

NUTRA PHARMA CORP
Form 10-Q
November 20, 2017

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 September 30, 2017

☐ 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 ☐

Non-accelerated filer ☐

Accelerated filer ☐

Smaller reporting company ☐

Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act. ☐

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 November 20, 2017, there was 1,863,417,568 shares of common stock.

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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 September 30, 2017, 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," "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.

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****NUTRA PHARMA CORP.****Condensed Consolidated Balance Sheets**

	September 30, 2017 (Unaudited)	December 31, 2016
<u>ASSETS</u>		
Current assets:		
Cash	\$	\$ 31,243
Accounts receivable	44,675	30,625
Inventory	20,142	25,562
Prepaid expenses and other current assets	47,354	97,640
Total current assets	112,171	185,070
Property and equipment, net	9,216	13,637
Other assets	15,550	15,550
Total assets	\$ 136,937	\$ 214,257
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
Current liabilities:		
Accounts payable	\$ 1,252,415	\$ 958,027
Accrued expenses	1,005,009	1,013,615
Due to officers	193,359	52,025
Derivative warrant liability	6,738	48,504
Other debt, net of discount	2,722,372	2,576,488
Total current liabilities	5,179,893	4,648,659
Convertible notes		3,474
Legal settlement liability		39,020
Total liabilities	5,179,893	4,691,153
Commitments and Contingencies (See Note 9)		
Stockholders' deficit:		
Common stock, \$0.001 par value, 2,000,000,000 shares authorized: 1,734,652,973 and 295,065,317 shares issued and outstanding at September 30, 2017 and December 31, 2016	1,734,653	295,065
Additional paid-in capital	49,618,614	48,587,438

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Accumulated deficit	(56,396,223)	(53,359,399)
Total stockholders' deficit	(5,042,956)	(4,476,896)
Total liabilities and stockholders' deficit	\$ 136,937	\$ 214,257

See the accompanying notes to the unaudited condensed consolidated financial statements

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

	For the Three Months		For the Nine Months	
	Ended September 30,		Ended September 30,	
	2017	2016	2017	2016
Net sales	\$ 38,049	\$ 70,487	\$ 88,207	\$ 138,556
Cost of sales	4,340	9,925	23,122	28,120
Gross profit	33,709	60,562	65,085	110,436
Operating expenses:				
Selling, general and administrative including stock based compensation of \$4,985 and \$120,993, and \$67,020 and \$353,006 for the three and nine months ended September 30, 2017 and 2016, respectively	307,232	566,578	1,172,086	1,579,850
Total operating expenses	307,232	566,578	1,172,086	1,579,850
Loss from Operations	(273,523)	(506,016)	(1,107,001)	(1,469,414)
Other Income (Expenses)				
Rental Income				19,381
Interest expense	(95,063)	(59,453)	(265,915)	(200,432)
Change in fair value of derivatives	(612,863)	(160,563)	(1,649,719)	(972,750)
Gain (Loss) on settlement of debt, net		82,015	(14,189)	250,446
Other Expenses	(707,926)	(138,001)	(1,929,823)	(903,355)
Net loss before income taxes	(981,449)	(644,017)	(3,036,824)	(2,372,769)
Provision for income taxes				
Net loss	\$ (981,449)	\$ (644,017)	\$ (3,036,824)	\$ (2,372,769)
Net loss per share basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.02)
Weighted average number of shares outstanding during the period basic and diluted	1,429,770,513	201,274,372	1,282,194,310	136,094,680

See the accompanying notes to the unaudited condensed consolidated financial statements

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

	For the nine months ended September 30,	
	2017	2016
Reconciliation of net loss to net cash used in operating activities:		
Cash flows from operating activities:		
Net loss	\$ (3,036,824)	\$ (2,372,769)
Adjustments to reconcile net loss to net cash used in operating activities:		
(Gain) Loss on settlement of debt	14,189	(250,446)
Depreciation	4,421	6,421
Stock-based compensation	67,020	353,006
Stock issued for loan extension and accounts payable	4,440	342
Change in fair value of derivative	1,649,719	972,750
Amortization of loan discount	74,392	80,203
Changes in operating assets and liabilities:		
Increase in accounts receivable	(14,050)	(15,788)
Decrease in inventory	5,420	2,590
(Increase) Decrease in prepaid expenses and other assets	3,216	(30,692)
Increase in accounts payable	294,388	367,797
Increase (Decrease) in accrued expenses	21,709	(81,564)
Net cash used in operating activities	(911,960)	(968,150)
Cash flows from investing activities:		
Acquisition of property and equipment		(912)
Net cash used in investing activities:		(912)
Cash flows from financing activities:		
Common stock sold for cash-related party		100,000
Common stock sold for cash		55,000
Loans from officers	302,350	149,951
Repayment of officers loans	(174,400)	(162,675)
Proceeds from notes payable-related party		200,000
Repayments of notes payable-related party	(15,209)	(35,000)
Proceeds from convertible notes, net of debt discount and loan issuance cost of \$0 and \$15,370, respectively	550,500	494,000
Repayment of convertible notes	(40,000)	(189,319)
Proceeds from other notes payable, net of debt discount and loan issuance cost of \$28,723 and \$15,375, respectively	405,500	704,625
Repayments of other notes payable	(148,024)	(334,094)
Net cash provided by financing activities	880,717	982,488
Net (decrease) increase in cash	(31,243)	13,425
Cash - beginning of period	31,243	6,890

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Cash - end of period	\$	\$	20,315
Supplemental Cash Flow Information:			
Cash paid for interest	\$	75,207	\$ 91,118
Cash paid for income taxes	\$		\$
Non cash Financing and Investing:			
Note and stock issued in settlement of notes and accounts payable	\$		\$ 423,300
Shares issued to satisfy debt	\$	2,410,115	\$ 1,023,345
Shares issued to satisfy debt-related party	\$		\$ 100,000
Discounts on notes payable	\$	13,815	\$ 31,502
Stock issued for additional consideration of convertible notes payable	\$	5,241	\$

See the accompanying notes to the unaudited condensed consolidated financial statements

NUTRA PHARMA CORP.

