compensation Committee and Mr. Pottruck became our Compensation Committee s Chairman as of July 29, 2009. During our 2015 fiscal year, our Compensation Committee met three times. Our Compensation Committee reviews all salaries, expenses, stock plans, and other compensation paid to our officers, directors, consultants, and others. Our Compensation Committee has not adopted any specific processes or procedures for considering executive and director compensation.

*(iii) Nominating Committee*

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

**b. Shareholder Communications**

Our Board of Directors does not have any defined policy or procedure requirements for our stockholders to send communications to our Board of Directors, including submission of recommendations for nominating directors. We have not yet adopted a process for our security holders to communicate with our Board of Directors because we have not sufficiently developed our operations and corporate governance structure. We have a toll-free number at (877) 895-5647 available on our website for our shareholders to contact us as well as a dedicated email address at investor.relations@nutrapharma.com.

**c. Board of Director Meetings**

We had twelve Board of Directors meetings during our 2017 Fiscal Year. Our corporate actions that were subject to Board approval were accomplished by Board resolutions. We request that all of our Directors attend our Board of Director meetings; however, we have no formal policy regarding their attendance.

**d. Annual Shareholder Meetings**

We held no annual shareholder meeting during 2017.

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

**e. Code of Ethics**

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

**Item 11. Executive Compensation**

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

The following executive compensation disclosure reflects all compensation awarded to, earned by or paid to the executive officers below, for the fiscal years ended December 31, 2017 and 2016.

**SUMMARY COMPENSATION TABLE**

| Name and principal Position | Year | Salary ($) | Bonus ($) | Stock Awards ($) | Option Awards ($) | Non- Equity Incentive Plan Compensation ($) | Nonqualified Deferred Compensation Earnings ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|---|---|
| Rik Deitsch Chief Executive Officer, Chief Financial Officer, President and Chairman of the Board | 2017 | 130,000 | | 0 | | | | | 130,000 |
| | 2016 | 130,000 | | 54,000 | | | | | 184,000 |
| Dale Vanderputten Chief Scientific Officer | 2017 | 144,000 | | 0 | | | | | 144,000 |
| | 2016 | 90,000 | | 30,000 | | | | | 120,000 |

The following director compensation disclosure reflects all compensation awarded to, earned by or paid to the directors below for the fiscal year ended December 31, 2017.

**DIRECTOR COMPENSATION**

| Name | Fees Earned orPaid in Cash ($)(1) | Stock Awards ($) | Option Awards ($) | Non-Equity Incentive Plan Compensation ($) | Nonqualified Deferred Compensation Earnings ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|
| Rik Deitsch | 130,000 | 0 | 0 | 0 | 0 | 0 | 130,000 |
| Stewart Lonky | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Garry Pottruck | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Harold H. Rumph | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dan Oran | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dale Vanderputten | 144,000 | 0 | 0 | 0 | 0 | 0 | 144,000 |

(1) Represents salary accrued and paid during 2017

**Director Compensation**

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

**Stock Option Grants in Last Fiscal Year**

We did not grant incentive and non-qualified stock options in 2017 to any executive officer or director.

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

The following tables sets forth, as of December 31, 2017, certain information with respect to the beneficial ownership of our common stock by each stockholder known by us to be the beneficial owner of more than 5% of our common stock and by each of our current directors and executive officers. Each person has sole voting and investment power with respect to the shares of common stock, except as otherwise indicated. Information relating to beneficial ownership of common stock by our principal stockholders and management is based upon information furnished by each person using beneficial ownership concepts under the rules of the Securities and Exchange Commission. Under these rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or direct the voting of the security, or investment power, which includes the power to vote or direct the voting of the security. The person is also deemed to be a beneficial owner of any security of which that person has a right to acquire beneficial ownership within 60 days.

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

The following table assumes based on our stock records, that there are 2,261,233,701 shares issued and outstanding as of April 16, 2018:

**Security Ownership of Management and Beneficial Owners**

| Name and Address of Director or Executive Officer | Shares of Common Stock Beneficially Owned | Percent of Common Stock Outstanding |
|---|---|---|
| Rik J. Deitsch<br>Chief Executive Officer/President<br>12538 W. Atlantic Blvd<br>Coral Springs, Florida 33071 | 43,298,859 | 2.16% |
| Dr. Stewart Lonky<br>Director<br>12936 Discovery Creek<br>Playa Vista, CA 90094 | 4,755,450 | 0.24% |
| Harold Rumph<br>Director<br>1537 NW 65th Ave<br>Plantation, FL 33313 | 4,966,675 | 0.25% |
| Garry Pottruck<br>Director<br>10768 NW 18 Court<br>Coral Springs, Florida 33071 | 4,698,475 | 0.23% |
| Dan Oran<br><br>8411 West Oakland Park Blvd.<br><br>Suite 201<br><br>Sunrise, FL 33351 | 16,206,229 | 0.81% |
| All executive officers and directors<br>as a group (5) persons | **73,925,688** | 3.7% |

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

***Due to(from) our Chief Executive Officer***

At December 31, 2016, the balance due to our officer and Companies owned by him is $52,025. At December 31, 2017, the balance due from our officer and Companies owned by him is $269,772.

During the year ended December 31, 2016, we borrowed $314,951 and repaid $319,675 to Mr. Deitsch and the Companies owned by him. In addition, Mr. Deitsch accepted a total of 15,000,000 shares of the Company s restricted common stock as a repayment to discharge $100,000 of his outstanding loan in June 2016.

During the year ended December 31, 2017, we borrowed $330,350 and repaid $266,900 to Mr. Deitsch and the Companies owned by him. In addition, Mr. Deitsch accepted a total of 3,000,000 shares of the Company's Series A preferred stock as a repayment to discharge $400,000 of his outstanding loan in October 2017.

Subsequent to December 31, 2017 through April 16, 2018, the Company borrowed $17,100 and repaid $50,150 to its President, Rik Deitsch and the Companies owned by him. The amount due from Mr. Deitsch and its Companies at April 16, 2018 was $302,822.

*Debt owed to our Directors*

During 2010 we borrowed $200,000 from one of our directors. 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. The loan is under personal guarantee by our President and CEO, Rik Deitsch. We repaid principal balance in full as of December 31, 2016. During the year ended December 31, 2017, we made the payment of $30,000 of the accrued interest. At December 31, 2017 and 2016, we owed this director accrued interest of $126,036 and $140,579, respectively.

In August 2016, we issued two Promissory Notes for a total of $200,000 ($100,000 each) to one of our directors owned Companies. The notes carry interest at 12% annually and are due on the date that is nine-months from the execution and funding of the note. Upon default in February 2017, the Notes became convertible at $0.008 per share. During March 2017, we repaid principal balance of $6,365. During April 2017, the Notes with accrued interest were restated. The restated principal balance of $201,818 bears interest at 12% annually and is due October 12, 2017. During June 2017, we repaid principal balance of $8,844. The loan is in default and negotiation for settlement. At December 31, 2017 and 2016, we owed this director $192,974 and $200,000, respectively.

*Director Independence*

Our common stock is quoted on the OTC-Markets; that trading medium does not have director independence requirements. Under Item 407(a) of Regulation S-K**,** we have adopted the definition of independence used by the American Stock Exchange, which may be found in the American Stock Exchange Company guide at (s) 121(A) (2) (2007). This definition states that our Board of Directors must affirmatively determine whether any of our directors have a relationship that would interfere with the exercise of independent judgment in carrying out their responsibilities of a director. Based on this definitional standard, our Board of Directors has determined that none of our Directors are independent.

**Item 14. Principal Accountant Fees and Services**

*Audit Fees*

The aggregate fees billed to us for fiscal year ended December 31, 2017 by our current auditor, Daszkal Bolton, LLP, were approximately $57,500 for professional services rendered for the audit of our annual consolidated financial statements and reviews of our interim condensed consolidated financial statements included in quarterly reports and other services related to statutory and regulatory filings or engagements.

The aggregate fees billed to us for fiscal year ended December 31, 2016 by our former auditors, Liggett & Webb, P.A., were approximately $42,072 for professional services rendered for the audit of our annual consolidated financial statements and reviews of our interim condensed consolidated financial statements included in quarterly reports and other services related to statutory and regulatory filings or engagements.

*Audit-Related Fees*

Audit-related fees represent review of registration statements or services that are normally provided in connection with statutory and regulatory filings or engagements for those fiscal years, and the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Audit Fees. No such fees were billed by Daszkal Bolton, LLP or Liggett & Webb, P.A for 2017 or 2016, respectively.

*Tax Fees*

No such fees were billed by Daszkal Bolton, LLP or Liggett & Webb, P.A for 2017 or 2016, respectively.

*All Other Fees*

No such fees were billed by Daszkal Bolton, LLP or Liggett & Webb, P.A for 2017 or 2016, respectively.

As of December 31, 2017, the Company did not have a formal documented pre-approval policy for the fees of the principal accountant. The Company has an audit committee which reviewed all fees to the principal accountant. The percentage of hours expended on the principal accountant's engagement to audit our financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees was 0%.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules

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



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

| Exhibit No. | Description |
|---|---|
| 3.1 | Certificate of Incorporation dated February 1, 2000 (incorporated by reference to the Company s Registration Statement on Form SB-2/A, Registration No. 33-44398, filed on April 6, 2001) |
| 3.2 | Certificate of Amendment to Articles of Incorporation dated July 5, 2000 (incorporated by reference to the Company s Registration Statement on Form SB-2/A, Registration No. 33-44398, filed on April 6, 2001) |
| 3.3 | Certificate of Amendment to Articles of Incorporation dated October 31, 2001 (incorporated by reference to the Company s Registration Statement on Form SB-2/A, Registration No. 33-44398, filed on April 6, 2001) |
| 10.1 | Agreement and Plan of Merger dated April 9, 2008 by and among Nutra Pharma Corp., a California corporation ( Nutra Pharma ), NP Acquisition Corporation, a Nevada corporation wholly owned by Nutra Pharma ( Acquisition ), ReceptoPharm, Inc., a Nevada corporation ( Receptopharm ) and the stockholders of Receptopharm (incorporated by reference from Form 8-K filed on April 14, 2008). |
| 10.18 | Patent Assignment Agreement dated January 24, 2006 between Nanologix, Inc. and Nutra Pharma Corp. (incorporated by reference from Form 10-K for period ending December 31, 2006) |
| 10.19 | International License Agreement between NanoLogix, Inc. and Nutra Pharma Corp. (incorporated by reference from Form 10-K for period ending December 31, 2006) |
| 20.3 | License Agreement between Bio-Therapeutics, Inc. and Nutra Pharma Corp (incorporated by reference from Form 10-KSB for the period ending December 31, 2003) |
| 20.4 | Amendment to License Agreement between Bio-Therapeutics, Inc. and Nutra Pharma Corp (incorporated by reference from Form 10-KSB for the period ending December 31, 2003) |
| 14.1 | Code of Ethics (incorporated by reference from Report on Form 10-K/A filed on May 7, 2004). |
| 20.3 | |

| | |
|---|---|
| | License Agreement between Bio-Therapeutics, Inc. and Nutra Pharma Corp (incorporated by reference from Form 10-KSB for the period ending December 31, 2003) |
| 20.4 | Amendment to License Agreement between Bio-Therapeutics, Inc. and Nutra Pharma Corp (incorporated by reference from Form 10-KSB for the period ending December 31, 2003) |
| 21.1 | Subsidiaries of the Registrant, Nutra Pharma Corp. |
| 31.1 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 99.1 | Form 8-K filed on April 14, 2008 under Item 1.01 regarding acquisition of ReceptoPharm, Inc. as Nutra Pharma Corp.'s wholly owned subsidiary and Exhibit 10.1 (April 10, 2008 Agreement and Plan of Merger) attached thereto (incorporated by reference to this Form 10-K for the period ending December 31, 2008). |

**SIGNATURES**

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

**NUTRA PHARMA CORP.**

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

Dated: April 17, 2018

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

| Signature | Title | Date |
|---|---|---|
| /s/ Rik J. Deitsch | Chairman of the Board, President, Chief Executive Officer, Principal Financial Officer, Principal Accounting Officer | April 17, 2018 |
| /s/ Garry R. Pottruck | Director | April 17, 2018 |
| /s/ Stewart Lonky | Director | April 17, 2018 |
| /s/ Harold H. Rumph | Director | April 17, 2018 |

**Nutra Pharma Corporation**

**Consolidated Financial Statements**

**For the years ended December 31, 2017 and 2016**

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and

Stockholders of Nutra Pharma Corp.

