

NUTRA PHARMA CORP
Form 10-Q
May 27, 2016

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2016

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

For the transition period from _____ to _____

Commission file numbers 000-32141

NUTRA PHARMA CORP.

(Name of registrant as specified in its charter)

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

12538 West Atlantic Blvd.,

Coral Springs, Florida

(Address of principal executive offices)

33071

(Zip Code)

(954) 509-0911

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The number of shares outstanding of the registrant's common stock, par value \$0.001 per share, as of May 26, 2016, there was 106,894,580 shares of common stock.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NUTRA PHARMA CORP.

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

Forward Looking Statements

This Quarterly Report on Form 10-Q for the period ending March 31, 2016, contains forward-looking statements that involve risks and uncertainties, as well as assumptions that if they never materialize or prove incorrect, could cause our results 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**, **es** project, or similar expressions are intended to identify forward-looking statements. We are subject to risks detailed in Item 1(a). All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including: (a) any projections of revenue, gross margin, expenses, earnings or losses from operations, synergies or other financial items; and (b) any statements of the plans, strategies and objectives of management for future operations; and (c) any statement concerning developments, plans, or performance. Unless otherwise required by applicable law, we do not undertake and we specifically disclaim any obligation to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

NUTRA PHARMA CORP.**Condensed Consolidated Balance Sheets**

	March 31, 2016 (Unaudited)	December 31, 2015
<u>ASSETS</u>		
Current assets:		
Cash	\$ 3,256	\$ 6,890
Accounts receivable	25,238	21,990
Inventory	52,923	54,034
Prepaid expenses and other current assets	173,019	266,579
Total current assets	254,436	349,493
Property and equipment, net	16,854	18,986
Other assets	15,550	19,164
Total assets	\$ 286,840	\$ 387,643
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
Current liabilities:		
Accounts payable	\$ 889,569	\$ 842,024
Accrued expenses	1,163,762	1,130,271
Due to officers	84,507	146,770
Derivative warrant liability	62,424	142,556
Other debt, net of debt discount of \$44,507 and \$46,523, respectively	1,793,483	1,492,369
Total current liabilities	3,993,745	3,753,990
Convertible debts	137,614	60,870
Legal settlement liability, long term portion	121,337	147,179
Total liabilities	4,252,696	3,962,039
Commitments and Contingencies (See Note 9)	-	-
Stockholders' deficit:		
Common stock, \$0.001 par value, 2,000,000,000 shares authorized: 106,194,580 and 79,770,782 shares issued and outstanding at March 31, 2016 and December 31, 2015	106,195	79,771
Additional paid-in capital	46,914,556	46,257,619
Accumulated deficit	(50,986,607)	(49,911,786)
Total stockholders' deficit	(3,965,856)	(3,574,396)
Total liabilities and stockholders' deficit	\$ 286,840	\$ 387,643

See the accompanying notes to the condensed consolidated unaudited financial statements.

NUTRA PHARMA CORP.**Condensed Consolidated Statements of Operations****(Unaudited)**

	For the Three Months Ended March 31,	
	2016	2015
Net sales	\$ 37,387	\$ 120,998
Cost of sales	7,474	25,054
Gross profit	29,913	95,944
Operating expenses:		
Selling, general and administrative - including stock based compensation of \$70,111 and \$79,323, respectively	384,524	388,732
Total other costs and expenses	384,524	388,732
Net Loss from Operations	(354,611)	(292,788)
Other Expenses		
Rental Income	7,409	-
Interest expense	(63,167)	(52,956)
Change in fair value of derivatives	(682,624)	(18,270)
Gain (loss) on settlement of debt, net	18,172	-
Other Expenses	(720,210)	(71,226)
Net loss before income taxes	(1,074,821)	(364,014)
Provision for income taxes	-	-
Net loss	\$ (1,074,821)	\$ (364,014)
Net loss per share - basic and diluted	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding during the period - basic and diluted	90,933,054	38,274,788

See the accompanying notes to the condensed consolidated unaudited financial statements.

NUTRA PHARMA CORP.**Condensed Consolidated Statements of Cash Flows****(Unaudited)**

	For the Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Cash collected from customers	\$ 63,696	\$ 313,260
Cash paid for commission	(15,000)	(150,433)
Cash paid to suppliers	(3,501)	(15,919)
Cash paid to employees	(29,702)	(35,231)
Interest paid	(19,185)	(12,874)
Loan origination fees paid	-	(7,500)
Other operating cash payments	(269,451)	(208,277)
Cash collected from rental income	7,409	-
Net cash used in operating activities	(265,734)	(116,974)
Cash flows from investing activities:		
Acquisition of property and equipment	-	(718)
Net cash used in investing activities:	-	(718)
Cash flows from financing activities:		
Common stock sold for cash	55,000	-
Loans from officers	9,901	1,720
Repayment of officers loans	(74,905)	(54,000)
Repayments of notes payable-related party	(15,000)	(20,000)
Proceeds from convertible notes, net of debt discount and loan issuance cost of \$10,870 and \$7,250, respectively	150,000	115,000
Proceeds from other notes payable, net of debt discount of \$0 and \$54,000, respectively, and loan issuance cost of \$0 and \$10,130, respectively	200,000	147,370
Repayments of other notes payable	(62,896)	(87,818)
Net cash provided by financing activities	262,100	102,272
Net decrease in cash	(3,634)	(15,420)
Cash - beginning of period	6,890	15,530
Cash - end of period	\$ 3,256	\$ 110

Reconciliation of net loss to net cash used in operating activities:

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Cash flows from operating activities:		
Net loss	\$ (1,074,821)	\$ (364,014)
Adjustments to reconcile net loss to net cash used in operating activities:		
Gain on settlement of debt	(18,172)	-
Depreciation	2,132	4,104
Stock-based compensation	70,111	79,323
Stock issued for loan extension and accounts payable	-	13,000
Change in fair value of derivative	682,624	18,270
Amortization of loan discount	24,769	23,706
Changes in operating assets and liabilities:		
Increase in accounts receivables	(3,248)	(9,824)
Decrease (Increase) in inventory	1,111	(1,382)
Increase in prepaid expenses and other assets	63	12,650
Increase in accounts payable	47,544	111,295
Increase (Decrease) in accrued expenses	2,153	(4,102)
Net cash used in operating activities	(265,734)	(116,974)
Supplemental Cash Flow Information:		
Cash paid for interest	\$ (19,185)	\$ (12,874)
Non cash Financing and Investing:		
Note issued in settlement of notes and accounts payable	\$ 19,900	\$ -
Shares issued to satisfy debt	\$ 633,076	\$ 164,340
Shares issued to satisfy debt-related party	\$ -	\$ 10,000
Discounts on notes payable	\$ 11,885	\$ -

See the accompanying notes to the condensed consolidated unaudited financial statements.

NUTRA PHARMA CORP.

Notes to Condensed Consolidated Unaudited Financial Statements

March 31, 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 Condensed Consolidated Unaudited Financial statements and notes are presented in accordance with the rules and regulations of the Securities and Exchange Commission and do not contain certain information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal, recurring nature. Interim results are not necessarily indicative of results for a full year. Therefore, the interim Condensed Consolidated Unaudited Financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K.

The accompanying Condensed Consolidated Unaudited Financial Statements include the results of Nutra Pharma and its wholly-owned subsidiaries Designer Diagnostics Inc. and ReceptoPharm (collectively the Company, us, we or

our). We operate as one reportable segment. All intercompany transactions and balances have been eliminated in consolidation.

Liquidity and Going Concern

Our Condensed Consolidated Unaudited 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 \$50,986,607 at March 31, 2016. In addition, we had respective working capital and stockholders' deficits at March 31, 2016 of \$3,739,309 and \$3,965,856, respectively.

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

As of March 31, 2016, we do not have sufficient cash to sustain our operations for the next year and will require additional financing in order to execute our operating plan and continue as a going concern. Since our sales are not currently adequate to fund our operations, we continue to rely principally on debt and equity funding; however proceeds from such funding have not been sufficient to execute our business plan. Our plan is to attempt to secure adequate funding until sales of our pain products are adequate to fund our operations. We cannot predict whether additional financing will be available, and/or whether any such funding will be in the form of equity, debt, or another form. In the event that these financing sources do not materialize, or if we are unsuccessful in increasing our revenues and profits, we will be unable to implement our current plans for expansion, repay our obligations as they become due and continue as a going concern.

The accompanying Condensed Consolidated Unaudited Financial Statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

Use of Estimates

The accompanying Condensed Consolidated Unaudited 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.

The Company collects 100% of the cash proceeds from the sale of its product by its distributor, remits a portion of the cash proceeds received back to the distributor and records the sale on a net basis. In the three months ended March 31, 2016, the Company collected \$63,696 in gross receipts and recorded \$37,387 as net sales.