Notes to Unaudited Condensed Consolidated Financial Statements

September 30, 2017

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 Unaudited Condensed Consolidated Financial statements and notes are presented in accordance with the rules and regulations of the Securities and Exchange Commission and do not contain certain information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. 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 Unaudited Condensed Consolidated Financial statements should be read in conjunction with the Condensed Consolidated Financial Statements and notes thereto contained in the Company's Annual Report on Form 10-K.

The accompanying Unaudited Condensed Consolidated Financial Statements include the results of Nutra Pharma and its wholly-owned subsidiaries Designer Diagnostics Inc. and ReceptoPharm (collectively the Company, us, we or our). We operate as one reportable segment. All intercompany transactions and balances have been eliminated in consolidation.

Liquidity and Going Concern

Our Condensed Consolidated Financial Statements are presented on a going concern basis, which contemplate the realization of assets and satisfaction of liabilities in the normal course of business. We have experienced recurring, significant losses from operations, and have an accumulated deficit of \$56,396,223 at September 30, 2017. In addition, we have a working capital deficit of \$5,067,722 and a stockholders' deficit of \$5,042,956 at September 30, 2017.

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

At September 30, 2017, 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 Unaudited Condensed Consolidated Financial Statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

Use of Estimates

The accompanying Unaudited Condensed Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America which require management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the

financial statements and the reported amounts of revenue and expense. Significant estimates include our ability to continue as going concern, the recoverability of inventories and long-lived assets, and the valuation of stock-based compensation and certain debt and warrant liabilities. Actual results could differ from those estimates. Changes in facts and circumstances may result in revised estimates, which would be recorded in the period in which they become known.

Revenue Recognition

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

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

Accounting for Shipping and Handling Costs

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

Cash and Cash Equivalents

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

Accounts Receivable and Allowance for Doubtful Accounts

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

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

Inventories

Inventories, which are stated at the lower of average cost or market, and consist of packaging materials, finished products, and raw venom that is utilized to make the API (active pharmaceutical ingredient). The raw unprocessed venom has an indefinite life for use. The Company regularly reviews inventory quantities on hand. If necessary it records a provision for excess and obsolete inventory based primarily on its estimates of component obsolescence, product demand and production requirements. Write-downs are charged to cost of goods sold. Our inventory is carried net of a valuation allowance of \$30,805 at September 30, 2017 and December 31, 2016.

Financial Instruments and Concentration of Credit Risk

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

Balances in various cash accounts may at times exceed federally insured limits. We have not experienced any losses in such accounts. We do not hold or issue financial instruments for trading purposes. In addition, for the three-months ended September 30, 2017, there were two customers that accounted for 17% and 46% of the total revenues, respectively. For the nine-months ended September 30, 2017, there were three customers that accounted for 14%, 14% and 28% of the total revenues, respectively.

Derivative Financial Instruments

We do not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. Management evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and

is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income. For option-based simple derivative financial instruments, the Company uses the Black-Scholes option-pricing model to value the derivative instruments at inception and subsequent valuation dates. For embedded derivatives, the Company uses a Dilution-Adjusted Black-Scholes method to value the derivative instruments at inception and subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

Convertible Debt

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

Property and Equipment and Long-Lived Assets

Property and equipment is recorded at cost. Expenditures for major improvements and additions are added to property and equipment, while replacements, maintenance and repairs which do not extend the useful lives are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of 3 – 7 years.

Property and equipment consists of the following at September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
Computer equipment	\$ 25,120	\$ 25,120
Furniture and fixtures	34,757	34,757
Lab equipment	44,599	44,599
Telephone equipment	12,421	12,421
Office equipment other	16,856	16,856
Leasehold improvements	73,168	73,168
Total	206,921	206,921
Less: Accumulated depreciation	(197,705)	(193,284)
Property and equipment, net	\$ 9,216	\$ 13,637

We review our long-lived assets for recoverability if events or changes in circumstances indicate the assets may be impaired. At September 30, 2017, we believe the carrying values of our long-lived assets are recoverable. Depreciation expense for the nine-months ended September 30, 2017 and 2016 was \$4,421 and \$6,421, respectively, and \$1,168 and \$2,157 for the three-months ended September 30, 2017 and 2016, respectively.

Advertising

All advertising costs are expensed as incurred. Advertising costs were approximately \$400 and \$2,459 for the three-months ended September 30, 2017 and 2016, respectively. Advertising costs were approximately \$2,015 and \$2,834 for the nine-months ended September 30, 2017 and 2016, respectively.

Income Taxes

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

On an annual basis, we evaluate tax positions that have been taken or are expected to be taken in our tax returns to determine if they are more than likely to be sustained if the taxing authority examines the respective position. At September 30, 2017, we do not believe we have a need to record any liabilities for uncertain tax positions or provisions for interest or penalties related to such positions.

Since inception, we have been subject to tax by both federal and state taxing authorities. Until the respective statutes of limitations expire (which may be as much as 20 years while we have unused net operation losses), we are subject to income tax audits in the jurisdictions in which we operate. The Company's 2013 to 2016 tax returns are subject to examination by Internal Revenue Services and State Taxing Agencies.