Coral Springs, Florida

***Opinion on the Financial Statements***

We have audited the accompanying consolidated balance sheet of Nutra Pharma Corp. (the Company ) at December 31, 2017, and the related consolidated statements of operations, changes in stockholders deficit, and cash flows for the year ended December 31, 2017, and the related consolidated notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017, and the results of its operations and its cash flows for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 1 to the consolidated financial statements, the Company has experienced significant losses from operations and has accumulated and working capital deficits, which raise substantial doubt about its ability to continue as a going concern. Management s plans in regard to these matters are described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

***Basis for Opinion***

These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on the Company s consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of

material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Daszkal Bolton LLP

We have served as the Company s auditor since 2017.

Fort Lauderdale, Florida

April 17, 2018

432 Park Avenue South, 10th Floor

New York , NY 10016 / (212) 481-3490

1901 South Congress Avenue, Suite 110

Boynton Beach, FL 33426 / (561) 752-1721

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors of:

Nutra Pharma Corp.

We have audited the accompanying consolidated balance sheets of Nutra Pharma Corp. and Subsidiaries (the Company ) as of December 31, 2016 and 2015, and the related consolidated statements of operations and changes in stockholders deficit and cash flows for the two years then ended. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Nutra Pharma Corp. and Subsidiaries as of December 31, 2016 and 2015 and the results of its operations and its cash flows for the two years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has experienced recurring, significant losses from operations, and has an accumulated deficit of $53,359,399 at December 31, 2016. In addition, the Company had a working capital deficit and stockholders deficit at December 31, 2016 of $4,463,589 and $4,476,896, respectively. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Liggett & Webb, P.A.

LIGGETT & WEBB, P.A.

*Certified Public Accountants*

Boynton Beach, Florida

April 17, 2017

**NUTRA PHARMA CORP.**

**Consolidated Balance Sheets**

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash | $ | $ 31,243 |
| Accounts receivable | 15,143 | 30,625 |
| Inventory | 20,142 | 25,562 |
| Prepaid expenses and other current assets | 52,500 | 97,640 |
| Due from officers | 269,772 | |
| Total current assets | 357,557 | 185,070 |
| | | |
| Property and equipment, net | 16,463 | 13,637 |
| Other assets | 15,550 | 15,550 |
| Total assets | $ 389,570 | $ 214,257 |
| | | |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current liabilities: | | |
| Accounts payable | $ 1,301,988 | $ 958,027 |
| Accrued expenses | 1,002,980 | 1,013,615 |
| Deferred revenue | 22,490 | |
| Due to officers | | 52,025 |
| Derivative warrant liability | 5,903 | 48,504 |
| Other indebtedness net of discount | 3,466,403 | 2,576,488 |
| Total current liabilities | 5,799,764 | 4,648,659 |
| Convertible notes | | 3,474 |
| Legal settlement liability | | 39,020 |
| Total liabilities | 5,799,764 | 4,691,153 |
| | | |
| Commitments and Contingencies (See Note 9) | | |
| | | |
| Stockholders' deficit: | | |
| | | |
| Preferred stock, $0.001 par value, 20,000,000 shares authorized: 3,000,000 and 0 Series A Preferred shares issued and outstanding at December 31, 2017 and 2016 | 3,000 | |
| Common stock, $0.001 par value, 8,000,000,000 shares authorized: 2,032,233,701 and 295,065,317 shares issued and outstanding at December 31, 2017 and 2016 | 2,032,234 | 295,065 |
| Additional paid-in capital | 49,942,719 | 48,587,438 |
| Accumulated deficit | (57,388,147) | (53,359,399) |
| Total stockholders' deficit | (5,410,194) | (4,476,896) |
| Total liabilities and stockholders' deficit | $ 389,570 | $ 214,257 |

See the accompanying notes to the consolidated financial statements.

**NUTRA PHARMA CORP.**

**Consolidated Statements of Operations**

| | | For the Years Ended December 31, | |
|---|---|---|---|
| | | **2017** | **2016** |
| Net sales | $ | 120,979 | 168,356 |
| Cost of sales | | 26,903 | 38,965 |
| Impairment of inventory | | - | 184,039 |
| Gross profit | | 94,076 | (54,648) |
| | | | |
| Operating expenses: | | | |
| Selling, general and administrative - including stock based compensation of $73,576 and $390,608 for the years ended December 31, 2017 and 2016, respectively | | 1,476,016 | 1,988,868 |
| Total operating expenses | | 1,476,016 | 1,988,868 |
| Loss from operations | | (1,381,940) | (2,043,516) |
| | | | |
| Other (income) expenses | | | |
| Rental income | | - | 19,381 |
| Interest expense | | (358,651) | (293,785) |
| Change in fair value of derivatives | | (2,273,968) | (1,258,649) |
| Gain (Loss) on settlement of indebtedness, net | | (14,189) | 128,956 |
| Other expenses | | (2,646,808) | (1,404,097) |
| Net loss before income taxes | | (4,028,748) | (3,447,613) |
| Provision for income taxes | | - | - |
| Net loss | $ | (4,028,748) | (3,447,613) |
| | | | |
| Net loss per share - basic and diluted | $ | (0.00) | (0.02) |
| | | | |
| Weighted average number of shares outstanding during the period - basic and diluted | | 1,048,283,386 | 168,455,241 |

See the accompanying notes to the consolidated financial statements.

**NUTRA PHARMA CORP.**

**Consolidated Statements of Cash Flows**

| | For the Years Ended December 31, 2017 | 2016 |
|---|---|---|
| Reconciliation of net loss to net cash used in operating activities: | | |
| Cash flows from operating activities: | | |
| Net loss | $ (4,028,748) | $ (3,447,613) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Impairment on inventory | - | 184,039 |
| Gain (Loss) on settlement of indebtedness | 14,189 | (128,956) |
| Depreciation | 6,286 | 8,731 |
| Stock-based compensation | 73,576 | 390,608 |
| Stock issued for loan extension and accounts payable | 5,140 | 8,987 |
| Change in fair value of derivative | 2,273,968 | 1,258,649 |
| Amortization of loan discount | 117,325 | 113,784 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in accounts receivables | 15,482 | (8,635) |
| Decrease (increase) in inventory | 5,420 | (2,413) |
| (Decrease) in prepaid expenses and other assets | (8,486) | (63,455) |
| Increase in accounts payable | 343,961 | 462,003 |
| Increase (decrease) in accrued expenses | 21,050 | (132,227) |
| Increase in deferred revenue | 22,490 | - |
| Net cash used in operating activities | (1,138,347) | (1,356,498) |
| | | |
| Cash flows from investing activities: | | |
| Acquisition of property and equipment | (9,113) | (3,382) |
| Net cash used in investing activities: | (9,113) | (3,382) |
| | | |
| Cash flows from financing activities: | | |
| Common stock sold for cash-related party | - | 100,000 |
| Common stock sold for cash | - | 55,000 |
| Loans from officers | 330,350 | 314,951 |
| Repayment of officers loans | (266,900) | (319,675) |
| Proceeds from notes payable-related party | - | 200,000 |
| Repayments of notes payable-related party | (15,209) | (35,000) |
| Proceeds from convertible notes, net of debt discount and loan issuance cost of $0 and $15,370, respectively | 595,500 | 808,250 |
| Repayment of convertible notes | (40,000) | (189,319) |
| Proceeds from other notes payable, net of debt discount of $28,723 and $15,375 | 690,500 | 896,750 |
| Repayments of other notes payable | (178,024) | (446,724) |
| Net cash provided by financing activities | 1,116,217 | 1,384,233 |
| | | |
| Net (decrease) increase in cash | (31,243) | 24,353 |
| | | |
| Cash - beginning of period | 31,243 | 6,890 |

| | | | | |
|---|---|---|---|---|
| Cash - end of period | $ | - | $ | 31,243 |
| | | | | |
| Supplemental Cash Flow Information: | | | | |
| Cash paid for interest | $ | 75,207 | $ | 135,295 |
| Cash paid for income taxes | $ | - | $ | - |
| Non cash Financing and Investing: | | | | |
| Note and stock issued in settlement of notes and accounts payable | $ | - | $ | 371,520 |
| Shares issued to satisfy debt | $ | 2,619,101 | $ | 1,460,208 |
| Shares issued to satisfy debt-related party | $ | 400,000 | $ | 175,000 |
| Discounts on notes payable | $ | 28,815 | $ | 85,694 |
| Stock issued for additional consideration of convertible notes payable | $ | 5,241 | $ | - |

See the accompanying notes to the consolidated financial statements.

**NUTRA PHARMA CORP.**

**Consolidated Statements of Changes in Stockholders' Deficit**

**For the years ended December 31, 2017 and 2016**

| | Preferred Stock | | Common Stock | | Additional Paid-in | Accumulated | Total Shareholder's |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Capital | Deficit | Deficit |
| **Balance -December 31, 2015** | | **$** | **79,770,782** | **$ 79,771** | **$ 46,257,619** | **$ (49,911,786)** | **$ (3,574,396)** |
| Issuance of common stock in exchange for services to consultants | | | 13,275,000 | 13,275 | 74,529 | | 87,804 |
| Issuance of common stock in exchange for services to directors and employees | | | 15,900,000 | 15,900 | 185,000 | | 200,900 |
| Common stock issued for cash-related party | | | 12,500,000 | 12,500 | 87,500 | | 100,000 |
| Common stock issued in private placement | | | 916,667 | 917 | 54,083 | | 55,000 |
| Common stock issued in exchange for related party debt | | | 30,000,000 | 30,000 | 145,000 | | 175,000 |
| Common stock issued for modification of debt | | | 736,000 | 736 | 8,251 | | 8,987 |
| Common stock issued for conversion of debt | | | 105,416,058 | 105,416 | 1,354,792 | | 1,460,208 |
| Common stock issued for settlement of AP and Debt | | | 29,300,000 | 29,300 | 342,220 | | 371,520 |
| Debt discount | | | 7,250,810 | 7,250 | 78,444 | | 85,694 |
| Net loss | | | | | | (3,447,613) | (3,447,613) |
| **Balance -December 31, 2016** | | **$** | **295,065,317** | **$ 295,065** | **$ 48,587,438** | **$ (53,359,399)** | **$ (4,476,896)** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Preferred stock issued in exchange for related party debt | 3,000,000 | 3,000 | | | 397,000 | | 400,000 |
| Issuance of common stock in exchange for services to consultants | | | 2,500,000 | 2,500 | 17,450 | | 19,950 |
| Common stock issued for modification of debt | | | 1,150,000 | 1,150 | 3,990 | | 5,140 |
| Common stock issued for conversion of debt | | | 1,695,581,589 | 1,695,582 | 923,520 | | 2,619,102 |
| Common stock issued for settlement of AP and Debt | | | 5,839,040 | 5,839 | 16,604 | | 22,443 |
| Debt discount | | | 32,100,000 | 32,100 | (3,285) | | 28,815 |
| Shares cancelled | | | (2,245) | 2 | 2 | | |
| Net loss | | | | | | (4,028,748) | (4,028,748) |
| **Balance -December 31, 2017** | **3,000,000** | **$ 3,000** | **2,032,233,701** | **$ 2,032,234** | **$ 49,942,719** | **$ (57,388,147)** | **$ (5,410,194)** |

See the accompanying notes to the consolidated financial statements.

**NUTRA PHARMA CORP.**

**Notes to Consolidated Financial Statements**

**December 31, 2017 and 2016**

## 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. In December 2014, we launched Pet Pain-Away, an over-the-counter pain reliever designed to treat pain in cats and dogs.