Accounting for Shipping and Handling Costs

The Company records 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

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

Accounts receivable are stated at estimated net realizable value. Accounts receivable are comprised of balances due from customers net of estimated allowances for uncollectible accounts.

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. We performed evaluations of our inventory during the three months ended March 31, 2016 and determined no allowances need to be recorded.

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 three months ended March 31, 2016, no customers accounted for more than 10% of the Company's total revenues.

Derivative Financial Instruments

The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. Management evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income. For option-based simple derivative financial instruments, the Company uses the Black-Scholes option-pricing model to value the derivative instruments at inception and subsequent valuation dates. For 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.

Convertible Debt

The Company bifurcates 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 March 31, 2016 and December 31, 2015:

	March 31, 2016	December 31, 2015
Computer equipment	\$ 24,208	\$ 24,208
Furniture and fixtures	34,757	34,757
Lab equipment	42,129	42,129
Telephone equipment	12,421	12,421
Office equipment other	16,856	16,856
Leasehold improvements	73,168	73,168
Total	203,539	203,539
Less: Accumulated depreciation	(186,685)	(184,553)
Property and equipment, net	\$ 16,854	\$ 18,986

We review our long-lived assets for recoverability if events or changes in circumstances indicate the assets may be impaired. At March 31, 2016, we believe the carrying values of our long-lived assets are recoverable. Depreciation expense for the three months ended March 31, 2016 and 2015 was \$2,132 and \$4,104, respectively.

Advertising

All advertising costs are expensed as incurred. Advertising costs were approximately \$500 and \$2,016 for the three months ended March 31, 2016 and 2015, 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. As of March 31, 2016, 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 2012 to 2015 tax returns are subject to examination by Internal Revenue Services and State Taxing Agencies.

On July 18, 2015, the Company received a notice of penalty charge of \$35,296 from IRS for failure to file Forms W-2 for tax period ended at December 31, 2011. During February 2016, the Company signed a payment agreement to pay the penalty. No installment payments have been made as of March 31, 2016.

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 a result of the exercise of stock options and warrants would come from newly issued common shares from our remaining authorized shares. As of March 31, 2016 and 2015, the following items were not included in dilutive loss as the effect is anti-dilutive:

	March 31, 2016	March 31, 2015
Options and warrants	25,116,667	1,606,667
Convertible notes payable	66,735,660	4,046,721
Total	91,852,327	5,653,388

Reclassifications

Certain amounts in the 2015 Condensed Consolidated Unaudited Financial Statements have been reclassified to conform to the current period presentation.

Recent Accounting Pronouncements

In April 2015, FASB issued Accounting Standards Update (ASU) No. 2015-03, *Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, is to simplify presentation of debt issuance costs by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The ASU does not affect the recognition and measurement guidance for debt issuance costs. For public companies, the ASU is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early application is permitted. We have adopted the provisions of this ASU for the three months ended March 31, 2016.

In May 2015, FASB issued Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for

which the entity has elected to measure the fair value using that practical expedient. This ASU is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For all other entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. A reporting entity should apply the amendments retrospectively to all periods presented. The retrospective approach requires that an investment for which fair value is measured using the net asset value per share practical expedient be removed from the fair value hierarchy in all periods presented in an entity's financial statements. Earlier application is permitted. We are currently reviewing the provisions of this ASU to determine if there will be any impact on our results of operations, cash flows or financial condition.

In June 2015, FASB issued Accounting Standards Update (ASU) No. 2015-10, Technical Corrections and Improvements covers a wide range of Topics in the Codification. The amendments represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. Additionally, some of the amendments will make the Codification easier to understand and easier to apply by eliminating inconsistencies, providing needed clarifications, and improving the presentation of guidance in the Codification. Transition guidance varies based on the amendments in this ASU. The amendments in this ASU that require transition guidance are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. All other amendments will be effective upon the issuance of this ASU. We are currently reviewing the provisions of this ASU to determine if there will be any impact on our results of operations, cash flows or financial condition.

In August 2015, FASB issued Accounting Standards Update (ASU) No.2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date defers the effective date ASU No. 2014-09 for all entities by one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in Update 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. All other entities should apply the guidance in Update 2014-09 to annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. All other entities may apply the guidance in ASU No. 2014-09 earlier as of an annual reporting period beginning after December 15, 2016, including interim reporting periods within that reporting period. All other entities also may apply the guidance in Update 2014-09 earlier as of an annual reporting period beginning after December 15, 2016, and interim reporting periods within annual reporting periods beginning one year after the annual reporting period in which the entity first applies the guidance in ASU No. 2014-09. We are currently reviewing the provisions of this ASU to determine if there will be any impact on our results of operations, cash flows or financial condition.

In September 2015, FASB issued Accounting Standards Update (ASU) No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in this Update require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if

any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this Update with earlier application permitted for financial statements that have not been issued. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this Update with earlier application permitted for financial statements that have not yet been made available for issuance. We are currently reviewing the provisions of this ASU to determine if there will be any impact on our results of operations, cash flows or financial condition.

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 are currently reviewing the provisions of this ASU to determine if there will be any impact on our results of operations, cash flows or financial condition.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting*, which relates to the accounting for employee share-based payments. This standard addresses several aspects of the accounting for share-based payment award transactions, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. This standard will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. We are currently reviewing the provisions of this ASU to determine if there will be any impact on our results of operations, cash flows or financial condition.

In April 2016, the FASB issued ASU 2016-10 Revenue from Contract with Customers (Topic 606): identifying Performance Obligations and Licensing. The amendments in this Update do not change the core principle of the guidance in Topic 606. Rather, the amendments in this Update clarify the following two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. Topic 606 includes implementation guidance on (a) contracts with customers to transfer goods and services in exchange for consideration and (b) determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time). The amendments in this Update are intended to render more detailed implementation guidance with the expectation to reduce the degree of judgement necessary to comply with Topic 606. We are currently reviewing the provisions of this ASU to determine if there will be any impact on our results of operations, cash flows or financial condition.

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 as of March 31, 2016 are measured in accordance with FASB ASC Topic 820-10-05, *Fair Value Measurements*. FASB ASC Topic 820-10-05 defines fair value, establishes a framework for measuring fair value and expands the disclosure requirements regarding fair value measurements for financial assets and liabilities as well as for non-financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis in the financial statements.

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

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities;
- Level 2: Quoted prices in markets that are not active or inputs which are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported by little or no market activity).

The following table summarizes our financial instruments measured at fair value as of March 31, 2016 and December 31, 2015:

Liabilities:	Fair Value Measurements at March 31, 2016			
	Total	Level 1	Level 2	Level 3
Warrant liability	\$ 62,424	\$ -	\$ -	\$ 62,424
Convertible notes at fair value	\$ 1,285,240	\$ -	\$ -	\$ 1,285,240

Liabilities:	Fair Value Measurements at December 31, 2015			
	Total	Level 1	Level 2	Level 3
Warrant liability	\$ 142,556	\$ -	\$ -	\$ 142,556
Convertible notes at fair value	\$ 1,021,501	\$ -	\$ -	\$ 1,021,501

The following table shows the changes in fair value measurements using significant unobservable inputs (Level 3) during the three months ended March 31, 2016 for the warrants:

Description	March 31, 2016
Beginning balance	\$ 142,556
Purchases, issuances, and settlements	48,747
Day one loss on value of hybrid instrument	-
Total gain included in earnings (1)	(128,879)
Ending balance	\$ 62,424

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

The Company values its warrants using a Dilution-Adjusted Black-Scholes Model. Assumptions used include (1) 0.18% to 1.21% risk-free rate, (2) warrant life is the remaining contractual life of the warrants, (3) expected volatility of 195.8% (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 as of March 31, 2016:

Debenture	Face	Interest	Default	Conversion Price - Lower of Fixed		
				Price or Percentage of VWAP		Look-back
Issuance	Amount	Rate	Interest	Adjusted	%	Period
Year			Rate	Price		Period
2016	\$618,162	4%-12%	n/a	\$0.001-\$0.20	50%-85%	10 to 20 Days

The following table shows the changes in fair value measurements using significant unobservable inputs (Level 3) during the three months ended March 31, 2016 for the Convertible Notes:

Description	March 31, 2016
Beginning balance	\$ 1,021,501
Purchases, issuances, and settlements	160,870
Day one loss on value of hybrid instrument	250,420
Loss from change in fair value	485,525
Conversion to common stock	(633,076)
Ending balance	\$ 1,285,240

3. INVENTORIES

Inventories are valued at the lower of cost or market on an average cost basis. At March 31, 2016 and December 31, 2015, inventories were as follows:

	March 31, 2016	December 31, 2015
Raw Materials	\$ 29,216	\$ 29,216

Finished Goods		23,707		24,818
Total Inventories	\$	52,923	\$	54,034

The Company regularly reviews inventory quantities on hand. If necessary, the Company records a provision for excess and obsolete inventory based primarily on its estimates of component obsolescence, product demand and production requirements. Write-downs and write-offs are charged to cost of goods sold. We performed evaluations of our inventory at March 31, 2016, the Company did not experience any write downs or write offs.