Stock-Based Compensation

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

Net Loss Per Share

Net loss per share is calculated in accordance with ASC Topic 260, *Earnings per Share*. Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted loss per share is calculated by dividing net loss by the weighted average number of common shares and dilutive common stock equivalents outstanding. During periods in which we incur losses, common stock equivalents, if any, are not considered, as their effect would be anti-dilutive or have no effect on earnings per share. Any common shares issued as of a result of the exercise of stock options and warrants would come from newly issued common shares from our remaining authorized shares. As of September 30, 2017 and 2016, the following items were not included in dilutive loss as the effect is anti-dilutive:

	September 30, 2017	September 30, 2016
Options and warrants	13,540,000	9,456,667
Convertible notes payable	1,762,604,798	160,089,312
Total	1,776,144,798	169,545,979

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will amend current lease accounting to require lessees to recognize (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 does not significantly change lease accounting requirements applicable to lessors; however, certain changes were made to align, where necessary, lessor accounting

with the lessee accounting model. This standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We expect the impact of this ASU will result in the recognition of right-of-use assets and related obligations.

In March 2016, the FASB issued Accounting Standards Update 2016-08 Revenue from Contracts with Customers (Topic 606) to clarify implementation guidance on principal versus agent considerations (for reporting revenue on a gross or net basis). The ASU is an amendment to Topic 606, clarifies the implementation guidance, and requires an entity to account for revenue as an agent when another entity controls the specified good or service before that good or service is transferred to the customer. This ASU is effective for annual periods beginning after December 15, 2017. We are currently reviewing the provisions of this ASU to determine if there will be any impact on our net presentation of revenue.

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 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 at September 30, 2017 are measured in accordance with FASB ASC Topic 820-10-05, *Fair Value Measurements*. FASB ASC Topic 820-10-05 defines fair value, establishes a framework for measuring fair value and expands the disclosure requirements regarding fair value measurements for financial assets and liabilities as well as for non-financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis in the financial statements.

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

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

The following table summarizes our financial instruments measured at fair value at September 30, 2017 and December 31, 2016:

Fair Value Measurements at September 30, 2017				
Liabilities:	Total	Level 1	Level 2	Level 3
Warrant liability	\$ 6,738	\$ -	\$ -	\$ 6,738
Convertible notes at fair value	\$ 1,431,861	\$ -	\$ -	\$ 1,431,861

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

The following table shows the changes in fair value measurements using significant unobservable inputs (Level 3) during the nine-months ended September 30, 2017:

Description	September 30, 2017
Beginning balance	\$ 48,504
Purchases, issuances, and settlements	24,017
Day one loss on value of hybrid instrument	-
Total (gain) included in earnings (1)	(65,783)

Ending balance \$ 6,738

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

The Company values its warrants using a Dilution-Adjusted Black-Scholes Model. Assumptions used include (1) 0.26% to 1.93% risk-free rate, (2) warrant life is the remaining contractual life of the warrants, (3) expected volatility of 196%-211% (4) zero expected dividends (5) exercise price set forth in the agreements (6) common stock price of the underlying share on the valuation date, and (7) number of shares to be issued if the instrument is converted.

The following table summarizes the significant terms of each of the debentures for which the entire hybrid instrument is recorded at fair value at September 30, 2017:

Conversion Price - Lower of Fixed						
Price or Percentage of VWAP						
for Look-back Period						
Debenture	Default		Anti-Dilution		Look-back	
Issuance	Face	Interest	Adjusted			
Year	Amount	Rate	Price	%	Period	
2017	\$683,108	4%-12%	n/a	\$0.00036-\$0.20	40%-60%	3 to 25 Days

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The following table shows the changes in fair value measurements using significant unobservable inputs (Level 3) during the nine-months ended September 30, 2017 for the Convertible Notes:

Description	September 30, 2017
Beginning balance	\$ 1,672,728
Purchases, issuances, and settlements	650,961
Day one loss on value of hybrid instrument	935,930
Loss from change in fair value	752,539
Conversion to common stock	(2,385,114)
Repayment in cash	(46,365)
Reclassification from (to) promissory note, net	(148,818)
Ending balance	\$ 1,431,861

3. INVENTORIES

Inventories are valued at the lower of cost or market on an average cost basis. At September 30, 2017 and December 31, 2016, inventories were as follows:

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

4. DUE TO OFFICERS

At September 30, 2017 and December 31, 2016, the balance due to our officer and Companies owned by him is \$193,359 and \$52,025, respectively. The loan is an unsecured demand loan from our President and CEO, Rik Deitsch. The loan bears interest at 4%. During the nine-months ended September 30, 2017, we borrowed \$302,350 and repaid \$174,400 to Mr. Deitsch and the Companies owned by him. During the year ended December 31, 2016, we borrowed \$314,951 and repaid \$319,675 to Mr. Deitsch and the Companies owned by him. In addition, Mr. Deitsch accepted a total of 15,000,000 shares of the Company's restricted common stock as a repayment to discharge \$100,000 of his outstanding loan in June 2016.

5. OTHER DEBT

Other debt (Both short-term and long term) consists of the following at September 30, 2017 and December 31, 2016:

		September 30,	December 31,
		2017	2016
Note payable and Convertible note payable, at fair value	Related Party (1)	\$ 192,974	\$ 200,000
Notes payable	Non Related Parties (Net of discount of \$28,723 and \$9,584, respectively) (2)	1,097,537	956,950
Convertible notes payable, at fair value (Net of discount of \$0 and \$49,716, respectively) (3)		1,431,861	1,423,012
Ending balances		\$ 2,722,372	\$ 2,579,962

(1)

During 2010 we borrowed \$200,000 from one of our directors. Under the terms of the loan agreement, this loan was expected to be repaid in nine months to a year from the date of the loan along with interest calculated at 10% for the first month plus 12% after 30 days from funding. We are in default regarding this loan. The loan is under personal guarantee by our President and CEO, Rik Deitsch. We repaid principal balance in full as of December 31, 2016. During the nine-months ended September 30, 2017, we made the payment of \$20,000 of the accrued interest. At September 30, 2017, we owed this director accrued interest of \$132,264.

