

Edgar Filing: NUTRA PHARMA CORP - Form 10QSB

NUTRA PHARMA CORP  
Form 10QSB  
December 21, 2004

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

FORM 10-QSB

(Mark One)

- (X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2004
- ( ) TRANSITION REPORT PURSUANT OF SECTION 13 OR 15(d) OF THE EXCHANGE ACT  
For the transition period \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-32141

NUTRA PHARMA CORP.

(Exact name of registrant as specified in its charter)

California

(State or other jurisdiction of incorporation or organization)

91-2021600

(IRS Employer I.D. Number)

1829 Corporate Drive, Boynton Beach, FL  
(Address of principal executive offices)

33426  
(Zip Code)

Registrant's telephone number: (954) 509-0911

Indicate by check mark whether the registrant (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 [ ]

There were 54,099,457 shares of Common Stock outstanding as of December 20, 2004.

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

PART 1 FINANCIAL INFORMATION

NUTRA PHARMA CORP.  
(A Development Stage Company)

Condensed Consolidated Balance Sheets - Unaudited

September 30,	
2003	2004
=====	=====
As Restated	
(See Note B-2)	

ASSETS

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Current assets:		
Cash	\$ -	\$ 37,068
	-----	-----
Total current assets	-	37,068
Investment in Infectech, Inc. (including advances of \$46,478)	-	1,068,655
Other assets	-	31,960
	-----	-----
	\$ -	\$ 1,137,683
	=====	=====

**LIABILITIES AND STOCKHOLDERS' EQUITY (CAPITAL DEFICIT)**

Current liabilities:		
Accounts payable	\$ -	\$ 113,837
Accrued expenses	7,000	169,669
Demand loans - stockholders	62,703	-
Convertible loans	-	98,000
	-----	-----
Total current liabilities	69,703	381,506

Commitments and contingencies

Stockholders' equity (capital deficit):

Common stock, \$0.001 par value, 2.0 billion shares authorized, 42,086,328 and 52,629,440 shares outstanding at September 30, 2003 and 2004 respectively	42,086	52,629
Additional paid-in capital	3,171,322	10,473,551
Deficit accumulated during the development stage	(3,283,111)	(9,770,003)
	-----	-----
	(69,703)	756,177
	-----	-----
	\$ -	\$ 1,137,683
	=====	=====

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*See notes to condensed financial statements*

1

**NUTRA PHARMA CORP.**  
**(A Development Stage Company)**

**Condensed Consolidated Statements of Operations - Unaudited**

Three Months Ended September 30,		Nine Months Ended Septem	
2003	2004	2003	2004
=====	=====	=====	=====

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	As Restated (See Note B-2)		As Restated (See Note B-2)	
Revenue	\$ -	\$ -	\$ -	\$ -
Costs and expenses:				
General and administrative	350,976	585,974	707,119	2,
Research and development	-	4,135	-	
Write-off of advances to potential acquiree	-	-	-	
Finance costs	-	-	786,000	
Amortization of license agreement	-	-	-	
Amortization of intangibles	-	188,758	-	
Losses on settlements	-	955,069	229,500	
Write-down of investment in	-	620,805	-	
Infected, Inc.				
Total costs and expenses	350,976	2,354,741	1,722,619	5,
Net loss before provision (benefit) for income taxes	-	(2,354,741)	-	(5,
Provision (benefit) for income taxes	-	(75,503)	-	(
Net loss	\$ (350,976)	\$ (2,279,238)	\$ (1,722,619)	\$ (5,
<b>Loss per common share - basic and   diluted</b>	\$ (0.01)	\$ (0.04)	\$ (0.05)	
<b>Weighted average common shares   outstanding</b>	41,868,856	50,683,619	36,322,258	50,

