NUTRA PHARMA CORP
Form 10QSB
November 14, 2006

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

**FORM 10-QSB**

(Mark One)

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

For the quarterly period ended September 30, 2006

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

For the transition period from _____ to _____

Commission file number 000-32141

**NUTRA PHARMA CORP.**
(Name of registrant as specified in its charter)

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

**791 Park of Commerce Blvd, Suite 300, Boca Raton, FL 33487**
(Address of principal executive offices)

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

(Former name, former address and former fiscal year, if changed since last report)

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

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

As of November 13, 2006, there were 73,211,432 shares of common stock issued and outstanding.

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

TABLE OF CONTENTS

**PART I FINANCIAL INFORMATION**

**Item 1. Financial Statements**

NUTRA PHARMA CORP.
(A Development Stage Company)
Consolidated Balance Sheet - Unaudited
September 30, 2006

| | | |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash | $ | 53,875 |
| Inventory | | 11,425 |
| Total current assets | | 65,300 |
| Property and equipment, net | | 39,585 |
| Other assets | | 34,399 |
| TOTAL ASSETS | $ | 139,284 |
| | | |
| LIABILITIES AND STOCKHOLDERS' (DEFICIT) | | |
| Current liabilities: | | |
| Accounts payable | $ | 101,495 |
| Accrued expenses | | 438,057 |
| Due to officers | | 999,224 |
| Total current liabilities | | 1,538,776 |
| Stockholders' (deficit): | | |
| Common stock, $0.001 par value, 2.0 billion shares authorized; 73,211,432 shares issued and outstanding | | 73,211 |
| Additional paid-in capital | | 18,000,426 |
| (Deficit) accumulated during the development stage | | (19,473,129) |
| Total stockholders' (deficit) | | (1,399,492) |
| TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) | $ | 139,284 |

See the accompanying notes to the financial statements.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | | For the Period From February 1, 2000 (Inception) Through September 30, |
|---|---|---|---|---|---|
| | 2005 | 2006 | 2005 | 2006 | 2006 |
| Sales | $ - | $ 400 | $ - | $ 20,200 | $ 20,200 |
| Cost of sales | - | 66 | - | 3,472 | 3,472 |
| | | - | - | - | - |
| Gross profit | - | 334 | - | 16,728 | 16,728 |
| Costs and expenses: | | | | | |
| General and administrative | 419,299 | 340,191 | 1,328,488 | 1,047,339 | 6,037,840 |
| Research and development | 66,320 | 181,617 | 171,819 | 331,750 | 1,661,067 |
| General and administrative - stock based compensation | 555,385 | 85,053 | 1,355,190 | 597,803 | 6,318,989 |
| Write-off of advances to potential acquiree | - | - | - | - | 629,000 |
| Finance costs | - | - | - | - | 786,000 |
| Interest expense | - | - | 269,684 | - | 274,390 |
| Amortization of license agreement | - | - | - | - | 155,210 |
| Amortization of intangibles | - | - | - | - | 656,732 |
| Losses on settlements | - | - | - | - | 1,261,284 |
| Write-down of investment in subsidiary | - | - | - | - | 620,805 |
| Equity in loss of unconsolidated subsidiary | - | - | - | - | 853,540 |
| Write-off of investment in Portage BioMed | - | - | - | - | 60,000 |
| Write-off of investment in Xenacare | - | - | - | - | 175,000 |
| Total costs and expenses | 1,041,004 | 606,861 | 3,125,181 | 1,976,892 | 19,489,857 |
| Net loss before provision (benefit) for income taxes | (1,041,004) | (606,527) | (3,125,181) | (1,960,164) | (19,473,129) |
| Provision (benefit) for income taxes | - | - | - | - | - |
| Net loss | $ (1,041,004) | $ (606,527) | $ (3,125,181) | $ (1,960,164) | $ (19,473,129) |

| | | | | |
|---|---|---|---|---|
| Per share information - basic and diluted: | | | | |
| Loss per common share | $ (0.02) | $ (0.01) | $ (0.05) | $ (0.03) |
| Weighted average common shares outstanding | 67,900,878 | 72,520,021 | 62,863,086 | 71,092,017 |

See the accompanying notes to the financial statements.