In August 2016, we issued two Promissory Notes for a total of \$200,000 (\$100,000 each) to one of our directors owned Companies. The notes carry interest at 12% annually and are due on the date that is nine-months from the execution and funding of the note. During March 2017, we repaid principal balance of \$6,365. The loan is in default and negotiation for settlement. Upon default in February 2017, the Notes became convertible at \$0.008 per share. During April 2017, the Notes with accrued interest were restated. The restated principal balance of \$201,818 bears interest at 12% annually and is due October 12, 2017. During June 2017, we repaid principal balance of \$8,844. At September 30, 2017, we owed this director \$192,974 with accrued interest of \$11,038.

(2)

At September 30, 2017, the balance of \$1,097,537 consisted of the following loans:

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On August 2, 2011 under a settlement agreement with Liquid Packaging Resources, Inc. (LPR), we agreed to pay LPR a total of \$350,000 in monthly installments of \$50,000 beginning August 15, 2011 and ending on February 15, 2012. This settlement amount was recorded as general and administrative expenses on the date of the settlement. We did not make the December 2011 or January 2012 payments and on January 26, 2012, we signed the first amendment to the settlement agreement where under we agreed to pay \$175,000 which was the balance outstanding at December 31, 2011 (this includes a \$25,000 penalty for non-payment). We repaid \$25,000 during the six months ended March 31, 2012. We did not make all of the payments under such amendment and as a result pursuant to the original settlement agreement, LPR had the right to sell 142,858 shares of our free trading stock held in escrow by their attorney and receive cash settlements for a total amount of \$450,000 (the initial \$350,000 plus total default penalties of \$100,000). The \$100,000 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 us.

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At September 30, 2017, we owed University Centre West Ltd. approximately \$55,410, which was assigned and sold to Southridge and subsequently reverted back to us.

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In April 2016, we issued a promissory note to a non-related party in the amount of \$10,000 bearing interest at 10% annually. The note is due in one year from the execution and funding of the note. The loan is in default and negotiation of settlement. At September 30, 2017, the accrued interest is \$1,465.

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In May 2016, we issued a promissory note to a non-related party in the amount of \$75,000 bearing monthly interest at a rate of 2%. The note was due in six months from the execution and funding of the note. During April, we accepted the offer of a settlement to issue 5,000,000 common shares as a repayment of \$25,000. The shares were valued at \$0.0050 per share. At September 30, 2017, the accrued interest is \$22,500. The loan is in default and in negotiation of settlement.

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In June 2016, we 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 was due in six months from the execution and funding of the note. The loan is in default and in negotiation of settlement. At September 30, 2017, the accrued interest is \$15,700.

In August 2016, we issued a promissory note to a non-related party in the amount of \$150,000 bearing monthly interest at a rate of 2.5%. The note was due in six months from the execution and funding of the note. In connection with the issuance of this promissory note, we issued 100,000 shares of our common stock. We recorded a debt discount in the amount of \$800 to reflect the value of the common stock as a reduction to the carrying amount of the convertible debt and a corresponding increase to common stock and additional paid-in capital. The discount was fully amortized as of September 30, 2017. Amortization for the debt discount for the nine-months ended September 30, 2017 was \$200. During March 2017, we issued a total of 50,000 restricted shares due to the default on repayment. The shares were valued at a fair value of \$275 (See Note 6). During April 2017, the Notes with accrued interest were restated. The restated principal balance of \$180,250 bears interest at 12% annually and is due October 20, 2017. In connection with this restated note, we issued 500,000 shares of our common stock. We recorded a debt discount in the amount of \$2,417 to reflect the value of the common stock as a reduction to the carrying amount of the convertible debt and a corresponding increase to common stock and additional paid-in capital. The discount was fully amortized as of September 30, 2017. Amortization for the debt discount for the nine-months ended September 30, 2017 was \$2,417. The loan is in default and in negotiation of settlement. During November 2017, we issued a total of 250,000 restricted shares due to the default on repayment (See Note 10). At September 30, 2017, the accrued interest is \$24,635.

On September 26, 2016, we issued a promissory note to a non-related party in the amount of \$75,000 bearing interest at 10% annually. The note is due in one year from the execution and funding of the note. The loan is in default and in negotiation of settlement. During October 2017, we issued a total of 100,000 restricted shares due to the default on repayment (See Note 10). At September 30, 2017, the accrued interest is \$7,708.

In October 2016, we 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, we issued 600,000 shares of our common stock. We recorded a debt discount in the amount of \$4,330 to reflect the value of the common stock as a reduction to the carrying amount of the convertible debt and a corresponding increase to common stock and additional paid-in capital. The total discount of \$4,330 was fully amortized as of September 30, 2017. Amortization for the debt discount for the nine-months ended September 30, 2017 was \$2,165. At September 30, 2017, the accrued interest is \$12,000. During March 2017, we issued a total of 350,000 restricted shares due to the default on repayment. The shares were valued at a fair value of \$1,645 (See Note 6).

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During November 2016, we received a loan for a total of \$150,000 from a non-related party. The loan is repaid through scheduled payments through June 2018 along with interest on average 15% annum. We have recorded loan costs in the amount of \$7,875 for the loan origination fees paid at inception date. The total loan cost of \$7,875 is fully amortized over the term of the loan. Amortization for the nine-months ended September 30, 2017 was \$7,219. At July 24, 2017, the loan was repaid in full. The interest expense for the nine-months ended September 30, 2017 is \$16,134.