*Basis of Presentation and Consolidation*

The accompanying 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 operat one reportable segment. All intercompany transactions and balances have been eliminated in consolidation.

*Liquidity and Going Concern*

Our 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 $57,388,147 at December 31, 2017. In addition, we have a working capital deficit of $5,442,207 and a stockholders deficit of $5,410,194 at December 31, 2017.

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.

At December 31, 2017, we have no 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 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 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.

We collect 100% of the cash proceeds from the sale of product by our distributor and remit a portion of the cash proceeds received back to the distributor. We record product sales on a net basis.

*Accounting for Shipping and Handling Costs*

We record shipping and handling costs incurred in cost of sales.

*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*

We grant credit without collateral to our customers based on our 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 periodic credit evaluations of our 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. We generally do 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.

*Inventories*

Inventories, which are stated at the lower of average cost or market, and consist of packaging materials, finished products, and raw venom that is utilized to make the API (active pharmaceutical ingredient). The raw unprocessed venom has an indefinite life for use. The Company regularly reviews inventory quantities on hand. If necessary it records a provision for excess and obsolete inventory based primarily on its estimates of component obsolescence, product demand and production requirements. Write-downs are charged to cost of goods sold. In 2016 the Company established a reserve of $30,885 due to slow-moving inventory. Our inventory is carried net of a valuation allowance of $30,885 at December 31, 2017 and 2016.

*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. In addition, for the year ended December 31, 2017, there were two customers that accounted for 38% and 15% of the total revenues, respectively. For the year ended December 31, 2016, there were two customers that accounted for 23.4% and 13.5% of the total revenues, respectively.

*Derivative Financial Instruments*

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, the Company uses the Black-Scholes option-pricing model to value the derivative instruments

at inception and subsequent valuation dates. For 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.

We do not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks

*Convertible Debt*

We bifurcate the embedded derivative element in convertible debt which contain conversion features which are not considered to be conventional convertible debt. The convertible debt is recorded at the bifurcated amount after reducing the proceeds for the liability related to the embedded call provision which is accounted for separately in the accompanying balance sheets. After recording the initial amount of the debt, the discount related to the bifurcated embedded derivative is amortized as additional interest expense over the term of the debt with the resulting debt discount being accreted over the term of the note.

*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 December 31, 2017 and 2016:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Computer equipment | $ 25,120 | $ 25,120 |
| Furniture and fixtures | 34,757 | 34,757 |
| Lab equipment | 53,711 | 44,599 |
| Telephone equipment | 12,421 | 12,421 |
| Office equipment other | 16,856 | 16,856 |
| Leasehold improvements | 73,168 | 73,168 |
| Total | 216,033 | 206,921 |
| Less: Accumulated depreciation | (199,570) | (193,284) |
| Property and equipment, net | $ 16,463 | $ 13,637 |

We review our long-lived assets for recoverability if events or changes in circumstances indicate the assets may be impaired. At December 31, 2017 and 2016, we believe the carrying values of our long-lived assets are recoverable. Depreciation expense for the years ended December 31, 2017 and 2016 was $6,286 and $8,731, respectively.

*Advertising*

All advertising costs are expensed as incurred. Advertising costs were approximately $2,765 and $3,650 for the years ended December 31, 2017 and 2016, respectively.

*Income Taxes*

We compute income taxes in accordance with Financial Accounting Standard Board ( FASB ) Accounting Standard Codification ( ASC ) Topic 740, *Income Taxes* ( ASC Topic 740 ). Under ASC Topic 740, deferred taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Also, the effect on deferred taxes of a change in tax rates is recognized in income in the period that included the enactment date. Temporary differences between financial and tax reporting arise primarily from the use of different methods to record bad debts and /or sales returns, and inventory reserves.

On an annual basis, we evaluate tax positions that have been taken or are expected to be taken in our tax returns to determine if they are more than likely to be sustained if the taxing authority examines the respective position. At December 31, 2017, we do not believe we have a need to record any liabilities for uncertain tax positions or provisions for interest or penalties related to such positions.

Since inception, we have been subject to tax by both federal and state taxing authorities. Until the respective statutes of limitations expire (which may be as much as 20 years while we have unused net operation losses), we are subject to income tax audits in the jurisdictions in which we operate. The Company s 2014 to 2017 tax returns are subject to examination by Internal Revenue Services and State Taxing Agencies.

*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. Any common shares issued as of a result of the exercise of stock options and warrants would come from newly issued common shares from our remaining authorized shares. As of December 31, 2017 and 2016, the following items were not included in dilutive loss as the effect is anti-dilutive:

| | **December 31, 2017** | **December 31, 2016** |
|---|---|---|
| Options and warrants | 13,540,000 | 29,141,667 |
| Convertible notes payable | 2,467,512,550 | 200,617,940 |
| Total | 2,481,052,550 | 229,759,607 |

*Recent Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in Accounting Standards Codification ( ASC ) 605-Revenue Recognition and most industry-specific guidance throughout the ASC. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. In July 2015, the FASB deferred the effective date for annual reporting periods beginning after December 15, 2017 (including interim reporting periods within those periods). Early adoption is permitted to the original effective date for annual reporting periods beginning after December 15, 2016 (including interim reporting periods within those periods). The amendments may be applied retrospectively to each prior period (full retrospective) or retrospectively with the cumulative effect recognized as of the date of initial application (modified retrospective).

The Company will adopt ASU 2014-09 in the first quarter of 2018 and plans to apply the full retrospective approach. The Company does not anticipate that the adoption of ASU 2014-09 will have a material impact on its financial statements, disclosures or processes.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will amend current lease accounting to require lessees to recognize (i) a lease liability, which is a lessee s obligation to make lease payments arising from a lease, measured on a discounted basis, and (ii) a right-of-use asset, which is an asset that represents the lessee s right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 does not significantly change lease accounting requirements applicable to lessors; however, certain changes were made to align, where necessary, lessor accounting with the lessee accounting model. This standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We expect the impact of this ASU will result in the recognition of right-of-use assets and related obligations.

All other newly issued accounting pronouncements but not yet effective have been deemed either immaterial or not applicable.

**2. FAIR VALUE MEASUREMENTS**

Certain assets and liabilities that are measured at fair value on a recurring basis at December 31, 2017 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 at December 31, 2017 and 2016:

| | Fair Value Measurements at December 31, 2017 | | | |
|---|---|---|---|---|
| **Liabilities:** | **Total** | **Level 1** | **Level 2** | **Level 3** |
| Warrant liability | $ 5,903 | $ - | $ - | $ 5,903 |
| Convertible notes at fair value | $ 1,925,959 | $ - | $ - | $ 1,925,959 |

| | Fair Value Measurements at December 31, 2016 | | | |
|---|---|---|---|---|
| **Liabilities:** | **Total** | **Level 1** | **Level 2** | **Level 3** |
| Warrant liability | $ 48,504 | $ - | $ - | $ 48,504 |
| Convertible notes at fair value | $ 1,672,728 | $ - | $ - | $ 1,672,728 |

The following table shows the changes in fair value measurements using significant unobservable inputs (Level 3) during the years ended December 31, 2017 and 2016:

| **Description** | **2017** | **2016** |
|---|---|---|
| Beginning balance | $ 48,504 | $ 142,556 |
| Purchases, issuances, and settlements | 24,017 | 110,291 |
| Day one loss on value of hybrid instrument | - | - |
| Total (gain) included in earnings (1) | (66,618) | (204,343) |
| Ending balance | $ 5,903 | $ 48,504 |

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

The Company values its warrants using a Dilution-Adjusted Black-Scholes Model. Assumptions used include (1) 0.26% to 1.93% risk-free rate, (2) warrant life is the remaining contractual life of the warrants, (3) expected volatility of 196%-211% (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.

The following table summarizes the significant terms of each of the debentures for which the entire hybrid instrument is recorded at fair value at December 31, 2017:

| 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 |
|---|---|---|---|---|---|---|
| 2017 | $682,099 | 8%-12% | 18% | $0.0002-$0.20 | 40%-60% | 3 to 25 Days |

The following table shows the changes in fair value measurements using significant unobservable inputs (Level 3) during the years ended December 31, 2017 and 2016 for the Convertible Notes:

| | Years Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| **Description** | | |
| Beginning balance | $ 1,672,728 | $ 1,021,501 |
| Purchases, issuances, and settlements | 580,143 | 948,052 |
| Day one loss on value of hybrid instrument | 999,228 | 1,238,960 |
| Loss from change in fair value | 1,314,325 | 113,742 |
| Conversion to common stock | (2,594,100) | (1,460,208) |
| Repayment in cash | (46,365) | (189,319) |
| Ending balance | $ 1,925,929 | $ 1,672,728 |

**3. INVENTORIES**

Inventories are valued at the lower of cost or market on an average cost basis. At December 31, 2017 and December 31, 2016, inventories were as follows:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Raw Materials | $ 35,653 | $ 36,074 |
| Finished Goods | 15,374 | 20,373 |
| Inventory Reserve | (30,885) | (30,885) |
| Total Inventories | $ 20,142 | $ 25,562 |

**4. DUE FROM/TO OFFICERS**

At December 31, 2017, the balance due from our officer and Companies owned by him is $269,772. At December 31, 2016, the balance due to our officer and Companies owned by him is $52,025.The loan is an unsecured demand loan from our President and CEO, Rik Deitsch. The loan bears interest at 4%. During the year ended December 31, 2017, we borrowed $330,350 and repaid $266,900 to Mr. Deitsch and the Companies owned by him. In addition, Mr. Deitsch accepted a total of 3,000,000 shares of the Company's Series A preferred stock as a repayment to discharge $400,000 of his outstanding loan in October 2017. During the year ended December 31, 2016, we borrowed $314,951 and repaid $319,675 to Mr. Deitsch and the Companies owned by him. In addition, Mr. Deitsch accepted a total of 15,000,000 shares of the Company's restricted common stock as a repayment to discharge $100,000 of his outstanding loan in June 2016.

**5. OTHER INDEBTEDNESS**

Other indebtedness (Both short-term and long term) consists of the following at December 31, 2017 and 2016:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Note payable and Convertible note payable, at fair value Related Party(Net of discount of $2,000 and $0, respectively) (1) | $ 202,974 | $ 200,000 |
| Notes payable Unrelated third parties (Net of discount of $28,723 and $9,584, respectively) (2) | 1,337,470 | 956,950 |
| Convertible notes payable, at fair value (Net of discount of $0 and $49,716, respectively) (3) | 1,925,959 | 1,423,012 |

| | | |
|---|---|---|
| Ending balances | $ 3,466,403 | $ 2,579,962 |

(1)

During 2010 we borrowed $200,000 from one of our directors. 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. The loan is under personal guarantee by our President and CEO, Rik Deitsch. We repaid principal balance in full as of December 31, 2016. During the year ended December 31, 2017, we made the payment of $30,000 of the accrued interest. At December 31, 2017 and 2016, we owed this director accrued interest of $126,036 and $140,579, respectively.

In August 2016, we issued two Promissory Notes for a total of $200,000 ($100,000 each) to one of our directors owned Companies. The notes carry interest at 12% annually and are due on the date that is nine-months from the execution and funding of the note. Upon default in February 2017, the Notes became convertible at $0.008 per share. During March 2017, we repaid principal balance of $6,365. During April 2017, the Notes with accrued interest were restated. The restated principal balance of $201,818 bears interest at 12% annually and is due October 12, 2017. During June 2017, we repaid principal balance of $8,844. The loan is in default and negotiation for settlement. At December 31, 2017 and 2016, we owed this director $192,974 and $200,000, respectively.

In December 2017, we issued a promissory note to a related party in the amount of $12,000 with original issuance discount of $2,000. The note is due in twelve months from the execution and funding of the note. At December 31, 2017, the principal balance of the loan net of discount is $10,000.