4. SETTLEMENT OF ACCOUNTS AND NOTE PAYABLE

During March 2016, the Company issued a total of 1,000,000 shares of the company's restricted stock to settle the outstanding debt of \$10,000 with accrued interest of \$1,262 with the Note holder. The shares were recorded at a fair value of \$19,900 or \$0.0199 per share (See Note 6 and 7). The Company recorded a loss of \$8,638 during the three months ended March 31, 2016.

On February 10, 2016, the Note holder of a convertible loan of \$75,000 with a fair value of \$101,810 was assigned and sold to a non-related party in the form of a Convertible Redeemable Note. The Company has recorded a gain of \$26,810 in connection with this debt sale (See Note 6 and 7).

5. DUE TO OFFICERS

At March 31, 2016 and December 31, 2015, the balance due to officer and the Companies owned by him is \$84,507 and \$146,770, respectively. The loan is an unsecured demand loan from our President and CEO, Rik Deitsch. The loan bears interest at 4%. During the three months ended March 31, 2016, we borrowed \$9,901 and repaid \$74,905 to Mr. Deitsch and the Companies owned by him. Subsequent to March 31, 2016 and through May 26, 2016, the Company borrowed \$104,000 and repaid \$12,000 to its President, Rik Deitsch and the Companies owned by him (See Note 10).

6. OTHER DEBT

Other debt (Both short-term and long term) consists of the following at March 31, 2016 and December 31, 2015:

	March 31,	December 31,
	2016	2015
Note payable Related Party (1)	\$ 20,000	\$ 35,000
Notes payable Non Related Parties (Net of discount of \$21,513 and \$24,602, respectively) (2)	648,852	518,659
Convertible notes payable, at fair value (Net of discount of \$22,994 and \$21,921, respectively) (3)	1,262,245	999,580
Ending balances	\$ 1,931,097	\$ 1,553,239

(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 \$15,000, during the three months ended March 31, 2016. At March 31, 2016 and December 31, 2015, we owed this director principal balance of \$20,000 and \$35,000, respectively. At March 31, 2016 and December 31, 2015, we owed this director accrued interest of \$194,211 and \$187,576, respectively.

(2)

At March 31, 2016, the balance of \$648,852 consisted of the following loans:

On August 2, 2011 under a settlement agreement with Liquid Packaging Resources, Inc. (LPR), the Company agreed to pay LPR a total of \$350,000 in monthly installments of \$50,000 beginning August 15, 2011 and ending on February 15, 2012. This settlement amount was recorded as general and administrative expenses on the date of the settlement. We did not make the December 2011 or January 2012 payments and on January 26, 2012, we signed the first amendment to the settlement agreement 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). The Company repaid \$25,000 during the six months ended March 31, 2012. The Company did not make all of the payments under such amendment and as a result pursuant to the original settlement agreement, LPR had the right to sell 142,858 shares of the Company's free trading stock held in escrow by their attorney and receive cash settlements for a total amount of \$450,000 (the initial \$350,000 plus total default penalties of \$100,000). The \$100,000 default was expensed during

2012. LPR sold the note to Southridge Partners, LLP (Southridge) for consideration of \$281,772 in October 2012. The debt has reverted back to the Company.

As of March 31, 2016, the Company owed University Centre West Ltd. approximately \$55,410, which was assigned and sold to Southridge and subsequently reverted back to the Company.

On November 5, 2015, the Company received a loan for a total of \$150,000 from a non-related party. The loan is repaid through scheduled payments through November 2, 2016 along with interest on average 15% annum. The Company has recorded loan costs in the amount of \$12,375 for the loan origination fees paid at inception date. The total loan cost of \$12,375 was amortized over the term of the loan. Amortization for the three months ended March 31, 2016 was \$3,095. As of March 31, 2016, repayment of \$53,468 was made. The interest expense for the three months ended March 31, 2016 is \$9,617. As of March 31, 2016, the principal balance of the loan net of discount is \$89,312.

During November, 2015, the Company entered a Revenue Based Factoring Agreement with Qualified Merchant Group, Inc. (QMG). QMG purchased \$67,500 of the Company s future receipts for \$50,000. In exchange for the purchased amount, the Company authorized QMG to ACH debit \$459 daily from the Company s bank account until QMG has received the purchase amount of \$67,500. The loan is under personal guarantee by our President and CEO, Rik Deitsch. The Company has recorded debt discount of \$17,500 at inception date. The debt discount was amortized over the term of the loan. The debt discount as of March 31, 2016 and December 31, 2015 was \$6,909 and \$14,287, respectively. Amortization for the debt discount for the three months ended March 31, 2016 was \$7,378. At March 31, 2016, the principal balance of the loan net of discount is \$19,740.

In August 2015, the Company issued a promissory note to a non-related party in the amount of \$10,000 bearing monthly interest at a rate of 2%. The note is due in six months from the execution and funding of the note. In the event of the Company's failure to pay the Note in a timely fashion, the Noteholder will receive 100,000 shares restricted, common stock on the date that is 15 business days after the maturity date. The accrued interest as of March 8, 2016 was \$1,262. On March 8, 2016, the Company issued a total of 1,000,000 shares of the company s restricted stock to settle the outstanding debt of \$10,000 with accrued interest of \$1,262 with the Note holder. The shares were recorded at a fair value of \$19,900 or \$0.0199 per share (See Note 4 and 7). The Company recorded a loss of \$8,638 during the three months ended March 31, 2016.

In December 2015, the Company issued a promissory note to a non-related party in the amount of \$10,000 bearing monthly interest at a rate of 2%. The note is due in six months from the execution and funding of the note. In the event of the Company's failure to pay the Note in a timely fashion, the Noteholder will receive 100,000 shares restricted, common stock on the date that is 15 business days after the maturity date. The interest expense for the three months ended March 31, 2016 is \$607.

In January 2016, the Company issued a promissory note to a non-related party in the amount of \$100,000 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 68,000 shares of the Company's common stocks (See Note 7). The Company has recorded a debt discount in the amount of \$2,969 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 \$2,969 will be amortized over the term of the debt. Amortization for the three months ended March 31, 2016 was \$1,500. The interest expense for the three months ended March 31, 2016 is \$5,733. At March 31, 2016, the principal balance of the loan net of discount is \$98,531.

In January 2016, the Company issued a promissory note to a non-related 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 350,000 shares of the Company's common stocks (See Note 7). The Company has recorded a debt discount in the amount of \$8,915 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 \$8,915 will be amortized over the term of the debt. Amortization for the three months ended March 31, 2016 was \$3,000. The interest expense for the three months ended March 31, 2016 is \$2,200. At March 31, 2016, the principal balance of the loan net of discount is \$44,087.

In February 2016, the Company issued a promissory note to a non-related party in the amount of \$50,000 bearing interest at 10% annually. The note is due in one year from the execution and funding of the note. The interest expense for the three months ended March 31, 2016 is \$778.

At March 31, 2016, the balance of \$1,262,245 consisted of the following convertible loans:

In September 2011, the Company borrowed \$250,000 from a non-related party. The principal of this loan were to be repaid with a balloon payment on or before October 1, 2012. On October 19, 2012 the parties amended the notes to extend the due date to May 1, 2013 and include a conversion feature that would allow the holders to convert some or all of their outstanding notes into restricted Company stock at a 15% discount to the average closing market price of the Company's stock traded over the previous 10 days. Interest on these loans is payable monthly beginning in November 2011 with interest calculated at 20%.

With the conversions during 2013 through 2015, the remaining balance of the Note was \$75,000 with a fair value of \$95,998 at December 31, 2015 and matured on February 3, 2016. On February 10, 2016, the balance of \$75,000 with a fair value of \$101,810 was assigned and sold to a non-related party in the form of a Convertible Redeemable Note. The Company has recorded a gain of \$26,810 in connection with this debt sale. The new Note carries interest at 8% and is due on February 10, 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 the Company's Common Stock for the fifteen 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 \$87,251. On March 7, 2016, a conversion of 6,696,428 shares of the company's restricted stock was made satisfying the Note in full with a fair value of \$140,763 (See Note 4 and 7).

On March 19, 2014, the Company issued two Convertible Debentures in the amount of up to \$500,000 each (total \$1,000,000) to two non-related parties. 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 the date that is two years from the execution and funding of the note. On March 14, 2016, the maturity was extended by two years to March 19, 2018. The note holders have the right to convert the notes into shares of Common Stock at a price of \$0.20. In connection with the issuance of these convertible notes payable, the Company encountered a day-one derivative loss of \$18,104. At March 31, 2016, these convertible notes payable, at fair value, was recorded at \$5,943.