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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 was due on December 7, 2016. The Note reverted back as the promissory note upon maturity date. On June 27, 2017, the Company owed principal balance of \$80,000 plus accrued interest of \$4,971. The total of \$84,971 was assigned and sold to a non-related party in the form of a Convertible Redeemable Note (See Note 6(3)).

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In April 2017, we issued a Convertible Promissory Note for \$33,000 to a non-related party. The note carries interest at 12% annually and are due January 30, 2018. The Holder has the right to convert the loan, beginning on the date which is one hundred eighty (180) days following the date of the Note, into common stock at a price of sixty percent (60%) of the average of the three lowest trading prices of our Common Stock for the fifteen trading days preceding the conversion date. At September 30, 2017, the principal balance is \$33,000 with accrued interest of \$1,779.

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In June 2017, we issued a promissory note to a non-related party in the amount of \$12,500 bearing interest at 10% annually. The note is due in one year from the execution and funding of the note. In the event of our failure to pay the Note in a timely fashion, the Noteholder would receive 100,000 shares restricted, common stock on the date that is 10 business days after the maturity date. At September 30, 2017, the accrued interest is \$351.

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During July 2017, we received a loan for a total of \$200,000 from a non-related party. The loan is repaid through scheduled payments through January 2019 along with interest on average 15% annum. We have recorded loan costs in the amount of \$5,500 for the loan origination fees paid at inception date. The total loan cost of \$5,500 is amortized over the term of the loan. Amortization for the nine-months ended September 30, 2017 was \$1,095. At September 30, 2017, repayment of \$8,671 was made. The interest expense for the nine-months ended September 30, 2017 is \$10,965. At September 30, 2017, the principal balance of the loan net of discount is \$186,954.

In July 2017, we issued a promissory note to a non-related party in the amount of \$50,000 with original issuance discount of \$10,000. The note is due in six months from the execution and funding of the note. In connection with the issuance of this promissory note, we issued 2,000,000 shares of our common stock (See Note 6). We recorded a debt discount in the amount of \$4,912 to reflect the value of the common stock as a reduction to the carrying amount of the convertible debt and a corresponding increase to common stock and additional paid-in capital. The discount is amortized over the term of the loan. Amortization for the debt discount and original issuance discount for the nine-months ended September 30, 2017 was \$2,050 and \$4,170, respectively. At September 30, 2017, the principal balance of the loan net of discount is \$41,308.

In September 2017, we issued a promissory note to a non-related party in the amount of \$51,000 with original issuance discount of \$8,500. The note is due in six months from the execution and funding of the note. In connection with the issuance of this promissory note, we issued 4,000,000 shares of our common stock (See Note 6). We recorded a debt discount in the amount of \$3,656 to reflect the value of the common stock as a reduction to the carrying amount of the convertible debt and a corresponding increase to common stock and additional paid-in capital. The discount is amortized over the term of the loan. Amortization for the debt discount and original issuance discount for the nine-months ended September 30, 2017 was \$610 and \$1,420, respectively. At September 30, 2017, the principal balance of the loan net of discount is \$40,874.

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

(3)

At September 30, 2017, the balance of \$1,431,861 consisted of the following convertible loans:

On March 19, 2014, we issued two Convertible Debentures in the amount of up to \$500,000 each (total \$1,000,000) to two non-related parties. During the year ended December 31, 2015, we recorded the first tranche of \$15,000 each (total \$30,000) of the funds was received during the first quarter of 2014. The notes carry interest at 8% and are due on March 19, 2018. The note holders have the right to convert the notes into shares of Common Stock at a price of \$0.20. At September 30, 2017, these convertible notes payable, at fair value, was recorded at \$1,132.

On March 3, 2016, we issued a Back-end Note in the amount of \$100,000 to Coventry Enterprises, LLC (Coventry). The Note was funded on September 8, 2016. The note carries interest at 8% and is due on March 3, 2017, unless previously converted into shares of restricted common stock. Coventry has the right to convert the note, until is no longer outstanding into shares of Common Stock at a fifty-five percent (55%) of average of the three lowest closing bid of our Common Stock for the twenty trading days preceding the conversion date including the date of receipt of conversion notice. During March and May 2017, the Noteholder made conversions of a total of 47,011,483 shares of the company's restricted stock satisfying the Note in full with a fair value of \$214,795 (See Note 6).

On March 31, 2017, we issued another convertible denture in the amount of \$80,000 to Coventry Enterprises, LLC (Coventry). The note carries interest at 8% and is due on March 30, 2018, unless previously converted into shares of restricted common stock. Coventry has the right to convert the note, until is no longer outstanding into shares of Common Stock at a fifty-five percent (55%) of the of the lowest closing bid price of our Common Stock for the twenty trading days preceding the conversion date including the date of receipt of conversion notice. In connection with the issuance of the convertible note payable, we recorded a day-one derivative loss of \$108,021. At September 30, 2017, the convertible note payable, at fair value, was recorded at \$181,867. The note carries an additional Back-end Note with the same terms as the original note that enables the lender to lend the Company another \$80,000.

On September 30, 2017, in connection with the issuance of a convertible note of \$80,000, we granted three-year warrants to purchase an aggregate of 6,000,000 shares of our common stock at an exercise price of \$0.005 per share. The warrants were valued at their fair value of \$3,623 using the Black-Scholes method on September 30, 2017. The warrants expire on March 30, 2020 (See Note 7).