(2)

At December 31, 2017 and 2016, the balance of $1,337,470 and $956,950, respectively, consisted of the following loans:

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On August 2, 2011 under a settlement agreement with Liquid Packaging Resources, Inc. ( LPR ), we 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 where under we agreed to pay $175,000 which was the balance outstanding at December 31, 2011(this includes a $25,000 penalty for non-payment). We repaid $25,000 during the six months ended March 31, 2012. We 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 142,858 shares of our 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 penalty was expensed during 2012. LPR sold the note to Southridge Partners, LLP ( Southridge ) for consideration of $281,772 in October 2012. The debt has reverted back to us.

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At December 31, 2017 and 2016, we owed University Centre West Ltd. approximately $55,410, which was assigned and sold to Southridge and subsequently reverted back to us.

.

In April 2016, we issued a promissory note to a unrelated third party in the amount of $10,000 bearing interest at 10% annually. The note is due in one year from the execution and funding of the note. The loan is in default and negotiation of settlement. At December 31, 2017 and 2016, the accrued interest is $1,465 and $706.

.

In May 2016, the Company issued a promissory note to a unrelated third party in the amount of $75,000 bearing monthly interest at a rate of 2%. The note is due in six months from the execution and funding of the note. In connection with the issuance of this promissory note, the Company issued 500,000 shares of the Company's common stocks (See Note 6). The Company has recorded a debt discount in the amount of $8,036 to reflect the value of the common stocks as a reduction to the carrying amount of the convertible debt and a corresponding increase to common stocks and additional paid-in capital. The total discount of $8,036 was amortized over the term of the debt. During December 2016, the Company issued a total of 350,000 restricted shares due to the default on repayment. The shares were valued at a fair value of $5,775 (See Note 6). Amortization for the debt discount for the years ended December 31, 2017 and 2016 was $0 and $8,036. During April, we accepted the offer of a settlement to issue 5,000,000

common shares as a repayment of $25,000. The shares were valued at $0.0050 per share (See Note 6). At December 31, 2017 and 2016, the accrued interest is $25,567 and $11,800, respectively. The loan is in default and in negotiation of settlement.

.

In June 2016, the Company issued a promissory note to a unrelated third party in the amount of $50,000 bearing monthly interest at a rate of 2%. The note is due in six months from the execution and funding of the note. In connection with the issuance of this promissory note, the Company issued 400,000 shares of the Company's common stocks (See Note 6). The Company has recorded a debt discount in the amount of $4,900 to reflect the value of the common stocks as a reduction to the carrying amount of the convertible debt and a corresponding increase to common stocks and additional paid-in capital. The total discount of $4,900 was amortized over the term of the debt. During December 2016, the Company issued a total of 350,000 restricted shares due to the default on repayment. The shares were valued at a fair value of $2,870 (See Note 6). Amortization for the debt discount for the year ended December 31, 2017 and 2016 was $0 and $4,900. The loan is in default and negotiation of settlement. At December 31, 2017 and 2016, the accrued interest is $18,767 and $6,600.

.

In August 2016, we issued a promissory note to a unrelated third party in the amount of $150,000 bearing monthly interest at a rate of 2.5%. The note was due in six months from the execution and funding of the note. In connection with the issuance of this promissory note, we issued 100,000 shares of our common stock (See Note 6). We recorded a debt discount in the amount of $800 to reflect the value of the common stock as a reduction to the carrying amount of the convertible debt and a corresponding increase to common stock and additional paid-in capital. The discount was fully amortized as of December 31, 2017. Amortization for the debt discount for the years ended December 31, 2017 and 2016, was $200 and $600. During March 2017, we issued a total of 50,000 restricted shares due to the default on repayment. The shares were valued at a fair value of $275 (See Note 6).

During April 2017, the Notes with accrued interest were restated. The restated principal balance of $180,250 bears monthly interest at a rate of 2.5% and is due October 20, 2017. In connection with this restated note, we issued 500,000 shares of our common stock. We recorded a debt discount in the amount of $2,417 to reflect the value of the common stock as a reduction to the carrying amount of the convertible debt and a corresponding increase to common stock and additional paid-in capital. The discount was fully amortized as of December 31, 2017. Amortization for the debt discount for the year ended December 31, 2017 was $2,417. During November 2017, we issued a total of 250,000 restricted shares due to the default on repayment (See Note 6). At December 31, 2017, the accrued interest is $38,455 and $16,500, respectively. The Notes with accrued interest were restated in January 2018 (See Note 10)

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On September 26, 2016, we issued a promissory note to a unrelated third party in the amount of $75,000 bearing interest at 10% annually. The note is due in one year from the execution and funding of the note. The loan is in default and in negotiation of settlement. During October 2017, we issued a total of 100,000 restricted shares due to the default on repayment (See Note 6). At December 31, 2017, the accrued interest is $7,708 and $2,021. The loan is in default and negotiation of settlement.

.

In October 2016, we issued a promissory note to a unrelated third party in the amount of $50,000 bearing monthly interest at a rate of 2%. The note is due in six months from the execution and funding of the note. In connection with the issuance of this promissory note, we issued 600,000 shares of our common stock. We recorded a debt discount in the amount of $4,330 to reflect the value of the common stock as a reduction to the carrying amount of the convertible debt and a corresponding increase to common stock and additional paid-in capital. The total discount of $4,330 was fully amortized as of December 31, 2017. During March 2017, we issued a total of 350,000 restricted shares due to the default on repayment. The shares were valued at a fair value of $1,645 (See Note 6). Amortization for the debt discount for the years ended December 31, 2017 and 2016, was $2,165 and $2,165, respectively. At December 31, 2017 and 2016, the accrued interest is $15,067 and $2,900, respectively.

During November 2016, we received a loan for a total of $150,000 from a unrelated third party. The loan is repaid through scheduled payments through June 2018 along with interest on average 15% annum. We have recorded loan costs in the amount of $7,875 for the loan origination fees paid at inception date. The total loan cost of $7,875 is fully amortized over the term of the loan. Amortization for the years ended December 31, 2017 and 2016, was $7,219 and $656. At July 24, 2017, the loan was repaid in full. The interest expense for the years ended December 31, 2017 and 2016 is $16,134 and $5,005, respectively. As of December 31, 2017 and 2016, the principal balance of the loan net of discount is $0 and $132,133.

.

During December 2015, our President and CEO, Mr. Deitsch, assigned $80,000 of his outstanding loan to a unrelated third party in the form of a Convertible Redeemable Note. The note carries interest at 4% and was due on December 7, 2016. The Note reverted back as the promissory note upon maturity date. On June 27, 2017, the Company owed principal balance of $80,000 plus accrued interest of $4,971. The total of $84,971 was assigned and sold to a unrelated third party in the form of a Convertible Redeemable Note (See Note 6(3)).

.

In June 2017, we issued a promissory note to a unrelated third party in the amount of $12,500 bearing interest at 10% annually. The note is due in one year from the execution and funding of the note. In the event of our failure to pay the Note in a timely fashion, the Noteholder would receive 100,000 shares restricted, common stock on the date that is 10

business days after the maturity date. At December 31, 2017, the accrued interest is $670.

.

During July 2017, we received a loan for a total of $200,000 from a unrelated third party. The loan is repaid through scheduled payments through January 2019 along with interest on average 15% annum. We have recorded loan costs in the amount of $5,500 for the loan origination fees paid at inception date. The total loan cost of $5,500 is amortized over the term of the loan. Amortization for the year ended December 31, 2017 was $2,010. At December 31, 2017, repayment of $8,671 was made. The interest expense for the year ended December 31, 2017 is $19,709. At December 31, 2017, the principal balance of the loan net of discount is $187,839.

.

In July 2017, we issued a promissory note to a unrelated third party in the amount of $50,000 with original issuance discount of $10,000. The note is due in six months from the execution and funding of the note. In connection with the issuance of this promissory note, we issued 2,000,000 shares of our common stock (See Note 6). We recorded a debt discount in the amount of $4,912 to reflect the value of the common stock as a reduction to the carrying amount of the convertible debt and a corresponding increase to common stock and additional paid-in capital. The discount is amortized over the term of the loan. Amortization for the debt discount and original issuance discount for the year ended December 31, 2017 was $4,912 and $10,000, respectively. At December 31, 2017, the principal balance of the loan net of discount is $40,000.

.

In September 2017, we issued a promissory note to a unrelated third party in the amount of $51,000 with original issuance discount of $8,500. The note is due in six months from the execution and funding of the note. In connection with the issuance of this promissory note, we issued 4,000,000 shares of our common stock (See Note 6). We recorded a debt discount in the amount of $3,656 to reflect the value of the common stock as a reduction to the carrying amount of the convertible debt and a corresponding increase to common stock and additional paid-in capital. The discount is amortized over the term of the loan. Amortization for the debt discount and original issuance discount for the year ended December 31, 2017 was $2,156 and $8,500, respectively. At December 31, 2017, the principal balance of the loan net of discount is $41,000.

.

In September 2017, we issued a promissory note to a unrelated third party in the amount of $36,000 with original issuance discount of $6,000. The note is due in one year from the execution and funding of the note. The original issuance discount is amortized over the term of the loan. Amortization for the original issuance discount for the year ended December 31, 2017 was $2,000. At December 31, 2017, the principal balance of the loan net of discount is $30,500.

.

In October 2017, we issued a promissory note to a unrelated third party in the amount of $50,000 with original issuance discount of $10,000. The note is due in six months from the execution and funding of the note. In connection with the issuance of this promissory note, we issued 5,000,000 shares of our common stock (See Note 6). We recorded a debt discount in the amount of $3,200 to reflect the value of the common stock as a reduction to the carrying amount of the convertible debt and a corresponding increase to common stock and additional paid-in capital. The discount is amortized over the term of the loan. Amortization for the debt discount and original issuance discount for the year ended December 31, 2017 was $1,500 and $4,500, respectively. At December 31, 2017, the principal balance of the loan net of discount is $42,800.

.

In October 2017, we issued a promissory note to a unrelated third party in the amount of $60,000 with original issuance discount of $3,000. The note is due in six months from the execution and funding of the note. In connection with the issuance of this promissory note, we issued 5,000,000 shares of our common stock (See Note 6). We recorded a debt discount in the amount of $3,300 to reflect the value of the common stock as a reduction to the carrying amount of the convertible debt and a corresponding increase to common stock and additional paid-in capital. The discount is amortized over the term of the loan. Amortization for the debt discount and original issuance discount for the year ended December 31, 2017 was $1,400 and $4,500, respectively. At December 31, 2017, the principal balance of the loan net of discount is $52,600.

.

In November 2017, we issued a promissory note to a unrelated third party in the amount of $120,000 with original issuance discount of $20,000. The note is due in six months from the execution and funding of the note. In connection with the issuance of this promissory note, we issued 10,000,000 shares of our common stock (See Note 6). We recorded a debt discount in the amount of $5,600 to reflect the value of the common stock as a reduction to the carrying amount of the convertible debt and a corresponding increase to common stock and additional paid-in capital. The discount is amortized over the term of the loan. Amortization for the debt discount and original issuance discount for the year ended December 31, 2017 was $1,900 and $7,000, respectively. At December 31, 2017, the principal balance of the loan net of discount is $103,300.

.

In November 2017, we issued a promissory note to a unrelated third party in the amount of $18,000 with original issuance discount of $3,000. The note is due in six months from the execution and funding of the note. In connection with the issuance of this promissory note, we issued 5,000,000 shares of our common stock (See Note 6). We recorded a debt discount in the amount of $2,900 to reflect the value of the common stock as a reduction to the carrying amount of the convertible debt and a corresponding increase to common stock and additional paid-in capital. The discount is amortized over the term of the loan. Amortization for the debt discount and original issuance discount for the year ended December 31, 2017 was $1,000 and $1,000, respectively. At December 31, 2017, the principal balance of the loan net of discount is $14,100.

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In December 2017, we issued a promissory note to a unrelated third party in the amount of $60,000 with original issuance discount of $10,000. The note is due in one year from the execution and funding of the note. The discount is amortized over the term of the loan. Amortization for the original issuance discount for the year ended December 31, 2017 was $400, respectively. At December 31, 2017, the principal balance of the loan net of discount is $50,400.