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

| | Nine Months Ended September 30, | | For the Period From February 1, 2000 (Inception) Through September 30, |
|---|---|---|---|
| | 2005 | 2006 | 2006 |
| Cash flows from operating activities: | | | |
| Net cash (used in) operating activities | $ (1,369,678) | $ (1,398,054) | $ (4,543,718) |
| Cash flows from investing activities: | | | |
| Cash reduction due to deconsolidation of Nanologix | - | - | (2,997) |
| Cash acquired in acquisition of Nanologix | - | - | 3,004 |
| Acquisition of property and equipment | (5,114) | - | (86,140) |
| Amounts paid for investments | (130,000) | - | (235,000) |
| Net cash (used in) investing activities | (135,114) | - | (321,133) |
| Cash flows from financing activities: | | | |
| Common stock issued for cash | 1,079,800 | 622,000 | 2,679,500 |
| Proceeds from convertible loans | - | - | 304,750 |
| Loans from stockholders, net of repayments | 33,000 | 760,902 | 1,934,476 |
| Net cash provided by financing activities | 1,112,800 | 1,382,902 | 4,918,726 |
| Net increase (decrease) in cash | (391,992) | (15,152) | 53,875 |
| Cash - beginning of period | 409,432 | 69,027 | - |
| Cash - end of period | $ 17,440 | $ 53,875 | $ 53,875 |

See the accompanying notes to the financial statements.

Notes to Consolidated Unaudited Financial Statements
September 30, 2006

1. BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information and Item 310(b) of Regulation S-B. They do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year. For further information, refer to the financial statements of the Company as of December 31, 2005, and for the two years then ended, including notes thereto included in the Company's Form 10-KSB.

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense. Actual results may differ from these estimates.

Principles of Consolidation

The consolidated financial statements presented herein include the accounts of Nutra Pharma and its subsidiaries, ReceptoPharm, Inc. and Designer Diagnostics Inc. (collectively, the "Company").

Income (Loss) per Share

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

2. BASIS OF REPORTING

The Company's financial statements are presented on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. For the nine months ended September 30, 2006, the Company incurred a net loss of $1,960,164. At September 30, 2006, the Company had negative working capital of $1,473,476 and an accumulated deficit of $19,473,129.

The Company's ability to continue as a going concern is contingent upon its ability to secure additional financing, increase ownership equity, and attain profitable operations. In addition, the Company's ability to continue as a going concern must be considered in light of the problems, expenses and complications frequently encountered in established markets and the competitive environment in which the Company operates.

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

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

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

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

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

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

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

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

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

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

$210,000 (see Note 7).

4. ACQUISITION OF RECEPTOPHARM, INC.

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

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

At December 31, 2005, the Company had funded a total of $1,860,000 to ReceptoPharm under the Agreement, which equated to a 37% ownership interest in ReceptoPharm. In February 2006, the Company funded an additional $140,000 to ReceptoPharm, thereby completing the $2,000,000 investment. As of September 30, 2006, the Company owns 4,444,445 shares or 38% of the issued and outstanding common equity of ReceptoPharm. As of September 30, 2006, the Company had loaned $625,000 to ReceptoPharm for working capital purposes.

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

5. DUE TO OFFICERS

During the nine months ended September 30, 2006, the Company borrowed an additional $803,375 from its President, Rik Deitsch, increasing the total amount owed under to Mr. Deitsch to $893,375 at September 30, 2006. This demand loan is unsecured and non-interest bearing through December 31, 2006, at which time interest shall accrue at 5% per anum.

At September 30, 2006, the balance of the demand loans owed to the officers of ReceptoPharm was $105,849. These demand loans are unsecured and bear interest at a rate of 4.25%.

6. STOCKHOLDERS' DEFICIT

During the nine months ended September 30, 2006, the Company sold an aggregate of 3,110,000 shares of restricted common stock at $0.20 per share to accredited investors and received proceeds of $622,000.

During the nine months ended September 30, 2006, the Company issued an aggregate of 804,250 shares of its common stock valued at fair market value for services of $116,553 and Receptopharm issued shares of its common stock valued at fair market value for services of $11,250.

7. STOCK OPTIONS

Nanologix Inc.

On January 25, 2006, the Company and Nanologix entered into a definitive agreement pursuant to which Nanologix agreed to assign its ownership of 11 patents to the Company which protect Nanologix' infectious disease diagnostic test kit technology (See Note 3.) In connection with this agreement, the Company also issued Nanologix a five-year option to purchase 1,000,000 of the Company's common stock at an exercise price of $.20. This option vested immediately on January 25, 2006, the date of grant. The Company recorded stock based compensation expense of $210,000 to reflect the fair value of the option grant. The fair value of the option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected volatility 125%; risk-free interest rate of 4.0%; expected life of 5 years; and no expected dividends.