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

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

The \$40,000 Note to Greentree bears annual interest rate of 12% and conversion price is the lower of \$0.10 per share or 60% of the average of the three lowest volume weighted average prices for the ten consecutive trading days immediately prior to but not including the conversion date. In October 2016, Greentree made conversions of a total of 8,603,469 shares satisfying the note payable and accrued interest in full.

The \$80,000 Notes to B+A bear annual interest rate of 10% and conversion price is equal to 60% of the average of the three lowest volume weighted average prices for the three consecutive trading days immediately prior to but not including the conversion date. In June and July 2017, B+A made conversions of a total of 45,759,901 shares satisfying the Note of \$39,376 with a fair value of \$67,469 (See Note 6). At September 30, 2017, the convertible notes payable, at fair value, was recorded at \$87,067. In October 2017, a conversion of portion of the Note was made (See Note 9). The loan is in default and in negotiation of settlement.

During June 2016, we issued a Convertible Debenture in the amount of \$72,000 to a non-related party as a result of debt sale. The Note carries interest at 8% and is due on June 20, 2017, unless previously converted into shares of restricted common stock. The convertible note's holder has the right to convert the note, until is no longer outstanding into shares of Common Stock at fifty-five percent (55%) of the average of the three lowest VWAP prices of our Common Stock for the fifteen trading days preceding the conversion date. At September 30, 2017, the convertible notes payable, at fair value, was recorded at \$163,813. The loan is in default and in negotiation of settlement.

During June 2016, the notes payable of \$50,000 originated in January 2016 with accrued interest of \$4,800 was assigned and sold to a non-related party in the form of a Convertible Redeemable Note (See Note 5(2)). The note carries interest at 8% and is due on June 16, 2017, unless previously converted into shares of restricted common stock. The Noteholder has the right to convert the note, until is no longer outstanding into shares of Common Stock at fifty-five percent (55%) of the average of the three lowest VWAP prices of our Common Stock for the fifteen trading days preceding the conversion date. At September 30, 2017, the balance of \$54,800, at fair value, was recorded at \$124,965. The loan is in default and in negotiation of settlement.

During July 2016, we issued a convertible note to a non-related party in the amount of \$50,000 bearing monthly interest at a rate of 2.0%. The note holder has the right to convert the notes into shares of Common Stock at a price of \$0.05. The note is due in six months from the execution and funding of the note. In connection with the issuance of this note, we issued 300,000 shares of our common stock (See Note 6). We recorded a debt discount in the amount of \$2,345 to reflect the value of the common stock as a reduction to the carrying amount of the convertible debt and a corresponding increase to common stock and additional paid-in capital. The debt discount was fully amortized. The remaining discount of \$1,345 was amortized during the nine-months ended September 30, 2017. The interest expense for the year ended September 30, 2017 is \$5,667. On January 26, 2017, the principal and accrued interest was \$56,567. During January 2017, 300,000 shares restricted, common stock were issued due to default on repayment (See Note 7).

During January 2017, the Note was restated with principal amount of \$56,567 bearing monthly interest rate of 2.5%. The New Note of \$56,567 is due on July 26, 2017 and convertible at \$0.05 per share. The loan is under personal guarantee by our President and CEO, Rik Deitsch. In connection with the issuance of this note, we issued 300,000 shares of our common stock (See Note 6). We have recorded a debt discount in the amount of \$2,413 to reflect the value of the common stock as a reduction to the carrying amount of the convertible debt and a corresponding increase to common stock and additional paid-in capital. The discount of \$2,413 was fully amortized during the nine-months ended September 30, 2017. During August 2017, the accrued interest of \$8,909 was paid in full and the Note was restated with the same principal amount of \$56,567 bearing monthly interest rate of 2.5%. The New Note of \$56,567 is due on February 2, 2018 and convertible at \$0.05 per share. In connection with the restatement of this note, we issued 300,000 shares of our common stock (See Note 6). We have recorded a debt discount in the amount of \$417 to reflect the value of the common stock. The debt discount was fully amortized during the nine-months ended September 30, 2017. At September 30, 2017, the convertible note payable, at fair value, was recorded at \$6,085.

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

our restricted stock satisfying the principal balance and accrued interest in full with a fair value of \$90,976.

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

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

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

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

During August 2016, we issued a Convertible Debenture to a non-related party in principal amount up to \$225,000, the first tranche of \$45,000 was funded during August 2016 and matures one year from the funding of the Note. The note carries interest at 6%. Unless previously converted into shares of restricted common stock, the Note holder has the right to convert the note, until is no longer outstanding into shares of Common Stock at a sixty percent (60%) of the average of the three lowest trading prices of our Common Stock for the twenty trading days preceding the conversion date. In connection with the issuance of the convertible note payable, we recorded a day-one derivative loss of \$37,932. We have recorded loan costs in the amount of \$4,500 for the loan origination fees paid at inception date. The total loan cost of \$4,500 was amortized over the term of the loan. At September 30, 2017, the loan cost was fully amortized. Amortization for the nine-months ended September 30, 2017 was \$3,000. During March through May, 2017, the Note holder made conversions of a total of 25,558,744 shares of stock satisfying the principal balance and accrued interest in full for a fair value of \$198,451.

The second tranche of \$22,500 was funded during December 2016. We recorded loan costs in the amount of \$2,250 for the loan origination fees paid at inception date. The total loan cost of \$2,250 was fully amortized over the term of the loan. Amortization for the nine-months ended September 30, 2017 was \$2,250. During June and July 2017, the Note holder made conversions of a total of 31,582,547 shares of stock satisfying the principal balance and accrued interest in full for a fair value of \$53,979.