(3)

At December 31, 2017, the balance of $1,925,959 and $1,423,012 consisted of the following convertible loans:

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On March 19, 2014, we issued two Convertible Debentures in the amount of up to $500,000 each (total $1,000,000) to two non-related parties. During the year ended December 31, 2015, we recorded the first tranche of $15,000 each (total $30,000) of the funds was received during the first quarter of 2014. The notes carry interest at 8% and are due on March 19, 2018. The note holders have the right to convert the notes into shares of Common Stock at a price of $0.20. At December 31, 2017 and 2016, these convertible notes payable, at fair value, was recorded at $594 and $3,474, respectively.

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On March 3, 2016, we issued a Back-end Note in the amount of $100,000 to Coventry Enterprises, LLC ( Coventry ). The Note was funded on September 8, 2016. The note carries interest at 8% and is due on March 3, 2017, 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 fifty-five percent (55%) of average of the three lowest closing bid of our Common Stock for the twenty trading days preceding the conversion date including the date of receipt of conversion notice. During March and May 2017, the Noteholder made conversions of a total of 47,011,483 shares of the company s restricted stock satisfying the Note in full with a fair value of $214,795 (See Note 6).

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On March 31, 2017, we issued another convertible denture in the amount of $80,000 to Coventry Enterprises, LLC ( Coventry ). The note carries interest at 8% and is due on March 30, 2018, 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 fifty-five percent (55%) of the of the lowest closing bid price of our Common Stock for the twenty trading days preceding the conversion date including the date of receipt of conversion notice. In connection with the issuance of the convertible note payable, we recorded a day-one derivative loss of $108,021. At December 31, 2017, the convertible note payable, at fair value, was recorded at $256,043. The note carries an additional Back-end Note with the same terms as the original note that enables the lender to lend the Company another $80,000.

On December 31, 2017, in connection with the issuance of a convertible note of $80,000, we granted three-year warrants to purchase an aggregate of 6,000,000 shares of our common stock at an exercise price of $0.005 per share. The warrants were valued at their fair value of $3,535 using the Black-Scholes method on December 31, 2017. The warrants expire on March 30, 2020 (See Note 7).

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On July 18, 2017, we issued another convertible denture in the amount of $150,000 to Coventry Enterprises, LLC ( Coventry ). The note carries interest at 8% and is due on July 18, 2018, 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 fifty-five percent (55%) of the of the lowest closing bid price of our Common Stock for the twenty trading days preceding the conversion date including the date of receipt of conversion notice. In connection with the issuance of the convertible note payable, we recorded a day-one derivative loss of $483,058. At December 31, 2017, the convertible note payable, at fair value, was recorded at $483,092.

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During April 2016, we entered into a loan agreement with Greentree Financial Group, Inc. ( Greentree ) in connection with a bridge financing transaction, consisting of certain unsecured convertible promissory notes in principal amount up to $250,000, the first tranche of $50,000 was funded during April 2016 and matures one year from the funding of the Note. The conversion price is lower of $0.10 per share or 60% of the average of the three lowest volume weighted average prices for the ten consecutive trading days immediately prior to but not including the conversion date. In connection with the issuance of the convertible note payable, we recorded a day-one derivative loss of $39,089. During November 2016, the Noteholder made a conversion of 5,274,262 shares of our restricted stock satisfying the Note of $25,000 with a fair value of $44,008. During January and April 2017, the Noteholder made conversions of 8,248,721 shares of the company s restricted stock satisfying the remaining Note of $25,000 and accrued interest in full with a fair value of $52,808(See Note 6). In addition, Greentree received 2,955,950 shares of our restricted stock with a fair value of $14,189. It was recorded as a loss on settlement of debt in other expenses.

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On March 28, 2016, we signed an expansion agreement with Brewer and Associates Consulting, LLC ( B+A ) to the original consulting agreement dated on October 15, 2015 for consulting services for twelve months for a monthly fee of $7,000. To relieve our cash obligation of $36,000 per original agreement, we issued three convertible notes for a total of $120,000 which includes the fees due under the original agreement and the new monthly fees due under the expansion agreement. One of the three convertible notes for $40,000 was issued to Greentree, and the other two convertible notes payable for a total of $80,000 were issued to B+A in April 2016.

The $40,000 Note to Greentree bears annual interest rate of 12% and conversion price is the lower of $0.10 per share or 60% of the average of the three lowest volume weighted average prices for the ten consecutive trading days immediately prior to but not including the conversion date. In October 2016, Greentree made conversions of a total of

8,603,469 shares satisfying the note payable and accrued interest in full.

The $80,000 Notes to B+A bear annual interest rate of 10% and conversion price is equal to 60% of the average of the three lowest volume weighted average prices for the three consecutive trading days immediately prior to but not including the conversion date. In June, July, and October 2017, B+A made conversions of a total of 83,125,164 shares satisfying the Note of $60,000 with a fair value of $107,970 (See Note 6). At December 31, 2017, the convertible notes payable, at fair value, was recorded at $52,948. The loan is in default and in negotiation of settlement.

.

During June 2016, we issued a Convertible Debenture in the amount of $72,000 to a unrelated third party as a result of debt sale. The Note carries interest at 8% and is due on June 20, 2017, unless previously converted into shares of restricted common stock. The convertible note s holder has the right to convert the note, until is no longer outstanding into shares of Common Stock at fifty-five percent (55%) of the average of the three lowest VWAP prices of our Common Stock for the fifteen trading days preceding the conversion date. At December 31, 2017 and 2016, the convertible notes payable, at fair value, was recorded at $237,121 and $136,653, respectively. The loan is in default and in negotiation of settlement.

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During June 2016, the notes payable of $50,000 originated in January 2016 with accrued interest of $4,800 was assigned and sold to a unrelated third party in the form of a Convertible Redeemable Note (See Note 5(2)). The note carries interest at 8% and is due on June 16, 2017, unless previously converted into shares of restricted common stock. The Noteholder has the right to convert the note, until is no longer outstanding into shares of Common Stock at fifty-five percent (55%) of the average of the three lowest VWAP prices of our Common Stock for the fifteen trading days preceding the conversion date. At December 31, 2017 and 2016, the balance of $54,800, at fair value, was recorded at $180,868 and $103,968, respectively. The loan is in default and in negotiation of settlement.

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During July 2016, we issued a convertible note to a unrelated third party in the amount of $50,000 bearing monthly interest at a rate of 2.0%. The note holder has the right to convert the notes into shares of Common Stock at a price of $0.05. The note is due in six months from the execution and funding of the note. In connection with the issuance of this note, we issued 300,000

shares of our common stock (See Note 6). We recorded a debt discount in the amount of $2,345 to reflect the value of the common stock as a reduction to the carrying amount of the convertible debt and a corresponding increase to common stock and additional paid-in capital. The debt discount was fully amortized. Amortization of debt discount as of December 31, ,2017 and 2016 was $1,000 and $1,345, respectively. At December 31, 2016, the convertible note payable, at fair value, was recorded at $8,479. The accrued interest as of December 31, 2016 is $5,667. On January 26, 2017, the principal and accrued interest was $56,567. During January 2017, 300,000 shares restricted, common stock were issued due to default on repayment (See Note 7).

During January 2017, the Note was restated with principal amount of $56,567 bearing monthly interest rate of 2.5%. The New Note of $56,567 is due on July 26, 2017 and convertible at $0.05 per share. The loan is under personal guarantee by our President and CEO, Rik Deitsch. In connection with the issuance of this note, we issued 300,000 shares of our common stock (See Note 6). We have recorded a debt discount in the amount of $2,413 to reflect the value of the common stock as a reduction to the carrying amount of the convertible debt and a corresponding increase to common stock and additional paid-in capital. The discount of $2,413 was fully amortized during the year ended December 31, 2017. During August 2017, the accrued interest of $8,909 was paid in full and the Note was restated with the same principal amount of $56,567 bearing monthly interest rate of 2.5%. The New Note of $56,567 is due on February 2, 2018 and convertible at $0.05 per share. In connection with the restatement of this note, we issued 300,000 shares of our common stock (See Note 6). We have recorded a debt discount in the amount of $417 to reflect the value of the common stock. The debt discount was fully amortized during the year ended December 31, 2017. At December 31, 2017, the convertible note payable, at fair value, was recorded at $2,280. The accrued interest as of December 31, 2017 is $7,117. During February 2018, the principal and accrued interest was restated as principal (See Note 10).

.

In February 2017, we issued a Convertible Promissory Note for $53,000 to a unrelated third party. The note carries interest at 12% annually and are due November 12, 2017. The Holder has the right to convert the loan, beginning on the date which is one hundred eighty (180) days following the date of the Note, into common stock at a price of sixty percent (60%) of the average of the three lowest trading prices of our Common Stock for the fifteen trading days preceding the conversion date. During August 2017, the Noteholder made the conversions of a total of 85,491,054 of our restricted stock satisfying the principal balance and accrued interest in full with a fair value of $90,976.

.

In April 2017, we issued a Convertible Promissory Note for $33,000 to a unrelated third party. The note carries interest at 12% annually and are due January 30, 2018. The Holder has the right to convert the loan, beginning on the date which is one hundred eighty (180) days following the date of the Note, into common stock at a price of sixty percent (60%) of the average of the three lowest trading prices of our Common Stock for the fifteen trading days preceding the conversion date. During October 2017, the Noteholder made the conversions of a total of 50,125,000 of our restricted stock satisfying the principal balance of $16,040 with a fair value of $35,596 (See Note 6). At December 31, 2017, the convertible note payable, at fair value, was recorded at $48,213.

.

During August 2016, we signed a Secured & Collateralized Convertible Promissory Note for $52,500 to LG Capital Funding, LLC ( LG ). The note carries interest at 8% and is due on August 22, 2017, unless previously converted into shares of restricted common stock. LG has the right to convert the note, until is no longer outstanding into shares of Common Stock at a price of sixty percent (60%) of the average of the two lowest trading prices of our Common Stock for the fifteen trading days preceding the conversion date. The note carries an additional Back-end Note with the same terms as the original note that enables the lender to lend to us another $52,500. During February and March 2017, LG made the conversions of a total of 20,971,375 of our restricted stock satisfying the principal balance and accrued interest in full with a fair value of $94,857.

The Back-end Note was funded during March 2017. In connection with the issuance of the convertible note payable, we recorded a day-one derivative loss of $38,404. During August 2017, LG made the conversions of a total of 106,713,358 of our restricted stock satisfying the principal balance and accrued interest in full with a fair value of $96,261.

During February 2017, we signed a Secured & Collateralized Convertible Promissory Note for $52,500 to LG Capital Funding, LLC ( LG ). The note carries interest at 8% and is due on February 1, 2018, unless previously converted into shares of restricted common stock. LG has the right to convert the note, until is no longer outstanding into shares of Common Stock at a price of sixty percent (60%) of the average of the two lowest trading prices of the Company s Common Stock for the fifteen trading days preceding the conversion date. The note carries an additional Back-end Note with the same terms as the original note that enables the lender to lend to us another $52,500. In connection with the issuance of the convertible note payable, we recorded a day-one derivative loss of $38,374. During May and June 2017, LG made the conversions of a total of 43,244,572 of our restricted stock satisfying the principal balance and accrued interest in full with a fair value of $106,000.

.

During August 2016, we issued a Convertible Debenture to a unrelated third party in the amount of $51,000. The note carries interest at 12% and matures on May 19, 2017. Unless previously converted into shares of restricted common stock, the Note holder has the right to convert the note, until is no longer outstanding into shares of Common Stock at a sixty percent (60%) of the average of the three lowest trading prices of our Common Stock for the twenty trading days preceding the conversion date. During February and March 2017, the Note holder made the conversions of a total of 19,573,258 of our restricted stock satisfying the principal balance and accrued interest in full with a fair value of $98,147.

.