On February 25, 2015, the Company issued a Convertible Debenture in the amount of \$68,250 to LG Capital Funding, LLC (LG). On August 17, 2015, the principal balance with accrued interest of \$70,875 was assigned and sold to Coventry in the form of a Convertible Redeemable Note. During 2015, Coventry made a conversion of total of 1,201,471 shares of the company's restricted stock satisfying the note in full with a fair value of \$172,842. On August 17, 2015, the Company encountered a penalty of \$27,300 in connection with prepayment of the LG note. The Company had Coventry make the

payment to LG on behalf the Company and issued a Convertible Debentures in the amount of \$27,300 to Coventry. The note carries interest at 8% and is due on August 17, 2016, 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 fifty-five percent (55%) of the average of the three lowest VWAP prices of the Company's Common Stock for the fifteen 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 \$21,293. At March 31, 2016, the convertible notes payable, at fair value, was recorded at \$54,555.

On February 24, 2015, the Company issued a Convertible Debentures in the amount of up to \$250,000 to a non-related party. During the year ended December 31, 2015 and three months ended March 31, 2016, the Company received the fund for a total of \$100,000 and \$50,000, respectively. The note carries one time interest at 12% and is due on the date that is two years from the execution and funding of the note. The note holders have the right to convert the notes into shares of Common Stock at a price of lessor of (a) 0.40 or (b) sixty percent (60%) of the average of the two lowest closing bid prices of the Company's 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 \$102,383 and \$113,952 for the three months ended March 31, 2016 and for the year ended December 31, 2015, respectively. During August through December 2015, the Note holder made conversions for a total of 1,456,440 satisfying \$60,870 of the note with a fair value of \$131,125. During January and February 2016, Vista made conversions for a total of 3,550,000 shares of the company's restricted stock satisfying \$51,054 of the note with a fair value of \$128,589 (See Note 7). At March 31, 2016, the convertible note payable, at fair value, was recorded at \$120,371 net of debt discount of \$11,299. The Company has recorded loan costs in the amount of \$18,870 for the loan origination fees. The loan cost was amortized over the term of the loan. Amortization for the three months ended March 31, 2016 was \$2,488.

During April 2015, the Company issued two Convertible Debentures in the amount of \$275,000 each (aggregating \$550,000) to two non-related parties. The notes carry interest at 8% and are due on the date that is nine months from the execution and funding of the note. If paid fully in cash by the maturity date, the amount of repayment is \$137,500 for each Note plus accrued interest of 8%. The notes holders have the right to convert the notes into shares of Common Stock at a fixed price of \$0.10. In the event of default, \$275,000 each (aggregating \$550,000) plus interest may be paid in the form of conversion into common stock at the lower of: (i) the 0.10 or (ii) 0.45 multiplied by the lowest bid price of the Common Stock during the ten consecutive trading day period immediately preceding the trading day that the Company receives a notice of conversion. In connection with the issuance of these convertible notes payable, the Company encountered a day-one derivative loss of \$274,958.

On December 11, 2015, the principal balance of \$137,500 with accrued interest of \$7,142 was assigned and sold to Coventry in the form of a Convertible Redeemable Note. The Company encountered a penalty of \$28,929 in connection with prepayment of the note. The Company had Coventry make the payment to the note holder on behalf

the Company and issued a Convertible Debentures in the amount of \$28,929 to Coventry. With these assignments, one of the Notes of \$275,000 was paid in full.

On January 9, 2016, the other note payable of \$275,000 was in default. The Note holder made a conversion of total of 8,348,252 shares of stocks satisfying \$58,753 of the notes payable with a fair value of \$165,178 during January through March, 2016 (see Note 7). At March 31, 2016, the convertible notes payable, at fair value, was recorded at \$599,435.

During April 2015, the Company issued a total of 2,000,000 two year warrants to the notes holders to purchase common stock at an exercise price of \$0.35 per share. The Company classified embedded conversion features in these warrants as a derivative liability. During December 2015, 1,000,000 warrants were exercised via cashless exercise into 400,000 shares with a fair value of \$33,440. The warrants were valued at their fair value of \$189,959 and \$3,577 respectively using the Black-Scholes method at the commitment and re-measurement dates of April 9, 2015 and March 31, 2016, respectively.

Also, the Company issued a total of 125,000 shares of common stocks in connection with issuance of these convertible notes payable. The Company has recorded debt discount a total of \$232,500 for the warrants issued and origination fees at inception date. The debt discount was fully amortized as of March 31, 2016. Amortization for the debt discount and loan issuance cost for the three months ended March 31, 2016 was \$3,194.

Following the assignment, the convertible note payable of \$144,642, at fair value, was recorded at \$368,468 on December 11, 2015. The note carries interest at 8% and is due on December 10, 2016, 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 fifty-five percent (55%) of the average of the three lowest VWAP prices of the Company's Common Stock for the fifteen 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 \$223,826. On December 15, 2015, Coventry made a conversion of 1,322,751 shares of the company's restricted stock satisfying \$50,000 of the note with a fair value of \$112,447. During January through March, 2016, Coventry made conversions of a total of 5,494,451 shares of the company's restricted stock satisfying the note in full with a fair value of \$198,546 (See Note 7).

Following the assignment of prepayment penalty, the convertible note payable of \$28,929, at fair value, was recorded at \$73,695 on December 11, 2015. The note carries interest at 8% and is due on December 10, 2016, 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 fifty-five percent (55%) of the average of the three lowest VWAP prices of the Company's Common Stock for the fifteen 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 \$44,766. At March 31, 2016, the convertible notes payable, at fair value, was recorded at \$58,385.

During December 2015, our President and CEO, Mr. Deitsch, assigned \$80,000 of his outstanding loan to a non-related party in the form of a Convertible Redeemable Note. The note carries interest at 4% and is due on December 7, 2016, 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 eighty-five percent (85%) of the average of the three lowest VWAP prices of the Company's Common Stock for the five trading days preceding the conversion date including the day upon which the notice of conversion is received by the Company. In connection with the issuance of the convertible note payable, the Company encountered a day-one derivative loss of \$28,791. At March 31, 2016, the convertible notes payable, at fair value, was recorded at \$97,230.

On December 28, 2015, the Company issued a Convertible Debenture in the amount of \$65,000 to a non-related party. The note carries interest at 10% and is due on December 23, 2016, 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 of sixty percent (60%) of the lowest closing bid prices of the Company's 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 \$54,300. The Company also issued 300,000 shares of common stocks as additional consideration. The Company has recorded debt discount of \$15,810 for the fair value of stocks issued on the inception date. At March 31, 2016, the convertible notes payable, at fair value, was recorded at \$120,967 net of debt discount of \$11,695.

On March 3, 2016, the Company issued a Convertible Debenture in the amount of \$100,000 to Coventry Enterprises, LLC (Coventry). 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 the average of the three lowest VWAP prices of the Company's

Common Stock for the twenty trading days preceding the conversion date. In connection with the issuance of the convertible note payable, the Company encountered a day-one derivative loss of \$87,596. At March 31, 2016, the convertible note payable, at fair value, was recorded at \$205,359.

On March 3, 2016, in connection with the issuance of the Note, the Company also granted five-year warrants to purchase an aggregate of 2,500,000 shares of the Company's common stock at an exercise price of \$0.03 per share. The Company classified embedded conversion features in these warrants as a derivative liability. The warrants were valued at their fair value of \$48,774 and \$45,778 using the Black-Scholes method on March 3, 2016 and March 31, 2016, respectively (See Note 8).

On March 3, 2016, the Company issued an additional Convertible Debenture in the amount of \$100,000 to Coventry Enterprises, LLC (Coventry). The note carries interest at 8% and is due on March 3, 2017. The Note was paid for by the issuance of an offsetting \$100,000 secured note (Back End Note) issued to the Company by Coventry provided that prior to conversion of the Note, Coventry must have paid off the Note in cash. Coventry promises to pay the Company \$100,000 no later than the earlier of (i) September 3, 2016. Or (ii) such time as has a resale registration statement covering the shares issuable upon conversion of the \$100,000 back end note dated March 3, 2016 declared effective. The back end note was secured by assets with a fair market value of not less than \$100,000. The Note has not been funded as of March 31, 2016.

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

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

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

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

7. STOCKHOLDERS' DEFICIT

Private Placements of Common Stock

During March 2016, the Company sold 916,667 shares of restricted common stock to investors at a price per share of \$0.06 and received proceeds of \$55,000. The Company issued 916,667 warrants to purchase common stock at an exercise price of \$0.10 per share. The warrants expire on March 31, 2017 (See Note 8).