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

During December, 2016, we issued a Convertible Debenture in the amount of \$66,500 to Labrys Fund, LP (Labrys). The note carries interest at 12% and is due on June 6, 2017, unless previously converted into shares of restricted common stock. Labrys has the right to convert the note, until is no longer outstanding into shares of Common Stock at a sixty percent (60%) of the lowest trading price of our Common Stock for the twenty trading days preceding the conversion date. We issued 4,532,810 shares of common stock (the Returnable Shares) to Labrys as a commitment fee, provided, however, the Returnable Shares must be returned to our treasury if Labry elects to convert, prior to the date which is one hundred eighty (180) days following the Issue Date, all or any part of the outstanding and unpaid principal amount or interest of this Note into shares of Common Stock. In March 2017, the amendment was signed to waive Labry to return the Commitment Shares back to our treasury (See Note 6). We have recorded a debt discount of \$49,861 for the fair value of stock issued on the inception date. The loan is in default. The total loan cost of \$49,861 was amortized over the term of the loan. The loan cost was fully amortized as of September 30, 2017. Amortization for the nine-months ended September 30, 2017 was \$44,478. During April through July 2017, the Note holder made conversions of a total of 138,541,668 shares of stock satisfying the principal balance of \$66,500 and default penalty of \$22,617 in full for a fair value of \$218,353 (See Note 6).

During March 2017, we issued another Convertible Debenture in the amount of \$66,500 to Labrys. The note carries interest at 12% and is due on September 10, 2017, unless previously converted into shares of restricted common stock. Labrys has the right to convert the note, until is no longer outstanding into shares of Common Stock at a sixty percent (60%) of the lowest trading price of our Common Stock for the twenty trading days preceding the conversion date. In connection with the issuance of the convertible note payable, the Company encountered a day-one derivative loss of \$67,987. During July through September 2017, the Note holder made conversions of a total of 163,760,392 shares of stock satisfying the principal balance of \$46,461 and accrued interest for a fair value of \$210,956 (See Note 6). At September 30, 2017, the convertible note payable, at fair value, was recorded at \$55,642. During October 2017, conversions were made to satisfy the remaining balance of the Note.

During May 2017, we issued another Convertible Debenture in the amount of \$45,000 to Labrys. The note carries interest at 12% and is due on November 3, 2017, unless previously converted into shares of restricted common stock. Labrys has the right to convert the note, until is no longer outstanding into shares of Common Stock at a sixty percent (60%) of the lowest trading price of our Common Stock for the twenty-five trading days preceding the conversion date. In connection with the issuance of the convertible note payable, the Company encountered a day-one derivative loss of \$47,393. At September 30, 2017, the convertible note payable, at fair value, was recorded at \$100,492. The loan is in default and negotiation of settlement.

During December 2016, we issued a Convertible Debenture to a non-related party in the amount of \$110,000. The note carries interest at 12% and matures on September 8, 2017. Unless previously converted into shares of restricted common stock, the Note holder has the right to convert the note, until is no longer outstanding into shares of Common Stock at a sixty percent (60%) of the lowest trading prices of our Common Stock for the twenty five trading days preceding the conversion date. During June and July 2017, the Note holder made conversions of a total of 179,800,000 shares of stock satisfying the principal balance of \$63,001 and accrued interest for a fair value of \$298,575. At September 30, 2017, the convertible note payable, at fair value, was recorded at \$105,905.

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

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

During January 2017, we issued a Convertible Debenture in the amount of \$40,000 to a non-related party. The note carries interest at 8% and is due on January 17, 2018, unless previously converted into shares of restricted common stock. The Note holder has the right to convert the note, until is no longer outstanding into shares of Common Stock at a price sixty percent of the lowest closing bid price of our Common Stock for the twenty prior trading days including the conversion date. In connection with the issuance of the convertible note payable, the Company encountered a day-one derivative loss of \$30,925. In July 2017, the company repaid the principal balance, accrued interest and prepayment penalty of the Note in full.

During May 2017, we issued a Convertible Debenture in the amount of \$64,000 to a non-related party. The note carries interest at 8% and is due on May 4, 2018, unless previously converted into shares of restricted common stock. Labrys has the right to convert the note, until is no longer outstanding into shares of Common Stock at a sixty percent (60%) of the lowest trading price of our Common Stock for the twenty trading days preceding the conversion date. In connection with the issuance of the convertible note payable, the Company encountered a day-one derivative loss of \$47,762. At September 30, 2017, the convertible note payable, at fair value, was recorded at \$144,891.

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 was due on December 7, 2016. The Note reverted back as the promissory note upon maturity date. On June 27, 2017, the Company owed principal balance of \$80,000 plus accrued interest of \$4,971. The total of \$84,971 was assigned and sold to a non-related party in the form of a Convertible Redeemable Note (See Note 6(2)). The note carries interest at 8% and is due on September 21, 2017, unless previously converted into shares of restricted common stock. The Noteholder has the right to convert the note, until is no longer outstanding into shares of Common Stock at fifty-five percent (55%) of lowest closing bid prices of our Common Stock for the twenty trading days preceding the conversion date including the date of receipt of conversion notice. In connection with the issuance of the convertible note payable, the Company encountered a day-one derivative loss of \$75,006. During July and August 2017, the Note holder made conversions of a total of 164,935,000 shares of stock satisfying the principal balance of \$55,325 for a fair value of \$225,143. (See Note 6). At September 30, 2017, the convertible note payable, at fair value, was recorded at \$73,365.

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

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

The holders of these convertible notes have substantial rights and protections regarding dilution if certain events, including a default were to occur. There are a number of events that could trigger a default, including but not limited to failure to pay principal or interest, failure to issue shares under the conversion feature, breach of covenants, breach of representations and warranties, appointment of a receiver or trustee, judgments, bankruptcy, delisting of common stock, failure to comply with

the exchange act, liquidation, cessation of operations, failure to maintain assets, material financial statement restatement, reverse split of borrowers stock, etc. In the event of these events the lender may be entitled to receive significant amounts of additional stock above the amounts for conversion.