During August 2016, we issued a Convertible Debenture to a unrelated third party in principal amount up to $225,000, the first tranche of $45,000 was funded during August 2016 and matures one year from the funding of the Note. The note carries interest at 6%. Unless previously converted into shares of restricted common stock, the Note holder has the right to convert the note, until is no longer outstanding into shares of Common Stock at a sixty percent (60%) of the average of the three lowest trading prices of our Common Stock for the twenty trading days preceding the conversion date. In connection with the issuance of the convertible note payable, we recorded a day-one derivative loss of $37,932. We have recorded loan costs in the amount of $4,500 for the loan origination fees paid at inception date. The total loan cost of $4,500 was amortized over the term of the loan. At December 31, 2017, the loan cost was fully amortized. Amortization for the year ended December 31, 2017 was $3,000. During March through May, 2017, the Note holder made conversions of a total of 25,558,744 shares of stock satisfying the principal balance and accrued interest in full for a fair value of $198,451.

.

The second tranche of $22,500 was funded during December 2016. We recorded loan costs in the amount of $2,250 for the loan origination fees paid at inception date. The total loan cost of $2,250 was fully amortized over the term of the loan. Amortization for the nine-months ended December 31, 2017 was $2,250. During June and July 2017, the Note holder made conversions of a total of 31,582,547 shares of stock satisfying the principal balance and accrued interest in full for a fair value of $53,979.

.

During September 2016, the notes payable of $10,000 originated in December 2015 with accrued interest of $1,951 was assigned and sold to a unrelated third party in the form of a Convertible Redeemable Note. The note carries interest at 8% and is due on September 21, 2017, unless previously converted into shares of restricted common stock. The Noteholder has the right to convert the note, until is no longer outstanding into shares of Common Stock at fifty-five percent (55%) of the average of the three lowest closing bid prices of our Common Stock for the twenty trading days preceding the conversion date including the date of receipt of conversion notice. During May 2017, the Note holder exercised conversion to 5,432,195 shares of stock satisfying the note in full for a fair value of $26,412

.

During December, 2016, we issued a Convertible Debenture in the amount of $66,500 to Labrys Fund, LP ( Labrys ). The note carries interest at 12% and is due on June 6, 2017, unless previously converted into shares of restricted common stock. Labrys has the right to convert the note, until is no longer outstanding into shares of Common Stock at a sixty percent (60%) of the lowest trading price of our Common Stock for the twenty trading days preceding the conversion date. We issued 4,532,810 shares of common stock (the Returnable Shares ) to Labrys as a commitment fee, provided, however, the Returnable Shares must be returned to our treasury if Labrys elects to convert, prior to the date which is one hundred eighty (180) days following the Issue Date, all or any part of the outstanding and unpaid principal amount or interest of this Note into shares of Common Stock. In March 2017, the amendment was signed to waive Labrys to return the Commitment Shares back to our treasury (See Note 6). We have recorded a debt discount of $49,861 for the fair value of stock issued on the inception date. The loan is in default. The total loan cost of $49,861 was amortized over the term of the loan. The loan cost was fully amortized as of December 31, 2017. Amortization for the years ended December 31, 2017 and 2016 was $44,478 and $5,383. During April through July 2017, the Note holder made conversions of a total of 138,541,668 shares of stock satisfying the principal balance of $66,500 and default penalty of $22,617 in full for a fair value of $218,353 (See Note 6).

During March 2017, we issued another Convertible Debenture in the amount of $66,500 to Labrys. The note carries interest at 12% and is due on September 10, 2017, unless previously converted into shares of restricted common stock. Labrys has the right to convert the note, until is no longer outstanding into shares of Common Stock at a sixty percent (60%) of the lowest trading price of our Common Stock for the twenty trading days preceding the conversion date. In connection with the issuance of the convertible note payable, the Company encountered a day-one derivative loss of $67,987. During July through October 2017, the Note holder made conversions of a total of 249,809,724 shares of stock satisfying the principal balance of $66,500 and default penalty of $5,000 in full for a fair value of $270,716 (See Note 6).

During May 2017, we issued another Convertible Debenture in the amount of $45,000 to Labrys. The note carries interest at 12% and is due on November 3, 2017, unless previously converted into shares of restricted common stock. Labrys has the right to convert the note, until is no longer outstanding into shares of Common Stock at a sixty percent (60%) of the lowest trading price of our Common Stock for the twenty-five trading days preceding the conversion date. In connection with the issuance of the convertible note payable, the Company encountered a day-one derivative loss of $47,393. During November 2017, the Note holder made a conversion of 62,059,253 shares of stock satisfying the principal balance of $11,057 and accrued interest for a fair value of $51,732. At December 31, 2017, the convertible note payable, at fair value, was recorded at $102,582. The loan is in default and negotiation of settlement.

During October 2017, we issued another Convertible Debenture in the amount of $45,000 to Labrys. The note carries interest at 12% and is due on July 19, 2018, unless previously converted into shares of restricted common stock. Labrys has the right to convert the note, until is no longer outstanding into shares of Common Stock at a sixty percent (60%) of the lowest trading price of our Common Stock for the twenty-five trading days preceding the conversion date. In connection with the issuance of the convertible note payable, the Company encountered a day-one derivative loss of $63,298. At December 31, 2017, the convertible note payable, at fair value, was recorded at $133,767.

.

During December 2016, we issued a Convertible Debenture to a unrelated third party in the amount of $110,000. The note carries interest at 12% and matures on September 8, 2017. Unless previously converted into shares of restricted common stock, the Note holder has the right to convert the note, until is no longer outstanding into shares of Common Stock at a sixty percent (60%) of the lowest trading prices of our Common Stock for the twenty five trading days preceding the conversion date. During June and July 2017, the Note holder made conversions of a total of 179,800,000 shares of stock satisfying the principal balance of $63,001 and accrued interest for a fair value of $298,575. At December 31, 2017 and 2016, the convertible note payable, at fair value, was recorded at $147,314 and $197,957, respectively.

.

During December 2016, we issued a Convertible Debenture to a unrelated third party in the amount of $67,500. The note carries interest at 12% and matures on December 8, 2017. Unless previously converted into shares of restricted common stock, the Note holder has the right to convert the note, until is no longer outstanding into shares of Common Stock at a sixty percent (60%) of the lowest trading prices of the Company s Common Stock for the twenty five trading days preceding the conversion date. During June and July 2017, the Note holder made conversions of a total of 222,707,390 shares of stock satisfying the principal balance and accrued interest in full for a fair value of $304,050. (See Note 6).

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During December 2016, we issued a Secured & Collateralized Convertible Debenture to a unrelated third party in the amount of $50,000. The note carries interest at 8% and matures on December 23, 2017. Unless previously converted into shares of restricted common stock, the Note holder has the right to convert the note, until is no longer outstanding into shares of Common Stock at a sixty percent (60%) of the lowest trading prices of our Common Stock for the twenty trading days including the conversion date. During June and July 2017, the Note holder made conversions of a total of 116,386,891 shares of stock satisfying the principal balance and accrued interest in full for a fair value of $123,121.

.

During January 2017, we issued a Convertible Debenture in the amount of $40,000 to a unrelated third party. The note carries interest at 8% and is due on January 17, 2018, unless previously converted into shares of restricted common stock. The Note holder has the right to convert the note, until is no longer outstanding into shares of Common Stock at

a price sixty percent of the lowest closing bid price of our Common Stock for the twenty prior trading days including the conversion date. In connection with the issuance of the convertible note payable, the Company encountered a day-one derivative loss of $30,925. In July 2017, the company repaid the principal balance, accrued interest and prepayment penalty of the Note in full.

.

During May 2017, we issued a Convertible Debenture in the amount of $64,000 to a unrelated third party. The note carries interest at 8% and is due on May 4, 2018, unless previously converted into shares of restricted common stock. The Note holder has the right to convert the note, until is no longer outstanding into shares of Common Stock at a sixty percent (60%) of the lowest trading price of our Common Stock for the twenty trading days preceding the conversion date. In connection with the issuance of the convertible note payable, the Company encountered a day-one derivative loss of $47,762. During November 2017, the Note holder made a conversion of 31,532,125 shares of stock satisfying the principal balance of $856 and penalty of $6,400 for a fair value of $21,399 (See Note 6). At December 31, 2017, the convertible note payable, at fair value, was recorded at $185,765.

.

During December 2015, our President and CEO, Mr. Deitsch, assigned $80,000 of his outstanding loan to a unrelated third party in the form of a Convertible Redeemable Note. The note carries interest at 4% and was due on December 7, 2016. The Note reverted back as the promissory note upon maturity date. On June 27, 2017, the Company owed principal balance of $80,000 plus accrued interest of $4,971. The total of $84,971 was assigned and sold to a unrelated third party in the form of a Convertible Redeemable Note (See Note 6(2)). The note carries interest at 8% and is due on September 21, 2017, unless previously converted into shares of restricted common stock. The Noteholder has the right to convert the note, until is no longer outstanding into shares of Common Stock at fifty-five percent (55%) of lowest closing bid prices of our Common Stock for the twenty trading days preceding the conversion date including the date of receipt of conversion notice. In connection with the issuance of the convertible note payable, the Company encountered a day-one derivative loss of $75,006. During July and August 2017, the Note holder made conversions of a total of 164,935,000 shares of stock satisfying the principal balance of $55,325 for a fair value of $225,143. (See Note 6). At December 31, 2017, the convertible note payable, at fair value, was recorded at $95,369.

In the evaluation of these financing arrangements, we 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. We 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.

We 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 holders of these convertible notes have 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 our Company, dividend distribution or spin off, dilutive issuances of our stock, etc. If the lender receives additional shares of our commons stock due to any of the foregoing events or for other reasons, then this may have an extremely dilutive effect on the existing shareholders. Such dilution would likely result in a significant drop in the per share price of our common stock. The potential dilutive nature of this note presents a very high degree of risk to us and our shareholders.

**6. STOCKHOLDERS' DEFICIT**

Series A Preferred Stock

Effective October 30, 2017, pursuant to authority of its Board of Directors, filed a Certificate of Determination for its Series A Preferred Stock. The Series A Preferred Stock consists of 3,000,000 shares. The Series A Preferred Stock will vote with the Corporation s common stock as a single class on all matters or consents for the Corporation s common stockholders. Each share of Series A Preferred Stock is entitled to one thousand votes per share.

The Series A Preferred Stock was issued to Rik J. Deitsch, the Corporation s Chairman, to discharge four hundred thousand dollars ($400,000) of Mr. Deitsch s loan to the Corporation (See Note 4).

Common Stock Issued for Services

During February 2017, we signed an agreement with a consultant to provide investor relation services for twelve months. In connection with the agreement, 1,500,000 shares of our restricted common stock were issued. The shares were valued at $0.0075 per share. We recorded an equity compensation charge of $11,250 during the year ended December 31, 2017.

During January 2017, we signed an agreement with a consultant to provide investor relation services for twelve months. In connection with the agreement, 1,000,000 shares of our restricted common stock were issued. The shares were valued at $0.0087 per share. We recorded an equity compensation charge of $8,700 during the year ended December 31, 2017.

During November 2016, we signed an agreement with a consultant to provide investor relation services for twelve months. In connection with the agreement, a total of 3,000,000 shares of our restricted common stock were issued. The shares were valued at $0.012 per share. We recorded an equity compensation charge of $26,055 and $9,945 during the year ended December 31, 2017 and 2016.

During July 2016, we signed an agreement with a consultant to provide investor relation services for twelve months. In connection with the agreement, a total of 4,250,000 shares of our restricted common stock were issued. The shares were valued at $0.0084 per share. We recorded an equity compensation charge of $17,801 and $17,899 during year ended December 31, 2017 and the year ended December 31, 2016.

During July 2016, we signed agreements with a consultant to provide investor relation services for twelve months. In connection with the agreement, 500,000 shares of our restricted common stock were issued. The shares were valued at $0.0084 per share. We recorded an equity compensation charge of $2,094 and $2,156 during the year ended December 31, 2017 and the year ended December 31, 2016.

During July 2016, we signed agreements with a consultant to provide investor relation services for six months. In connection with the agreement, 1,200,000 shares of our restricted common stock were issued. The shares were valued at $0.0084 per share. We recorded an equity compensation charge of $2,499 and $7,581 during the year ended December 31, 2017 and the year ended December 31, 2016.