Doherty & Company, LLC

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

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

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

A summary of stock options is as follows:

| | Number of shares | Weighted average exercise price | Weighted average fair value |
|---|---|---|---|
| Balance at December 31, 2005 | - | | |
| Issued | 3,000,000 | $ .25 | $ .16 |
| Balance at September 30, 2006 | 3,000,000 | $ .25 | $ .16 |

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

| | | Outstanding | |
|---|---|---|---|
| Exercise Prices | Weighted Average | Weighted Average | Weighted-Average |

| | Number Outstanding | Contractual Life | Exercise Price |
|---|---|---|---|
| $.20 | 1,000,000 | 4.3 years | $ .20 |
| $.27 | 2,000,000 | 1.5 years | $ .27 |
| | 3,000,000 | | |

All options are vested and exercisable.

8. CONTINGENCIES

On April 4, 2005, a Motion to Enforce Settlement Agreement was filed against the Company in the Circuit Court of Broward County Florida by Bio Therapeutics, Inc. f/k/a Phylomed Corp. in Nutra Pharma Corp. v. Bio Therapeutics, Inc. (17th Judicial Circuit, Case No. 03-008928 (0). This proceeding results from the Company's alleged breach of a settlement agreement that was entered into between Bio Therapeutics and the Company in resolution of a previous lawsuit between the Company and Bio Therapeutics that was resolved by entering into a Settlement Agreement. The Company also entered into a related License Agreement and Amendment to the License Agreement ("License Agreement") with Bio Therapeutics. In the April 4, 2005 motion, Bio Therapeutics alleges that the Company breached certain provisions of the License Agreement and requests that the Court grant its motion to enforce the Settlement Agreement by declaring the License Agreement terminated, enjoining the Company from further use of license products that was granted to the Company by the License Agreement, and awarding attorneys' fees and costs to Bio Therapeutics.

The Company intends to defend against this action. The Company does not believe that this action will have a material effect upon its operations; and if the license agreement is terminated does not believe there will be a material negative impact on the Company.

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

Forward-Looking Statements

The following discussion and analysis contains forward-looking statements and should be read in conjunction with our financial statements and related notes. For purposes of this Plan of Operations, Nutra Pharma Corp. is referred to herein as "we," "us," or "our." This discussion and analysis contains forward-looking statements based on our current expectations, assumptions, estimates and projections overview. The words or phrases "believe," "expect," "may," "should," "anticipates" or similar expressions are intended to identify "forward-looking statements". Actual results could differ materially from those projected in the forward-looking statements as a result of the following risks and uncertainties, including: (a) we have experienced recurring net losses and a working capital deficiency, which raises substantial doubt about our ability to continue as a going concern; (b) our history of losses makes it difficult to evaluate our current and future business and our future financial results; (c) our continued operations are dependent upon obtaining equity or other financing; should we be unable to obtain such financing, we will be unable to continue our operations; (d) our inability to retain and attract key personnel could adversely affect our business; (e) we are subject to substantial Federal Drug Administration and other regulations and related costs which may adversely affect our operations; (f) a market for our potential products may never develop; (g) if we fail to adequately protect our patents, we may be unable to proceed with development of potential drug products; (h) we are dependent upon patents, licenses and other proprietary rights from third parties; should we lose such rights our operations will be negatively affected; (i) because our competitors have superior financial and technical resources, we may be unable to compete against our competitors in the medical device and biopharmaceutical markets; (j) issuance of a substantial amount of shares of our common stock to consultants and for acquisitions has and may in the future have a dilutive effect on the value of our common stock; (k) our Plan of Operations has been substantially delayed due to lack of financing; (l) should we lose the services of our Chief Executive Officer, Rik Deitsch, our operations will be negatively impacted; and (m) we have entered into acquisition agreements which were later rescinded, which has delayed and otherwise negatively affected our operations

Overview

We are a biopharmaceutical company specializing in the acquisition, licensing and commercialization of pharmaceutical products, medical devices and technologies for the management of neurological disorders, cancer, autoimmune and infectious diseases. Entities with which we are affiliated conduct basic drug discovery research and clinical development in connection with the following disorders and diseases:

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

We will continue to attempt to develop therapeutic approaches to diseases that lack therapeutic options in the current market.

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

We will continue our efforts to identify and acquire intellectual property and companies in the biotechnology arena. Our mid term strategy is to license our AMN, MS and HIV technologies in our attempt to bring these technologies to market within the next five years.

Our potential revenue segments are composed of licensing revenues, drug sales, and test sale kits.