Common Stock Issued for Services

During October 2015, the Company signed an agreement with a consultant for consulting services for a year. In connection with the agreement, 2,500,000 shares of company's restricted common stocks were granted. 1,000,000 shares of Common Stock of the Company were issued on the date of execution of the agreement. 500,000 shares of Common Stock of the Company are to be issued quarterly, beginning on the first day of the third month following the effective date. Cash payment of \$3,000 is expected to be paid on a monthly basis. The 2,500,000 shares granted are valued at the end of each quarter until the consultants complete their performance in October 2016. The 2,500,000 shares granted were valued at \$0.019 per share which is the stock price at March 31, 2016. The Company has incurred an equity compensation charge of \$21,771 as of March 31, 2016. The remaining unrecognized compensation cost of \$6,729 is related to non-vested equity-based compensation. The Company has accrued the \$9,500 in additional paid in

capital as the 500,000 shares of stocks granted on January 15, 2016 have not been issued as of March 31, 2016 (See Note 9).

During September 2015, the Company signed an agreement with a consultant for investor relation services for twelve months. In connection with the agreement, 250,000 shares of company's restricted common stocks were issued. The share was valued at \$0.12 per share. The Company recorded an equity compensation charge of \$7,705 during the year ended December 31, 2015 and \$7,459 during the three months ended March 31, 2016. The remaining unrecognized compensation cost of \$14,836 related to non-vested equity-based compensation to be recognized by the Company over the remaining vesting period.

During September 2015, the Company signed an agreement with a consultant for investor relation services for twelve months. In connection with the agreement, 300,000 shares of company's restricted common stocks were issued. The share was valued at \$0.12 per share. The Company recorded an equity compensation charge of \$9,246 during the year ended December 31, 2015 and \$8,951 during the three months ended March 31, 2016. The remaining unrecognized compensation cost of \$17,803 related to non-vested equity-based compensation to be recognized by the Company over the remaining vesting period.

During August 2015, the Company signed an agreement with a consultant for investor relation services for six months. In connection with the agreement, 750,000 shares of company's restricted common stocks were issued. The share was valued at \$0.15 per share. The Company recorded an equity compensation charge of \$92,935 during the year ended December 31, 2015 and \$19,565 during the three months ended March 31, 2016.

During August 2015, the Company signed an agreement with two consultants for investor relation services for six months. In connection with the agreement, 500,000 shares of company's restricted common stocks were issued. The share was valued at \$0.15 per share. The Company recorded an equity compensation charge of \$61,957 during the year ended December 31, 2015 and \$13,043 during the three months ended March 31, 2016.

During March 2015, the Company issued 1,250,000 shares of the Company's restricted common stock to a consultant for services for a year. The share was valued at \$0.104 per share. The Company recorded an equity compensation charge of \$101,773 during the year ended December 31, 2015 and \$28,227 during the three months ended March 31, 2016.

Common Stock Issued with Debts

In January 2016, in connection with the issuance of a note payable to a non-related party in the amount of \$100,000 which is due in six months from the funding of the note, the Company issued a total of 68,000 shares of common stock with a fair value of \$2,969 as part of the agreement (See Note 6).

In January 2016, in connection with the issuance of a note payable to a non-related party in the amount of \$50,000 which is due in six months from the funding of the note, the Company issued a total of 350,000 shares of common stock with a fair value of \$8,915 as part of the agreement (See Note 6).

Common Stock Issued for Settlement of Debt

On February 10, 2016, the balance of \$75,000 of a convertible note payable to a non-related party was assigned and sold in the form of a Convertible Redeemable Note. During March 2016, the Note holder made a conversion of 6,696,428 shares of the company's restricted stock satisfying the note in full with a fair value of \$140,763(See Note 6).

Following the assignment of debt of \$144,642 on December 15, 2015, Coventry made a conversion of 1,322,751 shares of the company's restricted stock satisfying \$50,000 of the note with a fair value of \$112,447. During January through March, 2016, Coventry made conversions of a total of 5,494,451 shares of the company's restricted stock satisfying the note in full with a fair value of \$198,546 (See Note 6).

Date	Number of shares converted	Fair Value of Debt Converted
12/15/2015	1,322,751	\$ 112,447
1/5/2016	1,872,659	93,838
2/3/2016	757,575	19,960
2/11/2016	800,000	32,413
2/23/2016	1,171,360	33,666

3/7/2016	892,857	18,669
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During the year ended December 31, 2015 and three months ended March 31, 2016, Vista made conversions for a total of 1,456,440 and 3,550,000 satisfying \$60,870 and \$51,054 of the note with a fair value of \$131,125 and \$128,589, respectively (See Note 6).

Date	Number of shares converted	Fair Value of Debt Converted
8/28/2015	300,000	\$ 36,000
9/29/2015	300,000	22,037
11/2/2015	300,000	25,239
12/3/2015	275,000	22,645
12/8/2015	281,440	25,203
1/5/2016	350,000	15,998
1/20/2016	550,000	15,218
2/2/2016	550,000	13,255
2/12/2016	1,000,000	60,449
2/29/2016	1,100,000	23,669

During January through March, 2016, the Note holder made a conversion of total of 8,348,252 shares of stocks satisfying \$58,753 of notes payable of \$275,000 originated in April 2015 with a fair value of \$165,178(See Note 6).

Date	Number of shares converted	Fair Value of Debt Converted
1/13/2016	1,748,252	\$ 42,308
2/8/2016	2,000,000	51,404
2/18/2016	1,000,000	33,666
3/16/2016	3,600,000	37,800

During March 2016, the Company issued a total of 1,000,000 shares of the company s restricted stock to settle the outstanding debt of \$10,000 with accrued interest of \$1,262 with the Note holder. The shares were recorded at a fair value of \$19,900 or \$0.0199 per share (See Note 4 and 6). The Company recorded a loss of \$8,638 during the three months ended March 31, 2016.

8. STOCK OPTIONS AND WARRANTS

Common Stock Warrants

On March 3, 2016, in connection with the issuance of a convertible note, the Company granted five-year warrants to purchase an aggregate of 2,500,000 shares of the Company s common stock at an exercise price of \$0.03 per share. The warrants were valued at their fair value of \$48,774 and \$45,778 using the Black-Scholes method on March 3, 2016 and March 31, 2016, respectively. The warrants expire on March 3, 2021(See Note 6).

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

During March 2016, the Company issued 916,667 warrants to purchase common stock at an exercise price of \$0.10 per share. The warrants expire on March 31, 2017 (See Note 7).

A summary of warrants outstanding in conjunction with private placements of common stock were as follows during the three months ended March 31, 2016:

	Number		Weighted average
	Of shares		exercise price
Balance December 31, 2015	21,700,000	\$	0.95
Exercised	-		-
Issued	3,416,667	\$	0.05
Forfeited	-		-
Balance March 31, 2016	25,116,667	\$	0.71

The following table summarizes information about fixed-price warrants outstanding as of March 31, 2016:

		Weighted			
		Average			
	Exercise	Number	Weighted	Weighted	
	Price	Outstanding	Average	Average	
			Contractual	Exercise	
			Life	Price	
2015	\$ 0.03-6.0	25,116,667	1.17 years	\$ 0.71	

As of March 31, 2016, 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 \$0.019, closing stock price of our common stock on March 31, 2016. There were no in-the-money warrants at March 31, 2016.

9. COMMITMENTS AND CONTINGENCIES

Operating Leases

In February 2013, Nutra Pharma entered into an operating lease for monthly payments of approximately \$3,500 for three years and expired in January 2016. In February 2016, Nutra Pharma entered into a new operating lease for monthly payments of approximately \$3,200 for three years and 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, including the extension period, are approximately as follows:

	Total
2017	\$ 121,433
2018	126,494
2019	88,513
2020	233,861
Thereafter	145,870
	\$ 570,301

We incurred rent expense of \$25,605 and \$31,227 during three months ended March 31, 2016 and 2015, respectively.

The Company sublets approximately 3779 square feet of its space to Nationwide Laboratory Services, Inc. for one year started from April 2015. The rent for the first three months is \$1,500 for the first three months, and then the rent will be increased by \$100 per month until the sum of \$2,200 per month is attained. During the three months ended March 31, 2016, the Company recorded a rental income of \$7,409 which included the rent and utilities. The sub-lease ended on March 31, 2016 and was extended by one-month.

Consulting Agreements

During July 2015, the Company signed an agreement with a consulting company for consulting services for five years. In connection with the agreement, 500,000 shares of company's restricted common stocks and a one year note of \$50,000 with 8% interest were granted. The share was valued at \$0.18 per share. The stocks and note payable have not been issued as of March 31, 2016. The Company has accrued the \$142,500 in accrued expense and recorded as an equity compensation charge during the year ended December 31, 2015. The accrued balance has not changed as of March 31, 2016.