During July 2016, we signed agreements with a consultant to provide investor relation services for twelve months. In connection with the agreement, 500,000 shares of our restricted common stock were issued. The shares were valued at $0.0084 per share. We recorded an equity compensation charge of $2,094 and $2,156 during the year ended December 31, 2017 and the year ended December 31, 2016.

During July 2016, we signed an agreement with a consultant to provide investor relation services for twelve months. In connection with the agreement, a total of 625,000 shares of our restricted common stock were issued. The shares were valued at $0.009 per share. We recorded an equity compensation charge of $3,082 and $2,543 during the year ended December 31, 2017 and the year ended December 31, 2016.

Common Stock Issued for Debt Modification

During April 2017, we issued a total of 350,000 restricted shares to a Note holder due to the default on repayment of the promissory note of $50,000 originated in October 2016 (See Note 5). The shares were valued at fair value of $1,645.

During March 2017, we issued a total of 50,000 restricted shares to a Note holder due to the default on repayment of the convertible note of $150,000 originated in August 2016 (See Note 5). The shares were valued at fair value of $275.

In March 2017, the amendment was signed to waive Labrys obligation to return the 4,532,810 Returnable Shares issued as a commitment fee (See Note 5).

During January 2017, we issued a total of 300,000 restricted shares to a Note holder due to the default on repayment of the convertible note of $50,000 originated in July 2016 (See Note 5). The shares were valued at fair value of $2,520.

During October and November 2017, we issued a total of 450,000 restricted shares to Note holders due to the default on repayment of three promissory notes. The shares were valued at fair value of $700 (See Note 5).

Common Stock Issued with Indebtedness

In January 2017, in connection with the restatement of a convertible note payable of $56,567, we issued 300,000 shares of our common stock with a fair value of $2,413 (See Note 5).

In April 2017, in connection with the restatement of a promissory note payable of $180,250, we issued 500,000 shares of our common stock with a fair value of $2,413 (See Note 5).

During April 2017, 1,000,000 warrants were exercised via cashless exercise into 615,230 shares with a fair value of $3,015 (See Note 7).

In July 2017, in connection with the issuance of a promissory note payable of $50,000, we issued 2,000,000 shares of our common stock with a fair value of $4,912 (See Note 5).

In August 2017, in connection with the restatement of a promissory note payable of $56,567, we issued 300,000 shares of our common stock with a fair value of $417 (See Note 5).

In September 2017, in connection with the issuance of a promissory note payable of $51,000, we issued 4,000,000 shares of our common stock with a fair value of $3,656 (See Note 5).

In October through November 2017, in connection with the issuance of four promissory notes payable, we issued a total of 25,000,000 shares of our common stock with a fair value of $15,000 (See Note 5).

Common Stock Issued for Conversion of Debt

During October 2017, the Noteholder made the conversions of a total of 50,125,000 of our restricted stock satisfying the principal balance of $16,040 with a fair value of $35,596 (See Note 6).

During July and August 2017, a Note holder received 164,935,000 shares of our restricted stock with a fair value of $225,143 upon conversion of $55,325 of an $84,971 Note originated in June 2017 (See Note 5).

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 7/18/2017 | 50,000,000 | $81,016 |
| 7/27/2017 | 37,000,000 | 56,236 |
| 8/8/2017 | 60,000,000 | 73,159 |
| 8/23/2017 | 17,935,000 | 14,732 |

During August 2017, a Noteholder received 85,491,054 of our restricted stock with a fair value of $90,976 upon conversion of a $53,000 Note originated in February 2017 (See Note 5).

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 8/10/2017 | 70,426,471 | 78,859 |
| 8/21/2017 | 15,064,583 | 12,117 |

In June through October 2017, B+A received 83,125,164 shares of our restricted stock with a fair value of $107,970 upon conversion of $60,000 of an $80,000 Note originated in April 2016 (See Note 5).

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 6/8/2017 | 23,715,415 | 56,303 |
| 7/6/2017 | 17,044,486 | 11,166 |
| 10/9/2017 | 42,365,263 | 40,501 |

During April, 2017, a Note holder received 5,000,000 shares of our restricted stock with a fair value of $25,000 upon conversion of $25,000 of a $75,000 promissory Note originated in May 2016.

During March and May 2017, Coventry received 47,011,483 shares of our restricted stock with a fair value of $214,795 upon conversion of a $100,000 Note (See Note 5).

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 3/7/2017 | 15,500,000 | $78,909 |
| 3/31/2017 | 15,000,000 | 66,000 |
| 5/25/2017 | 16,511,483 | 69,886 |

During March, April, and May 2017, the Note holder received 25,558,744 shares of our restricted stock with a fair value of $198,451 upon conversion of a $45,000 Note originated in August 2016 (See Note 5).

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 3/2/2017 | 2,300,000 | $9,982 |
| 3/28/2017 | 5,700,000 | 21,186 |

| | | |
|---|---|---|
| 4/18/2017 | 5,700,000 | 31,057 |
| 4/24/2017 | 5,700,000 | 26,717 |
| 5/11/2017 | 6,158,744 | 19,510 |

During February and March 2017, a Noteholder received 20,971,375 of our restricted stock with a fair value of $94,857 upon conversion of a $52,500 Note originated in August 2016 (See Note 5).

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 2/26/2017 | 2,681,327 | $18,381 |
| 3/6/2017 | 4,633,425 | 20,760 |
| 3/13/2017 | 3,059,501 | 16,016 |
| 3/24/2017 | 10,597,122 | 39,700 |

During May and June 2017, a Noteholder received 43,244,572 of our restricted stock with a fair value of $106,000 upon conversion of a $52,500 Note originated in February 2017 (See Note 5).

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 5/4/2017 | 11,473,225 | $55,549 |
| 5/24/2017 | 8,603,866 | 25,108 |
| 6/26/2017 | 23,167,481 | 25,343 |

During August 2017, a Noteholder received 106,713,358 of our restricted stock with a fair value of $96,261 upon conversion of a $52,500 Note originated in March 2017 (See Note 5).

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 8/4/2017 | 37,138,936 | $42,923 |
| 8/21/2017 | 69,574,422 | 53,338 |

During February and March 2017, a Noteholder received 19,573,258 of our restricted stock with a fair value of $98,147 upon conversion of a $51,000 Note originated in August 2016 (See Note 5).

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 2/27/2017 | 6,250,000 | $42,171 |
| 3/8/2017 | 8,000,000 | 38,234 |
| 3/28/2017 | 5,323,258 | 17,742 |

During April through July 2017, a Noteholder received 138,541,668 shares of the company s restricted stock with a fair value of $218,353 upon conversion of a Note of $66,500 and default penalty of $22,617 (See Note 5).

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 4/25/2017 | 13,631,346 | $60,202 |
| 6/15/2017 | 10,679,950 | 20,949 |
| 6/21/2017 | 27,429,600 | 38,401 |
| 6/26/2017 | 27,429,750 | 30,173 |
| 6/29/2017 | 26,171,885 | 28,789 |
| 7/6/2017 | 33,199,136 | 39,839 |

During July through September 2017, a Note holder received 249,809,724 shares of the company s restricted stock with a fair value of $270,726 upon conversion of a Note of $66,500 and default penalty of $5,000 (See Note 5).

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 7/13/2017 | 50,650,959 | $117,179 |
| 8/10/2017 | 21,275,000 | 23,486 |
| 9/13/2017 | 9,711,900 | 5,062 |
| 9/19/2017 | 82,122,533 | 65,229 |

| | | |
|---|---|---|
| 10/10/2017 | 86,049,332 | 59,760 |

During November 2017, the Note holder made a conversion of 62,059,253 shares of stock with a fair value of $51,732 satisfying the principal balance of $11,057 of a $45,000 Note originated in May 2017 (See Note 5).

During November 2017, the Note holder made a conversion of 31,532,125 shares of stock with a fair value of $21,399 satisfying the principal balance of $856 and penalty of $6,400 of a $64,000 Note originated in May 2017 (See Note 5).

During June and July 2017, a Noteholder received 179,800,000 shares of our restricted stock with a fair value of $298,575 upon conversion of $63,001 of a $110,000 Note originated in December 2016 (See Note 5).

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 6/12/2017 | 19,000,000 | $33,123 |
| 6/20/2017 | 19,000,000 | 26,231 |
| 6/30/2017 | 19,000,000 | 19,992 |
| 7/13/2017 | 19,000,000 | 49,517 |
| 7/19/2017 | 53,800,000 | 96,005 |
| 7/31/2017 | 50,000,000 | 73,707 |

During June and July 2017, a Noteholder received 31,582,547 shares of our restricted stock with a fair value of $53,979 upon conversion of a $22,500 Note originated in December 2016 (See Note 5).

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 6/6/2017 | 9,000,000 | $27,051 |
| 6/20/2017 | 9,000,000 | 11,872 |
| 7/5/2017 | 13,582,547 | 15,056 |

During June and July 2017, the Note holder made conversions of a total of 116,386,891 shares of stock satisfying the principal balance and accrued interest in full for a fair value of $123,121. During June and July 2017, a Noteholder received 116,386,891 shares of our restricted stock with a fair value of $123,121 upon conversion of a $50,000 Note originated in December 2016 (See Note 5).

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 6/28/2017 | 11,560,500 | $10,158 |
| 6/29/2017 | 30,352,771 | 32,450 |
| 7/5/2017 | 32,252,381 | 43,664 |
| 7/10/2017 | 42,221,167 | 36,849 |

During June and July 2017, the Note holder made conversions of a total of 222,707,390 shares of stock satisfying the principal balance and accrued interest in full for a fair value of $304,050.During June and July 2017, a Noteholder received 222,707,390 shares of our restricted stock with a fair value of $304,050 upon conversion of $41,925 of a $67,500 Note originated in December 2016 (See Note 5).

| Date | Number of shares converted | Fair Value of Debt Converted |
|---|---|---|
| 6/19/2017 | 20,000,000 | $28,858 |
| 6/23/2017 | 28,000,000 | 34,433 |
| 6/27/2017 | 30,000,000 | 27,747 |
| 6/30/2017 | 33,000,000 | 32,781 |
| 7/5/2017 | 42,960,000 | 55,666 |
| 7/13/2017 | 45,000,000 | 115,625 |
| 7/31/2017 | 23,747,390 | 8,941 |

**7. STOCK OPTIONS AND WARRANTS**

Common Stock Warrants

On March 31, 2017, in connection with the issuance of an $80,000 Note, we granted three-year warrants to purchase an aggregate of 6,000,000 shares of our common stock at an exercise price of $0.005 per share. The warrants were valued at their fair value of $3,536 using the Black-Scholes method on December 31, 2017. The warrants expire on March 30, 2020 (See Note 5).

On March 3, 2016, in connection with the issuance of a convertible note, we granted five-year warrants to purchase an aggregate of 2,500,000 shares of our common stock at an exercise price of $0.03 per share. The warrants were valued at their fair value of $1,502 using the Black-Scholes method at December 31, 2017. The warrants expire on March 3, 2021.

On April 4, 2016, in connection with the issuance of convertible notes, we granted three-year warrants to purchase an aggregate of 4,000,000 shares of our common stock at an exercise price of $0.05 per share. The warrants were valued at their fair value of $862 using the Black-Scholes method at December 31, 2017. The warrants expire on April 4, 2019.

During April, 2014, the Company issued a total of 100,000 warrants to purchase common stock at an exercise price of $1.00 per share in connection with issuance of a convertible note payable to Coventry. The warrants were valued at their fair value of $5 using the Black-Scholes method at December 31, 2017. The warrants expire on April 9, 2019.

During July 2015, we issued a total of 4,400,000 shares of our restricted stock and 4,400,000 warrants to settle outstanding commissions payable in aggregate of $59,000 with TCN. The shares were valued at $0.185 per share and the warrants were valued at $0.1009 per share. The warrants expired on June 30, 2016. During October, 2016, warrants were re-priced from exercise prices from $0.20 per share to an exercise price of $0.05 per share, the warrants expired on March 31, 2017.