Uncertainties and Trends

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

- Successful drugs by our competitors that may render our technologies difficult to market;
- Whether we are successful in establishing licensing agreements and/or establishing strategic partnerships or alliances with pharmaceutical companies, biotechnology companies, and clinical diagnostic laboratories that would provide us with licensing fees; and
- Whether the Federal Food and Drug Administration imposes additional requirements in connection with drug approvals, which will lead to additional costs and delays;

PLAN OF OPERATIONS

Pending adequate financing, we plan on spending total estimated expenses of $500,000 for the next 12 months, which will include: (a) $380,000 pertaining directly to our own operations and (b) $120,000 pertaining to funding Designer Diagnostics' operations.

EXPENSES PERTAINING TO OUR OPERATIONS

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

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

FUNDING OF DESIGNER DIAGNOSTICS, INC.

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

10

OUR PLAN OF OPERATIONS TO DATE:

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

- In February 2006, we completed the initial funding of ReceptoPharm in the amount of $2,000,000.
- In January 2006, we established Designer Diagnostics to sell NonTuberculois Mycobacterium test kits.
- To date, we have invested a total of $175,000 of a $250,000 committed investment in XenaCare for the investment in 15 Site of Care physician's offices with XenaCare, LLC, a healthcare management company.
- On January 24, 2006, we obtained NanoLogix's intellectual property pertaining to the manufacture of test kits for the rapid isolation, detection and antibiotic sensitivity testing of certain microbacteria, which includes reassignment to us of 11 key patents protecting the diagnostics test kit technology and NanoLogix licensing to us the remaining 18 patents that protect the diagnostics test kit technology.
- Designer Diagnostics held a Continuing Medical Education Seminar at the Mahatma Gandhi Institute in India on March 24, 2006 during the World Stop TB Day. At that meeting, Designer Diagnostics officially began marketing their test kits for the rapid isolation, detection and antibiotic-sensitivity testing of microbacteria. In March 2006, we made our first sales of Designer Diagnostics' test kits.
- In approximately October 2005, we completed pre-clinical studies with various companies that ReceptoPharm has agreements with pertaining to ReceptoPharm's Multiple Sclerosis (MS) and HIV drugs, which consisted of (a) and (b) below:

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

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

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

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

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

- In June of 2006, ReceptoPharm signed a non-binding Letter-of-Intent to be acquired in full by Nutra Pharma.

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

OUR TWELVE-MONTH PLAN OF OPERATIONS PENDING ADEQUATE FINANCING

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

*Designer Diagnostics, Inc.*

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

- Hospitals;

- Pharmaceutical companies;

- Biotechnology companies;

- Medical device distributors; and

- Governmental organizations.

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

Third-party researchers are currently validating Designer Diagnostics' TB Test Kit and we expect the research to be completed by the end of our first quarter of 2007. Designer Diagnostics has an agreement in principle with Svizera Pharmaceuticals in India for the distribution of these Test Kits. This distribution agreement is contingent upon a thirty-day test of the TB Test Kits and required validation. Svizera is the exclusive supplier of current TB diagnostic kits to the World Health Organization. During 2005, Svizera supplied over 15 million of those kits to the World Health Organization.

Designer Diagnostics' President will attempt to develop a distribution network and actively market the test kits to supply administrators of hospitals, pharmaceutical and biotechnology companies, medical device distributors, and governmental organizations. Additionally, Designer Diagnostics will attempt to acquire other medical diagnostic products to market primarily to distributors, but also to pharmaceutical and biotechnology companies and government organizations.

*Designer Diagnostics' President*

The responsibilities of Designer Diagnostic's President will primarily focus on seeking license agreements to develop revenue streams in the area of drug discovery, drug development, and new medical device technologies.

*ReceptoPharm*

Clinical Studies

ReceptoPharm plans to conduct the clinical studies described in (a) and (b) below:

(a) Adrenomyeloneuropathy (AMN)

Adrenomyeloneuropathy (AMN) is a genetic disorder that affects the central nervous system. The disease causes neurological disability that is slowly progressive over several decades. Throughout our twelve month Plan of Operations and for 3 months thereafter, ReceptoPharm plans to conduct clinical studies of its Adrenomyeloneuropathy (AMN) drug, which is currently under development. ReceptoPharm has an agreement with the Charles Dent Metabolic Unit located in London, England to conduct a clinical study that provides for:

- Recruitment of 20 patients with AMN;
- Administering ReceptoPharm's AMN drug under development; and
- Monitoring patients throughout a 15-month protocol.

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

(b) HIV and MS

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

*Acquisition of ReceptoPharm*

In June of 2006, we signed a Letter of Intent with ReceptoPharm to fully acquire ReceptoPharm. We currently own 38.1% of ReceptoPharm. To complete the acquisition of ReceptoPharm we would be required to purchase the remaining 61.9%. The parties have not executed an acquisition agreement, nor have the final terms of such agreement been finalized.