During July 2015, the Company signed an agreement with a consultant for investor relation services for two months. In connection with the agreement, 400,000 shares of company's restricted common stocks were granted with a fair value of \$84,000. The share was valued at \$0.21 per share. During August 2015, the Company signed an extension agreement with the consultant for a month. In connection with the agreement, 200,000 shares of company's restricted common stocks were issued with a fair value of \$32,000. The share was valued at \$0.16 per share. The stocks have not been issued as of March 31, 2016. The Company has accrued the \$116,000 in accrued expense and recorded as an equity compensation charge during the year ended December 31, 2015. The accrued balance has not changed as of March 31, 2016.

During October 2015, the Company signed an agreement with a consultant for consulting services for a year. In connection with the agreement, 2,500,000 shares of company's restricted common stocks were granted. 1,000,000 shares of Common Stock of the Company were issued on the date of execution of the agreement. 500,000 shares of Common Stock of the Company are to be issued quarterly, beginning on the first day of the third month following the effective date. Cash payment of \$3,000 is expected to be paid on a monthly basis. The 2,500,000 shares granted are valued at the end of each quarter until the consultants complete their performance in October 2016. The 2,500,000 shares granted were valued at \$0.019 per share which is the stock price at March 31, 2016. The Company has incurred an equity compensation charge of \$21,771 as of March 31, 2016. The remaining unrecognized compensation cost of \$6,729 is related to non-vested equity-based compensation. The Company has accrued the \$9,500 in accrued expense as the 500,000 shares of stocks granted on January 15, 2016 have not been issued as of March 31, 2016 (See Note 7 and 10).

On March 28, 2016, the Company signed an expansion agreement with a consulting company 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 the Company's cash obligation of \$36,000 per original agreement, the Company 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. The three convertible notes were issued in April 2016 with annual interest rate of 12% and conversion price 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, whichever is lower. The three-year warrants to purchase 2,000,000 shares of the Company's common stock with an exercise price of \$0.05 per share were also issued (See Note 10).

Litigation

f/k/a Receptogen, Inc.

On August 18, 2006, ReceptoPharm was named as a defendant in Patricia Meding, et. al. v. ReceptoPharm, Inc. f/k/a Receptogen, Inc., Index No.: 18247/06 (New York Supreme Court, Queens County). The original proceeding claimed that ReceptoPharm owed the Plaintiffs, including Patricia Meding, a former ReceptoPharm officer and shareholder and several corporations that she claims to own, the sum of \$118,928.15 plus interest and counsel fees on a series promissory notes that were allegedly executed in 2001 and 2002. On

August 23, 2007, the Queens County New York Supreme Court issued a decision denying Plaintiffs motion for summary judgment in lieu of a complaint, concluding that there were issues of fact concerning the enforceability of the promissory notes. On May 23, 2008, the Plaintiffs filed an amended complaint in which they reasserted their original claims and asserted new claims seeking damages of no less than \$768,506 on their claims that in or about June 2004 ReceptoPharm breached its fiduciary duty to the Plaintiffs as shareholders of ReceptoPharm by wrongfully canceling certain of their purported ReceptoPharm share certificates. In late 2010, Plaintiffs further amended their complaint alleging that ReceptoPharm violated Plaintiffs contractual and statutory rights by cancelling an additional 30,370 share certificates and failing to permit the Plaintiffs to exercise dissenting shareholder rights with respect to those share certificates. The damages associated with the Plaintiffs' claims could rise as the result of increases in our share price as the Receptopharm shares may be convertible into our common shares. The potential exposure may exceed \$10,000,000 if the Plaintiffs are successful with all of their claims.

ReceptoPharm believes the suit is without merit and has filed an answer denying the material allegations of the amended complaint and asserted a series of counterclaims against the Plaintiffs alleging claims for declaratory judgment, fraud, breach of fiduciary duty, conversion and unjust enrichment as a result of the promissory notes. Plaintiffs have moved for partial summary judgment on their claims regarding the additional 30,370 shares, but not on their claims regarding the alleged promissory notes or the 43,750 alleged shares. In August of 2011, the Plaintiff's motion was partially granted. In September 2012, ReceptoPharm's attorneys filed a Motion to be removed as counsel. On October 10, 2014 their motion was granted.

On June 1, 2015, the parties executed a settlement agreement whereby ReceptoPharm would pay the Plaintiffs 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. The settlement requires 32 subsequent monthly \$10,000 payments to be made on the 15th of every month. Payments were made in September 2015 through March 2016. 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 March 31, 2016, the Company has accrued the legal settlement amount at present value of \$220,232 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. Mr. Deitsch and Nutra Pharma Corp. moved to dismiss the Complaint on several grounds including statute of frauds, failure to state a claim, and jurisdiction (only for Mr. Deitsch). Mr. Deitsch and Nutra Pharma Corp. believe the suit is without merit.

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

On June 11, 2012, LPR sold their debt to Southridge Partners, LLP in an agreement to be paid out over time. In August, 2013, LPR cancelled their agreement with Southridge Partners, LLP. As of March 31, 2016, LPR continues to hold the collateral stock. We are currently negotiating a settlement with LPR. Upon the settlement of the outstanding debt, LPR will return the collateral shares to the Company.

Involuntary Petition of Bankruptcy

On August 31, 2012, certain former ReceptoPharm employees and a former ReceptoPharm consultant filed a Petition for Involuntary Bankruptcy against us in the United States Bankruptcy Court, Southern District of Florida. The Petitioners originally claimed they were owed \$990,927 from Nutra Pharma in the form of accrued wages and promissory notes, but amended their claim to \$816,662 in a subsequent filing. In response to the Petition, we filed a motion to dismiss the action which, if successful, would avoid the case being converted into an actual bankruptcy action. On September 30, 2013, the Company entered into a Settlement Agreement with the Petitioners, which is effective upon the court dismissal of the action. In full and final satisfaction of all claims, the Company settled the Agreement with the Petitioners for a total sum of \$350,000. \$35,000 was made during the year ended December 31, 2013 and a second lump sum payment was due within 8 months from February 12, 2014, the date the court dismissed the action. The Parties executed mutual releases exclusive of releases under the Settlement Agreement. On October 21, 2014 we received a Notice of Default from the Petitioners' counsel. We have responded to the notice and will be seeking remedies to the alleged default. During December 2015, the Petitioner's claims and accruals for a total of \$1,085,468 that have passed the statute of limitation were written off, included in the amount was the accrued salary of \$815,747, officer's loan and accrued interest for \$129,466, salary and payroll tax payable of \$140,255. Since the Petitioners can only reinforce the settlement amount due to passing of statute of limitation, the Company has 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 March 31, 2016.

10. SUBSEQUENT EVENTS

Bridge Financing

During April 2016, the Company 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. The Company also issued three-year warrants to purchase 2,000,000 shares of the Company's common stock. On May 2, 2016, the Company terminated the agreement with Greentree and is working on a definitive settlement agreement that will pay off the outstanding bridge financing, eliminate the warrants and the note

payable of \$40,000 for services.

Consulting agreements

During April 2016, the Company signed an agreement with a consulting company for consulting services for six months. In connection with the agreement, 700,000 shares of company's restricted common stocks and a Convertible Promissory Note of \$40,000 with annual interest rate of 12% and conversion price 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, whichever is lower, were issued on the date of execution of the agreement.

On March 28, 2016, the Company signed an expansion agreement with a consulting company 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 the Company's cash obligation of \$36,000 per original agreement, the Company 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. The three convertible notes were issued in April 2016 with annual interest rate of 12% and conversion price 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, whichever is lower. The three-year warrants to purchase 2,000,000 shares of the Company's common stock with an exercise price of \$0.05 per share were also issued (See Note 6 and 7).

Notes payable

In April 2016, the Company issued a promissory note to a non-related party in the amount of \$10,000 bearing interest at 10% annually. The note is due six months from the execution and funding of the note.

In April 2016, the Company issued a promissory note to a non-related party in the amount of \$10,000 bearing interest at 10% annually. The note is due twelve months from the execution and funding of the note.

Due to officer

Subsequent to March 31, 2016 and through May 26, 2016, the Company borrowed \$104,000 and repaid \$12,000 to its President, Rik Deitsch and the Companies owned by him (See Note 5).

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

Introduction

Our business during the first quarter of 2016 has focused upon marketing our homeopathic drugs for the treatment of pain:

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Nyloxin® (Stage 2 Pain)

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Nyloxin® Extra Strength (Stage 3 Pain)

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Pet Pain-Away

We will continue this focus during the remainder of 2016.

During our first quarter of 2016 and thereafter, the following has occurred:

On February 16, 2016 we announced the addition of Thomas W. Northrop as the Company's *Senior Commercial Development Officer*. Mr. Northrop, along with his affiliates at Tri-State Capital Partners LLC, will lead new marketing efforts in healthcare, governmental and military entities, aging athletes and the elderly, as well as the completion of scientifically rigorous pain relief trials in multiple settings. All of this with the goal of creating new markets and increasing sales for our OTC products.