See notes to condensed financial statements

**NUTRA PHARMA CORP.**  
**(A Development Stage Company)**

**Condensed Consolidated Statements of Changes in Stockholders' Equity (Capital Deficit)**

	Common Stock		Additional	Deficit
	Shares	Par Value	Paid-in Capital	Accumulated During the Development Stage
	=====	=====	=====	=====
<b>Balance - December 31, 2003</b>	47,668,877	47,669	7,814,132	(4,373,948)
Issuance of common stock in exchange for services (\$.59 to \$.66 per share)	2,480,000	2,480	1,589,720	-
Cancellation of common stock issued in connection with rescission of Acquisition	(180,000)	(180)	180	-
Cancellation of common stock issued				

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in connection with settlement with third parties	(120,000)	(120)	120	-	
Issuance of common stock in connection with acquisition (\$.85 per share)	426,275	426	361,908	-	
Net loss	-	-	-	(2,577,648)	(
<b>Balance - March 31, 2004 - Unaudited</b>	50,275,152	50,275	9,766,060	(6,951,596)	
Cancellation of common stock issued in connection with rescission of acquisition	(4,000)	(4)	4	-	
Net loss	-	-	-	(539,169)	
<b>Balance - June 30, 2004 - Unaudited</b>	50,271,152	50,271	9,766,064	(7,490,765)	
Cancellation of common stock issued in connection with rescission of Acquisition	(15,000)	(15)	15	-	
Issuance of common stock in connection with acquisition (\$.85 per share)	293,288	293	249,002	-	
Issuance of common stock in exchange for services (\$.26 to \$.30 per share)	1,035,000	1,035	281,865	-	
Issuance of common stock for cash (\$0.17 per share)	1,045,000	1,045	176,605	-	
Net loss	-	-	-	(2,279,238)	(
<b>Balance - September 30, 2004 - Unaudited</b>	52,629,440	\$ 52,629	\$10,473,551	\$ (9,770,003)	\$

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See notes to condensed financial statements

**NUTRA PHARMA CORP.**  
**(A Development Stage Company)**

**Condensed Consolidated Statements of Cash Flows - Unaudited**

	Nine Months Ended September 30,		For the Period From February 1, 2000 (Inception) Through September 30,
	2003	2004	2004
	=====	=====	=====
<b>Cash flows from operating activities:</b>			
Net loss	\$ (1,722,619)	\$ (5,396,055)	\$ (9,770,003)
Adjustments to reconcile net loss to net cash used in operating activities:			
Deferred taxes	-	(219,840)	(262,693)
Amortization of intangibles	-	549,599	656,732
Amortization of license agreement	-	-	155,210
Write-off of advances to potential acquiree	-	-	629,000
Stock-based compensation	637,417	1,875,100	3,983,847