Liquidity and Capital Resources

Our independent registered public accounting firm has issued a going concern opinion on our audited financial statements for the fiscal year ended December 31, 2005 since we have experienced recurring net losses and at December 31, 2005, a working capital deficiency. Further, as stated in Note 1 to our consolidated financial statements for the year ended December 31, 2005, we have experienced recurring net losses, and at December 31, 2005 we have a working capital deficiency that raises substantial doubt about our ability to continue as a going concern. For the nine months ended September 30, 2006, we incurred a net loss of $1,960,164. Additionally, for the nine months ended September 30, 2006, we have negative working capital of $1,473,476 and since our inception, we have an accumulated deficit of $19,473,129.

We have estimated expenses of $500,000 pertaining to our twelve month Plan of Operations or $41,666 of monthly expenditures. Based upon our current cash at September 30, 2006 of $53,875, we have funds sufficient to conduct our operations for only one month.

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

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

· Sell or dispose of our assets, if any;

· Pay our liabilities in order of priority, if we have available cash to pay such liabilities;

· If any cash remains after we satisfy amounts due to our creditors, distribute any remaining cash to our shareholders in an amount equal to the net market value of our net assets;

· File a Certificate of Dissolution with the State of California to dissolve our corporation and close our business;

· Make the appropriate filings with the Securities and Exchange Commission so that we will no longer be required to file periodic and other required reports with the Securities and Exchange Commission, if, in fact, we are a reporting company at that time; and

· Make the appropriate filings with the Securities and Exchange Commission so that we will no longer be required to file periodic and other required reports with the Securities and Exchange Commission, if, in fact, we are a reporting company at that time; and

· Make the appropriate filings with the National Association of Security Dealers to effect a delisting of our common stock, if, in fact, our common stock is trading on the Over-the-Counter Bulletin Board at that time.

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

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

Item 3. Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-QSB, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls

and procedures. This evaluation was carried out by our sole executive officer, Rik Deitsch, who is our chief executive officer and chief financial officer, and a member of our board of directors. Based upon his evaluation, Mr. Deitsch concluded that our disclosure controls and procedures are effective.

There have been no changes in our system of internal control over financial reporting in connection with the evaluation by our principal executive officer and principal financial officer during our fiscal quarter ended September 30, 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are no legal proceedings that occurred during the quarter ending September 30, 2006 that are reportable nor are there any material developments pertaining to the legal proceeding previously reported in our Form 10-KSB for the year ending December 31, 2005 as well as Note 8 to our financial statements included herein.

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

During the three months ended September 30, 2006 we issued or sold shares of our restricted common stock for cash and for services rendered. We relied upon Sections 4(2) and 4(6) of the Securities Act of 1933, as amended ("the Act") in connection with the sales/issuances of these shares. We believed Sections 4(2) and 4(6) were available because:

- We are not and were not a blank check company at the time of the offer or sale;
- The investors had business experience and were accredited investors as defined by Rule 501 of Regulation D of the Act;
- All offers and sales of the investment were made privately and no party engaged in any general solicitation or advertising of the proposed investment;
- Each investor had a preexisting social, personal or business relationship with us and members of our management;
- The investors were provided with all information sufficient to allow them to make an informed investment decision;
- The investors had the opportunity to inspect our books and records and to verify statements made to induce them to invest;
- The securities representing the investment were issued with a restrictive legend indicating the securities represented by the certificate have not been registered; and
- No party received any transaction-based compensation such as commissions in regard to locating any investor for the venture.

The issuances/sales of our restricted common stock were as follows:

On July 13, 2006, we sold 50,000 shares of our restricted common stock to an accredited investor at $0.20 per share for proceeds of $10,000.

On August 14, 2006, we issued an aggregate of 454,250 shares of our restricted common stock to a consultant in exchange for services rendered pertaining to due diligence, marketing and aid in the distribution of Designer Diagnostics' Test Kits.

On August 14, 2006, we issued an aggregate of 100,000 shares of our restricted common stock to a consultant in exchange for services pertaining to corporate public relations and investor relations.

On August 14, 2006, we issued an aggregate of 100,000 shares of our restricted common stock to a consultant in exchange for services pertaining to due diligence of a potential acquisition.

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

On July 14, 2006, our Board of Directors approved our adoption of amended and restated bylaws.

Item 6. Exhibits

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

SIGNATURES

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

Dated: November 14, 2006

NUTRA PHARMA CORP.
Registrant

/s/ Rik J. Deitsch

Rik J. Deitsch
Chief Executive Officer and Chief Financial Officer