On March 28, 2016 we engaged Brewer + Associates Consulting (www.thebrewergroup.com), for brand development, business development and public relations. Ambassador Jack Brewer and his team will be working with us to assist in overall national expansion strategy for our OTC products as well as signing new brand endorsers for Nyloxin. Their team will also help the Company in all aspects of social media and online outreach.

Cobroxin®

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

In November 2009, XenaCare began selling Cobroxin® to brick-and-mortar retailers, including distribution to CVS in March 2010 and Walgreens in May 2010. On April 1, 2011, we notified our Cobroxin® Distributor, XenaCare that they were in breach of our agreement. As a result of this, the distribution agreement was terminated effective April 10, 2011. XenaCare had a large stock of the product that they had ordered from us and we have allowed them to continue to market their existing inventory of Cobroxin®. In October, 2011 we discontinued their website at www.Cobroxin.com. All current traffic to that website is now redirected to www.Nyloxin.com. On June 10, 2013, we announced a new licensing agreement for the distribution of Cobroxin® with Cobra Pharmaceuticals, LLC. They had expected to begin a direct response campaign by the first quarter of 2014, but have not yet started and have not yet ordered any product for production. If Cobra Pharmaceuticals does not meet minimum orders by first quarter of 2015, they will lose their rights to the product and we may seek other potential distributors for Cobroxin®.

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

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

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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 Cobroxin® are rare, but may include headache, nausea, vomiting, sore throat, allergic rhinitis and coughing.

Nyloxin®/Nyloxin® Extra Strength

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

Nyloxin®

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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

Cobroxin®

Topical Gel: 20 mcg/mL

Oral Spray: 35 mcg/mL

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

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. MyNyloxin.com provides 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). MyNyloxin conducts webinars, conference calls and live meetings to support recruitment of new MIEs as well as to provide product and business education. In April of 2014, we announced that MyNyloxin.com had signed an agreement that creates the MyNyloxin Telemarketing Division (MTD). MTD began their telemarketing campaign on April 7 to identify customers for Nyloxin[®] as well as potential Distributors for MyNyloxin.com. In June of 2014, we announced that MyNyloxin had begun rolling out a national television campaign to support Nyloxin[®] branding and sales. In November of 2014, MyNyloxin.com changed their name to Lumaxa.

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. In February of 2016, we announced the addition of Thomas W. Northrop as the Company's *Senior Commercial Development Officer*. Mr. Northrop, working with Tri-State Capital Partners, LLC, a New York-based management advisory & investment firm, will be spearheading our efforts to gain approval with the US government buying agencies and the Veterans Administration.

International Sales

We are pursuing international drug registrations in Canada, Mexico, India, 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 by the end of 2016.

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 by the end of 2016.

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 the end of 2016.

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.

Critical Accounting Policies and Estimates

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

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

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

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

Revenue Recognition: In general, we record revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. Provision for sales returns will be estimated based on the Company's historical return experience.

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

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

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

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

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

Results of Operations Comparison of Three Months Periods Ended March 31, 2016 and March 31, 2015

Net sales for the three-month period ended March 31, 2016 are \$37,387 compared to \$120,998 for the three months period ended March 31, 2015. The decrease in net sales is primarily attributable to the decrease in Nyloxin[®] sales.

Cost of sales for the three-month period ended March 31, 2016 is \$7,474 compared to \$25,054 for the three-month period March 31, 2015. Our cost of sales includes the direct costs associated with Nyloxin[®] and Pet Pain-Away manufacturing. Our gross profit margin for the three-month period ended March 31, 2016 is \$29,913 or 80% compared to \$95,944 or 79.3% for the three-month period ended March 31, 2015.

Selling, general and administrative expenses (SG&A) decreased \$4,208 or 1.08% from \$388,732 for the quarter ended March 31, 2015 to \$384,524 for the quarter ended March 31, 2016, generally due to the decrease in stock based compensation of \$9,212 or 11.6% from \$79,323 for the three months period ending March 31, 2015 to \$70,111 for the three months period ending March 31, 2016, offset by the increase of approximately \$5,000 in consulting, legal and professional fees.

Interest expense increased \$10,211 or 19.28%, from \$52,956 for the quarter ended March 31, 2015 to \$63,167 for the comparable 2016 period. This increase was due to an overall increase in short term indebtedness in the quarter ended March 31, 2016 compared to the quarter ended March 31, 2015.

We carry certain of our debentures and common stock warrants at fair value. For the three months ended March 31, 2016 and 2015, the liability related to these hybrid instruments fluctuated, resulting in a loss of \$682,624 and \$18,270, respectively.

Rental income increased \$7,409 or 100%, from \$0 for the quarter ended March 31, 2015 to \$7,409 for the comparable 2016 period. This increase was due to a sublease agreement entered in April, 2015.

Gain on settlement of debt increased \$18,172 or 100%, from the gain of \$0 for the three months ended March 31, 2015 to the gain of \$18,172 for the comparable 2016 period. This increase was due to the net gain on settlement of debts through debt sale for the three months ended March 31, 2016.

As a result of the foregoing, our net loss increased by \$710,807 or 195.3%, from \$364,014 for the quarter ended March 31, 2015 to \$1,074,821 for the comparable 2016 period.

Liquidity and Capital Resources

We have incurred significant losses from operations and working capital and stockholders' deficits raise substantial doubt about our ability to continue as a going concern. Further, as stated in Note 1 to our condensed consolidated unaudited financial statements for the period ended March 31, 2016, we have an accumulated deficit of \$50,986,607 and working capital and stockholders' deficits of \$3,739,309 and \$3,965,856, respectively.

Our ability to continue as a going concern is contingent upon our ability to secure additional financing, increase ownership equity, and attain profitable operations. In addition, our ability to continue as a going concern must be considered in light of the problems, expenses and complications frequently encountered in established markets and the competitive environment in which we operate. As of March 31, 2016, we do not believe that our source of cash is adequate for the next 12 months of operation and there is substantial doubt about our ability to continue as a going concern.

Historically, we have relied upon loans from our Chief Executive Officer, Rik Deitsch, to fund our operations. These loans are unsecured, accrue interest at a rate of 4.0% per annum and are due on demand. At March 31, 2016 the balance due to officer and the Companies owned by him is \$84,507. During the three months ended March 31, 2016, we borrowed \$9,901 and repaid \$74,905 to Mr. Deitsch and the Companies owned by him.

Subsequent to March 31, 2016 and through May 26, 2016, the Company borrowed \$104,000 and repaid \$12,000 to its President, Rik Deitsch and the Companies owned by him. The amount owed to Mr. Deitsch and the Companies owned by him at May 26, 2016 was \$178,219.

As of March 31, 2016, we raised \$200,000 through issuance of promissory notes, and \$150,000, net of loan issuance cost and debt discount of \$10,870, through the issuance of convertible notes.

We expect to utilize the proceeds from these funds and additional capital to manufacture Nyloxin[®] and Pet Pain-Away and reduce our debt level. We estimate that we will require approximately \$240,000 to fund our existing operations and ReceptoPharm's operations through December 31, 2016. These costs include: (i) compensation for two (2) full-time employees; (ii) compensation for various consultants who we deem critical to our business; (iii) general office expenses including rent and utilities; (iv) product liability insurance; and (v) outside legal and accounting services. These costs reflected in (i) - (v) do not include research and development costs or other costs associated with clinical studies.

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

Uncertainties and Trends

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

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whether Cobroxin[®], Nyloxin[®], Nyloxin[®] Extra Strength and Pet Pain-Away will be accepted by retail establishments where they are sold;

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

.
whether Nyloxin® Military Strength will be successfully launched and be accepted in the marketplace;

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

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

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

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

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

.
whether we compete effectively in the intensely competitive biotechnology area;

.
whether we successfully execute our planned partnering and out-licensing products or technologies;

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whether the current economic downturn and related credit and financial market crisis will adversely affect our ability to obtain financing, conduct our operations and realize opportunities to successfully bring our technologies to market;

whether we are subject to litigation and related costs in connection with use of products;

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

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

Off-Balance Sheet Arrangements

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

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An obligation under a guarantee contract.

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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.

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

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of March 31, 2016, we carried out an evaluation under the supervision and the participation of our Chief Executive Officer/Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of March 31, 2016, as defined in Rule 13a-15 under the Securities Exchange Act of 1934 (Exchange Act). Based on that evaluation, our management, including our Chief Executive Officer/Chief Financial Officer, concluded that, because of the material weaknesses in internal control over financial reporting discussed in Section 9A of our annual report on Form 10-K, our disclosure controls and procedures were not effective, at a reasonable assurance level, as of March 31, 2016. In light of this, we performed additional post-closing procedures and analyses in order to prepare the Condensed Consolidated Unaudited Financial Statements included in this report. As a result of these procedures, we believe our Condensed Consolidated Unaudited Financial Statements included in this report present fairly, in all material respects, our financial condition, results of operations and cash flows for the periods presented. A control system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, with the company have been detected.