During October, 2016, we repriced 19,685,000 from exercise prices from $0.20 per share to an exercise price of $0.05 per share, the warrants expired on March 31, 2017.

During March 2016, we issued 916,667 warrants to purchase common stock at an exercise price of $0.10 per share. The warrants expired on March 31, 2017.

During April 2015, we issued a total of 1,000,000 two year warrants to the notes holders to purchase common stock at an exercise price of $0.35 per share. During April 2017, 1,000,000 warrants were exercised via cashless exercise into 615,230 shares with a fair value of $3,015 (See Note 6).

A summary of warrants outstanding in conjunction with private placements of common stock were as follows during the years ended December 31, 2017 and 2016:

| | Number Of shares | Weighted average exercise price |
|---|---|---|
| Balance December 31, 2015 | 21,725,000 | $ 0.95 |
| Exercised | - | - |
| Issued | 27,101,667 | $ 0.02 |
| Forfeited | (19,685,000) | - |
| Balance December 31, 2016 | 29,141,667 | $ 0.03 |
| Exercised | (1,000,000) | 0.002 |
| Issued | 6,000,000 | $ 0.005 |
| Forfeited | (20,601,667) | - |
| Balance December 31, 2017 | 13,540,000 | $ 0.023 |

The following table summarizes information about fixed-price warrants outstanding as of December 31, 2017 and 2016**:**

| | Exercise Price | Weighted Average Number Outstanding | Weighted Average Contractual Life | Weighted Average Exercise Price |
|---|---|---|---|---|
| 2017 | $ 0.005-1.00 | 13,540,000 | 1.75 years | $ 0.023 |
| 2016 | $ 0.03-1.00 | 29,141,667 | 0.91 years | $ 0.03 |

At December 31, 2017, 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 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 $0.0007, closing stock price of our common stock on December 29, 2017. There were no in-the-money warrants at December 31, 2017.

**8. INCOME TAXES**

The Company s tax expense differs from the expected tax expense for the years ended December 31, 2017 and 2016, (computed by applying the Federal Corporate tax rate of 34% to loss before taxes and 5.5% for Florida State Corporate Taxes, the blended rate used was 37.63%), are approximately as follows:

| | December 31, | |
|---|---|---|
| | **2017** | **2016** |
| Computed expected tax expense (benefit) - Federal | $ (1,345,175) | $ (1,084,483) |
| Computed expected tax expense (benefit) - State | (230,267) | (185,641) |
| Permanent differences | 771,881 | 620,615 |
| Change in valuation allowance | 803,561 | 649,509 |
| | $ - | $ - |

| | December 31, 2017 | 2016 |
|---|---|---|
| Current portion of net deferred income tax assets: | | |
| Accrued salary | $ 347,674 | $ 249,976 |
| Inventory Reserve | 0 | 69,254 |
| Valuation allowance | (347,674) | (319,230) |
| Current net deferred income tax asset | $ - | $ - |
| | | |
| Non- current portion of net deferred income tax asset | | |
| Net operating loss carryforwards | $ 12,792,814 | $ 12,667,206 |
| Valuation allowance | (12,792,814) | (12,667,206) |
| Non-current net deferred income tax asset | $ - | $ - |

Due to the uncertainty of the utilization and recoverability of the loss carry-forwards and other deferred tax assets, we have provided a valuation allowance to fully reserve such assets. As of December 31, 2017, the Company has net operating loss carryforwards of approximately $35,242,000 available to offset future taxable income in various years through December 31, 2037. The significant difference between such net operating loss carryforwards and our accumulated deficit of approximately $23,725,000 results primarily from stock based compensation and debt settlements which are considered to be permanent differences.

The valuation allowances increased by approximately $803,000 and $649,000 for the years ended December 31, 2017 and 2016, respectively. The Company s 2014 to 2017 tax returns are subject to examination by Internal Revenue Services and State Taxing Agency s.

**9. COMMITMENTS AND CONTINGENCIES**

Operating Leases

In February 2013, we entered into a three-year operating lease for monthly payments of approximately $3,500 which expired in January 2016. In February 2016, we entered into a new three-year operating lease for monthly payments of approximately $3,200 which expires in February 2019. ReceptoPharm leases a lab and renewed its operating lease agreement for five years in July of 2012. The lease requires monthly payments of approximately $6,400 from August 1, 2012 through August 1, 2017. The lease was renewed in February 2016 for another five years beginning August 1, 2017.

Future minimum payments under these lease agreements are as follows:

| | Total |
|---|---|
| **2018** | **$** 126,494 |
| **2019** | 91,913 |
| **2020** | 87,991 |
| **2021** | 91,379 |
| **2022** | 54,490 |
| | **$ 452,267** |

Rent expense for the years ended December 31, 2017 and 2016 approximated $127,400 and $116,300, respectively.

Consulting Agreements

During July 2015, we signed an agreement with a company to provide for consulting services for five years. In connection with the agreement, 500,000 shares of our restricted common stock and a one year 8% note of $50,000 were granted. The shares were valued at $0.18 per share. The shares and note payable have not been issued as of December 31, 2017. We have accrued the $142,500 in accrued expense and equity compensation.

**Litigation**

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

On June 1, 2015, ReceptoPharm entered into a settlement agreement with Patricia Meding, a former officer and shareholder of ReceptoPharm. The settlement relates to a lawsuit filed by Ms. Meding against ReceptoPharm (Patricia Meding, et. al. v. ReceptoPharm, Inc. f/k/a Receptogen, Inc., Index No.: 18247/06, New York Supreme Court, Queens County) in which she claimed to own certain shares of ReceptoPharm stock and claimed to be owed amounts on a series of promissory notes allegedly executed in 2001 and 2002.

The settlement agreement executed on June 1, 2015 provides that ReceptoPharm will pay Ms. Meding a total of $360,000 over 35 months. The first payment of $20,000 was made on July 1, 2015. A second payment of $20,000 was made on August 17, 2015 with 32 subsequent monthly $10,000 payments due on the 15th of every month thereafter. To date, ReceptoPharm has made all monthly payments due under the agreement. In the event of default on any of the payments due under the settlement agreement, the settlement amount would increase by an additional $200,000. As of December 31, 2017, we have accrued the legal settlement amount at present value of $39,020 and an additional contingency of $200,000. The settlement agreement is personally guaranteed by Rik Deitsch, our CEO.

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 Nutra Pharma Corp. 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.

At LPR's request, the parties mediated the dispute. At the mediation, the parties worked out an agreement whereby Nutra Pharma Corp. 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 payable over 7 months in equal $50,000 amounts. The litigation was dismissed in August of 2011. Following several payments under the parties agreement, the parties entered into two amended payment schedules as accommodations to Nutra Pharma Corp. to allow it to make payments that had been missed. Nutra Pharma Corp. did not make a payment in March 2012 and LPR subsequently called Nutra Pharma Corp. in default of the parties agreement.

On June 11, 2012, LPR sold its debt to Southridge Partners, LLP in an agreement to be paid out over time. In August 2013, LPR cancelled their agreement with Southridge Partners, LLP. LPR filed a notice of intent to administratively dissolve in May 2015 (with the dissolution becoming effective in December 2015) and has not pursued its claimed default against Nutra Pharma Corp. in any court or other formal proceeding since that date.

Paul Reid et al. v. Nutra Pharma Corp. et al.

On August 26, 2016, certain of former ReceptoPharm employees and a former ReceptoPharm consultant filed a lawsuit in the 17th Judicial Circuit in and for Broward County, Florida (Case No. CACE16-015834) against Nutra Pharma and Receptopharm to recover $315,000.00 allegedly owing to them under a settlement agreement reached in an involuntary bankruptcy action that was brought by the same individuals in 2012 and for payment of unpaid wages/breach of written debt confirms. On September 28, 2016, Nutra Pharma and Receptopharm filed a motion to dismiss the lawsuit.

Nutra Pharma and Receptopharm believe that the lawsuit is without merit and also intend to file a counterclaim against these former employees/consultants for misconduct that Nutra Pharma discovered after execution of the aforementioned settlement agreement. We intend to vigorously contest this matter.

On October 26, 2017, the Court dismissed the claims for unpaid wages/breach of written debt confirms but allowed the claim for alleged breach of the settlement agreement to go forward. Since the Petitioners can only reinforce the settlement amount due to passing of statute of limitation, we have accrued the settlement for $315,000 and recorded the gain on settlement of $770,968 in other income for the year ended December 31, 2015. The accrued balance for the settlement has not changed as of December 31, 2017.

**10. SUBSEQUENT EVENTS**

Authorized Shares

On March 7, 2018, we obtained written consents from stockholders holding a majority of our outstanding voting stock to approve an amendment of the Company s articles of incorporation, as amended, to increase the number of authorized shares of common stock from 2,000,000,000 to 8,000,000,000.

Promissory Notes

During January 2018, the Notes with accrued interest of $220,506 were restated. The restated principal balance of $220,506 bears monthly interest at a rate of 2.5% and is due July 12, 2018. In connection with this restated note, we issued 2,000,000 shares of our common stock (See Note 5).

During February 2018, the Notes with accrued interest of $65,600 were restated. The restated principal balance of $65,600 bears monthly interest at a rate of 2.5% and is due August 14, 2018. In connection with this restated note, we issued 1,000,000 shares of our common stock (See Note 5).

Convertible Notes Payable and Stocks issued with Debt

During January to February 2018, we issued promissory notes to unrelated third parties for a total of $109,900 with original issuance discount of $10,900. The note is due in six months from the execution and funding of the notes. In connection with the issuance of these promissory notes, we issued a total 1,000,000 shares of our common stock. The Noteholders have the right to convert the note, until is no longer outstanding into shares of Common Stock at a $0.0008.

During February and March 2018, we issued two Convertible Debentures in the amount of $200,000 and $60,000 to an unrelated third party. The notes carries interest at 8% and is due in one year from the execution of the notes, unless previously converted into shares of restricted common stock. The Noteholder has the right to convert the note, until is no longer outstanding into shares of our Common Stock at a price sixty percent of the lowest trading price of our Common Stock for the twenty five prior trading days including the conversion date.

During February 2018, the notes payable of $150,000 originated in July 2017 with accrued interest of $6,000 was assigned and sold to an unrelated third party in the form of a Convertible Redeemable Note. The note carries interest at 8% and is due on February 19, 2019, unless previously converted into shares of restricted common stock. The Noteholder has the right to convert the note, until is no longer outstanding into shares of Common Stock at sixty percent of the lowest trading price of our Common Stock for the twenty five prior trading days including the conversion date.

During February 2018, a noteholder converted an outstanding Note issued in June 2017 with an outstanding principal balance of $29,646 for 109,876,500 shares of Common Stock..

During February 2018, a noteholder converted a tranche of an outstanding Note issued in March 2017 with a principal balance of $33,854 for 70,123,500 shares of Common Stock. The noteholder sold and assigned the remaining balance of $46,146 with accrued interest of $3,276 to an unrelated third partyunrelated third party in the form of a Convertible Redeemable Note. The note carries interest at 8% and is due on February 13, 2019, unless previously converted into shares of restricted common stock. The noteholder has the right to convert the note into shares of our Common Stock at sixty percent of the lowest trading price of our Common Stock for the twenty five prior trading days including the conversion date.

During February 2018, we issued 45,000,000 shares of our restricted stock to Labrys in settlement of a $45,000 note payable issued in October 2017 and the $33,944 outstanding balance of a $34,000 note payable issued in May.

During February 2018, the remaining balance of $46,999 for the $110,000 Note originated in December 2016 with accrued interest of $2,820 was assigned and sold to an unrelated third party in the form of a Convertible Redeemable Note. The note carries interest at 8% and is due on February 13, 2019, unless previously converted into shares of restricted common stock. The Noteholder has the right to convert the note into shares of our Common Stock at sixty percent of the lowest trading price of our Common Stock for the twenty five prior trading days including the conversion date. In connection with the settlement, we also agreed to issue number of shares of our common stock that equals $125,000 divided by the settlement price prior to May 1, 2018. The settlement price shall be the average closing price for the ten trading days preceding the shares delivery date.