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Finance costs in connection with conversion of stockholder loan into common stock	786,000	-	786,000
Expenses paid by stockholder	69,702	355,000	474,140
Losses on settlements	229,500	955,069	1,261,284
Write-down of investment in Infectech, Inc.	-	620,805	620,805
Changes in operating assets and liabilities:			
(Increase) decrease in other assets	-	(31,960)	(31,960)
Increase (decrease) in accounts payable	-	98,283	123,928
Increase (decrease) in accrued expenses	-	(102,230)	(26,392)
	-----	-----	-----
Net cash used in operating activities	-	(1,296,229)	(1,400,102)
	-----	-----	-----
<b>Cash flows from investing activities:</b>			
Cash reduction due to deconsolidation of Infectech	-	(2,997)	(2,997)
Cash acquired in acquisition of Infectech	-	-	3,004
	-----	-----	-----
Net cash (used in) provided by investing activities	-	(2,997)	7
	-----	-----	-----
<b>Cash flows from financing activities:</b>			
Common stock issued for cash	-	177,650	202,650
Proceeds from convertible loans	-	73,000	73,000
Loans from stockholders	-	1,038,513	1,161,513
	-----	-----	-----
Net cash provided by financing activities	-	1,289,163	1,437,163
	-----	-----	-----
<b>Net increase (decrease) in cash</b>	-	(10,063)	37,068
Cash - beginning of period	-	47,131	-
	-----	-----	-----
<b>Cash - end of period</b>	\$ -	\$ 37,068	\$ 37,068
	=====	=====	=====
<b>Non-cash investing and financing activities:</b>			
Assumption of obligation under license agreement			\$ 1,750,000
Value of shares issued as consideration in acquisition of Nutra Pharma, Inc.			\$ 112,500
Payments of license fee obligation by stockholder			\$ 208,550
Conversion of stockholder loan to common stock			\$ 862,012
Expenses paid by stockholder	\$ 69,702	\$ 355,000	\$ 474,140
Loan advances to Bio Therapeutics, Inc. by stockholder			\$ 629,000
Value of common stock issued as consideration in acquisition of Infectech, Inc.		\$ 611,629	\$ 4,438,796
Liabilities assumed in acquisition of Infectech, Inc.			\$ 115,586
Cancellation of common stock	\$ 2,055	319	\$ 14,806
Value of common stock issued by stockholder to third party in connection with settlement	\$ 229,500		\$ 229,500
Value of common stock issued by stockholder to employee for services rendered			\$ 75,000
Net deferred taxes recorded in connection with Acquisition		\$ 407,753	\$ 967,586
Exchange of stockholder loan for convertible loan		\$ 25,000	\$ 25,000
Settlement of stockholder loan in exchange for common stock of subsidiary		\$ 1,384,931	\$ 1,384,931

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See Note F with respect to stockholder funding

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See notes to condensed financial statements

4

### **NUTRA PHARMA CORP. (A Development Stage Company)**

#### **Notes to Condensed Consolidated Financial Statements**

##### **NOTE A - COMPANY FORMATION AND BASIS OF PRESENTATION**

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

The unaudited consolidated financial statements include the accounts of Nutra Pharma and its subsidiary, Receptopharm, Inc. (collectively, the "Company"). All intercompany transactions and balances have been eliminated in consolidation.

Prior to September 28, 2004, Nutra Pharma owned a majority interest in Infectech, Inc. On September 28, 2004, the Company transferred 6,000,000 shares of Infectech, Inc. common stock that it owned to a shareholder of Nutra Pharma to discharge a \$1,384,931 demand loan to such shareholder. After the transaction, Nutra Pharma owned approximately 29% of Infectech, Inc.'s outstanding common shares. As a result, subsequent to September 28, 2004, Nutra Pharma applies the equity method of accounting to its investment in Infectech, Inc., and Nutra Pharma's share of Infectech, Inc.'s earnings or losses are included in its statement of operations as a single amount, which, for the periods presented, was not significant. The consolidated statements of operations for the three-month and nine-month periods ended September 30, 2004 include the results of Infectech, Inc. on a consolidated basis. The consolidated balance sheet at September 30, 2004 reflects the deconsolidation of Infectech, Inc. and includes Nutra Pharma's carrying value of its investment in Infectech, Inc. as a single amount.

At September 30, 2004, Nutra Pharma owns approximately 30% of Receptopharm, Inc., and is consolidated with the results of Nutra Pharma as Receptopharm is considered a variable interest entity in which Nutra Pharma absorbs a majority of its expected losses.

A further description of Nutra Pharma's investments in Infectech, Inc. and Receptopharm, Inc. is discussed in Notes D, E and F.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has experienced recurring net losses and at September 30, 2004 has a working capital deficiency that raise substantial doubt about the Company's ability to continue as a going concern. Management intends to raise additional equity capital to continue funding its ongoing operations. If it is not successful in raising additional equity capital, the Company may seek to borrow additional funds from its stockholders. However, there can be no assurances that the Company will raise additional capital or additional loans from its stockholders on terms acceptable to the Company or at all. The consolidated financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts or the amount and classification of liabilities that might be necessary as a result of this uncertainty.