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

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or 15d-15 under the Exchange Act that occurred during the quarter ended March 31, 2016 that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

On August 18, 2006, ReceptoPharm was named as a defendant in Patricia Meding, et. al. v. ReceptoPharm, Inc. f/k/a Receptogen, Inc., Index No.: 18247/06 (New York Supreme Court, Queens County). The original proceeding claimed that ReceptoPharm owed the Plaintiffs, including Patricia Meding, a former ReceptoPharm officer and shareholder and several corporations that she claims to own, the sum of \$118,928.15 plus interest and counsel fees on a series promissory notes that were allegedly executed in 2001 and 2002. On August 23, 2007, the Queens County New York Supreme Court issued a decision denying Plaintiffs motion for summary judgment in lieu of a complaint, concluding that there were issues of fact concerning the enforceability of the promissory notes. On May 23, 2008, the Plaintiffs filed an amended complaint in which they reasserted their original claims and asserted new claims seeking damages of no less than \$768,506 on their claims that in or about June 2004 ReceptoPharm breached its fiduciary duty to the Plaintiffs as shareholders of ReceptoPharm by wrongfully canceling certain of their purported ReceptoPharm share certificates. In late 2010, Plaintiffs further amended their complaint alleging that ReceptoPharm violated Plaintiffs contractual and statutory rights by cancelling an additional 30,370 share certificates and failing to permit the Plaintiffs

to exercise dissenting shareholder rights with respect to those share certificates. The damages associated with the Plaintiffs' claims could rise as the result of increases in our share price as the Receptopharm shares may be convertible into our common shares. The potential exposure may exceed \$10,000,000 if the Plaintiffs are successful with all of their claims.

On June 1, 2015, the parties executed a settlement agreement whereby ReceptoPharm would pay the Plaintiffs 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. The settlement requires 32 subsequent monthly \$10,000 payments to be made on the 15th of every month. Payments were made in September 2015 through March 2016. 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 March 31, 2016, the Company has accrued the legal settlement amount at present value of \$220,232 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. Mr. Deitsch and Nutra Pharma Corp. moved to dismiss the Complaint on several grounds including statute of frauds, failure to state a claim, and jurisdiction (only for Mr. Deitsch).

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

On June 11, 2012, LPR sold their debt to Southridge Partners, LLP in an agreement to be paid out over time. In August, 2013, LPR cancelled their agreement with Southridge Partners, LLP. As of March 31, 2016, LPR continues to hold the collateral stock. We are currently negotiating a settlement with LPR. Upon the settlement of the outstanding debt, LPR will return the collateral shares to the Company.

Involuntary Petition of Bankruptcy

On August 31, 2012, certain former ReceptoPharm employees and a former ReceptoPharm consultant filed a Petition for Involuntary Bankruptcy against us in the United States Bankruptcy Court, Southern District of Florida. The Petitioners originally claimed they were owed \$990,927 from Nutra Pharma in the form of accrued wages and promissory notes, but amended their claim to \$816,662 in a subsequent filing. In response to the Petition, we filed a motion to dismiss the action which, if successful, would avoid the case being converted into an actual bankruptcy action. On September 30, 2013, the Company entered into a Settlement Agreement with the Petitioners, which is effective upon the court dismissal of the action. In full and final satisfaction of all claims, the Company settled the Agreement with the Petitioners for a total sum of \$350,000. \$35,000 was made during the year ended December 31, 2013 and a second lump sum payment was due within 8 months from February 12, 2014, the date the court dismissed the action. The Parties executed mutual releases exclusive of releases under the Settlement Agreement. On October 21, 2014 we received a Notice of Default from the Petitioners' counsel. We have responded to the notice and will be

seeking remedies to the alleged default. During December 2015, the Petitioner's claims and accruals for a total of \$1,085,468 that have passed the statute of limitation were written off, included in the amount was the accrued salary of \$815,747, officer's loan and accrued interest for \$129,466, salary and payroll tax payable of \$140,255. Since the Petitioners can only reinforce the settlement amount due to passing of statute of limitation, the Company has 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 March 31, 2016.

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

Private Placements of Common Stock

During March 2016, the Company sold 916,667 shares of restricted common stock to investors at a price per share of \$0.06 and received proceeds of \$55,000. The Company issued 916,667 warrants to purchase common stock at an exercise price of \$0.10 per share. The warrants expire on March 31, 2017.

Common Stock Issued with Debts

In January 2016, in connection with the issuance of a note payable to a non-related party in the amount of \$100,000 which is due in six months from the funding of the note, the Company issued a total of 68,000 shares of common stock with a fair value of \$2,969 as part of the agreement.

In January 2016, in connection with the issuance of a note payable to a non-related party in the amount of \$50,000 which is due in six months from the funding of the note, the Company issued a total of 350,000 shares of common stock with a fair value of \$8,915 as part of the agreement.

Common Stock Issued for Settlement of Debt

On February 10, 2016, the balance of \$75,000 of a convertible note payable to a non-related party was assigned and sold in the form of a Convertible Redeemable Note. During March 2016, the Note holder made a conversion of 6,696,428 shares of the company's restricted stock satisfying the note in full with a fair value of \$140,763.

Following the assignment of debt of \$144,642 on December 15, 2015, Coventry made conversions of a total of 5,494,451 shares of the company's restricted stock satisfying the remaining note in full with a fair value of \$198,546 during January through March, 2016.

Date	Number of shares converted	Fair Value of Debt Converted
1/5/2016	1,872,659	\$ 93,838
2/3/2016	757,575	19,960
2/11/2016	800,000	32,413
2/23/2016	1,171,360	33,666
3/7/2016	892,857	18,669

During the three months ended March 31, 2016, Vista made conversions for a total of 3,550,000 satisfying \$51,054 of the note.

Date	Number of shares converted	Fair Value of Debt Converted
1/5/2016	350,000	\$ 15,998
1/20/2016	550,000	15,218
2/2/2016	550,000	13,255
2/12/2016	1,000,000	60,449
2/29/2016	1,100,000	23,669

During January through March, 2016, the Note holder made a conversion of total of 8,348,252 shares of stocks satisfying \$58,753 of notes payable of \$275,000 originated in April 2015 with a fair value of \$165,178.

Date	Number of shares converted	Fair Value of Debt Converted
1/13/2016	1,748,252	\$ 42,308

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2/8/2016	2,000,000	51,404
2/18/2016	1,000,000	33,666
3/16/2016	3,600,000	37,800

During March 2016, the Company issued a total of 1,000,000 shares of the company's restricted stock to settle the outstanding debt of \$10,000 with accrued interest of \$1,262 with the Note holder. The shares were recorded at a fair value of \$19,900 or \$0.0199 per share. The Company recorded a loss of \$8,638 during the three months ended March 31, 2016.

Common Stock Issued for Services

During April 2016, the Company signed an agreement with a consulting company for consulting services for six months. In connection with the agreement, 700,000 shares of company's restricted common stocks were issued.

Item 3. Defaults Upon Senior Securities

During the third quarter of 2010 we borrowed \$200,000 from one of our directors. We repaid a total of \$180,000 as of March 31, 2016. 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. At March 31, 2016, we owed this director accrued interest of \$194,211.

On June 11, 2012, LPR sold their remaining debt, which included legal fees, of \$281,772 to Southridge Partners, LLP in an agreement to be paid out over time. In August, 2013, LPR cancelled their agreement with Southridge Partners, LLP. As of March 31, 2015, LPR continues to hold the collateral stock. We are currently negotiating a settlement with LPR. Upon the settlement of the outstanding debt, LPR will return the collateral shares to the Company.

On August 31, 2012, certain former ReceptoPharm employees and a former ReceptoPharm consultant filed a Petition for Involuntary Bankruptcy against us in the United States Bankruptcy Court, Southern District of Florida. On September 30, 2013, the Company entered into a Settlement Agreement with the Petitioners, which was effective upon the court dismissal of the action. In full and final satisfaction of all claims, the Company settled the Agreement with the Petitioners for a total sum of \$350,000. \$35,000 has been paid and a second lump sum payment was due within 8 months from February 12, 2014, the date the court dismissed the action. The Parties executed mutual releases exclusive of releases under the Settlement Agreement. On October 21, 2014 we received a Notice of Default from the Petitioners' counsel. We have responded to the notice and will be seeking remedies to the default. During December 2015, the Petitioner's claims and accruals for a total of \$1,085,468 that have passed the statute of limitation were written off, included in the amount was the accrued salary of \$815,747, officer's loan and accrued interest for \$129,466, salary and payroll tax payable of \$140,255. Since the Petitioners can only reinforce the settlement amount due to passing of statute of limitation, the Company has 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 March 31, 2016.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None

Item 6. Exhibits

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

SIGNATURES

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

NUTRA PHARMA CORP.
Registrant

Dated: May 27, 2016

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