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

6. STOCKHOLDERS' DEFICIT

Common Stock Issued for Services

During February 2017, we signed an agreement with a consultant to provide investor relation services for twelve months. In connection with the agreement, 1,500,000 shares of our restricted common stock were issued. The shares were valued at \$0.0075 per share. We recorded an equity compensation charge of \$7,256 during the nine-months ended September 30, 2017. The remaining unrecognized compensation cost of \$3,994 related to non-vested equity-based compensation will be recognized over the remaining vesting and service period.

During January 2017, we signed an agreement with a consultant to provide investor relation services for twelve months. In connection with the agreement, 1,000,000 shares of our restricted common stock were issued. The shares were valued at \$0.0087 per share. We recorded an equity compensation charge of \$6,138 during the nine-months ended September 30, 2017. The remaining unrecognized compensation cost of \$2,562 related to non-vested equity-based compensation will be recognized over the remaining vesting and service period.

During November 2016, we signed an agreement with a consultant to provide investor relation services for twelve months. In connection with the agreement, a total of 3,000,000 shares of our restricted common stock were issued. The shares were valued at \$0.012 per share. We recorded an equity compensation charge of \$26,055 and \$9,945 during the nine-months ended September 30, 2017 and the year ended December 31, 2016.

During July 2016, we signed an agreement with a consultant to provide investor relation services for twelve months. In connection with the agreement, a total of 4,250,000 shares of our restricted common stock were issued. The shares were valued at \$0.0084 per share. We recorded an equity compensation charge of \$17,801 and \$17,899 during the nine-months ended September 30, 2017 and the year ended December 31, 2016.

During July 2016, we signed agreements with a consultant to provide investor relation services for twelve months. In connection with the agreement, 500,000 shares of our restricted common stock were issued. The shares were valued at \$0.0084 per share. We recorded an equity compensation charge of \$2,094 and \$2,156 during the nine-months ended September 30, 2017 and the year ended December 31, 2016.

During July 2016, we signed agreements with a consultant to provide investor relation services for six months. In connection with the agreement, 1,200,000 shares of our restricted common stock were issued. The shares were valued at \$0.0084 per share. We recorded an equity compensation charge of \$2,499 and \$7,581 during the nine-months ended September 30, 2017 and the year ended December 31, 2016.

During July 2016, we signed agreements with a consultant to provide investor relation services for twelve months. In connection with the agreement, 500,000 shares of our restricted common stock were issued. The shares were valued at \$0.0084 per share. We recorded an equity compensation charge of \$2,094 and \$2,156 during the nine-months ended September 30, 2017 and the year ended December 31, 2016.

During July 2016, we signed an agreement with a consultant to provide investor relation services for twelve months. In connection with the agreement, a total of 625,000 shares of our restricted common stock were issued. The shares were valued at \$0.009 per share. We recorded an equity compensation charge of \$3,082 and \$2,543 during the nine-months ended September 30, 2017 and the year ended December 31, 2016.

Common Stock Issued for Debt Modification

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

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

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

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

Common Stock Issued with Indebtedness

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

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

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

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

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

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

Common Stock Issued for Conversion of Debt

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

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

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

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

In June and July 2017, B+A received 45,759,901 shares of our restricted stock with a fair value of \$67,469 upon conversion of \$39,376 of an \$80,000 Note originated in April 2016 (See Note 5).

Date	Number of shares converted	Fair Value of Debt Converted
6/8/2017	23,715,415	56,303
7/6/2017	17,044,486	11,166

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During July through September 2017, a Note holder received 163,760,392 shares of the company's restricted stock with a fair value of \$210,956 upon conversion of \$46,461 of a \$66,500 Note originated in March 2017 (See Note 5).

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

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

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

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

Date	Number of shares converted	Fair Value of Debt Converted
6/6/2017	9,000,000	\$27,051

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6/20/2017	9,000,000	11,872
7/5/2017	13,582,547	15,056

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

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

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

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

7. STOCK OPTIONS AND WARRANTS

Common Stock Warrants

On March 31, 2017, in connection with the issuance of an \$80,000 Note, we granted three-year warrants to purchase an aggregate of 6,000,000 shares of our common stock at an exercise price of \$0.005 per share. The warrants were valued at their fair value of \$3,625 using the Black-Scholes method on September 30, 2017. The warrants expire on March 30, 2020 (See Note 5).

On March 3, 2016, in connection with the issuance of a convertible note, we granted five-year warrants to purchase an aggregate of 2,500,000 shares of our common stock at an exercise price of \$0.03 per share. The warrants were valued at their fair value of \$1,765 using the Black-Scholes method at September 30, 2017. The warrants expire on March 3, 2021.

On April 4, 2016, in connection with the issuance of convertible notes, we granted three-year warrants to purchase an aggregate of 4,000,000 shares of our common stock at an exercise price of \$0.05 per share. The warrants were valued at their fair value of \$1,330 using the Black-Scholes method at September 30, 2017. The warrants expire on April 4, 2019.

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

expired on March 31, 2017.

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

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

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

A summary of warrants outstanding in conjunction with private placements of common stock were as follows during the nine-months ended September 30, 2017:

	Number		Weighted Average
	of Shares		Exercise Price
Balance December 31, 2016	29,141,667	\$	0.03
Exercised	(1,000,000)		0.002
Issued	6,000,000	\$	0.005
Forfeited	(20,601,667)		-
Balance September 30, 2017	13,540,000	\$	0.023

The following table summarizes information about fixed-price warrants outstanding as of September 30, 2017:

		Weighted		
		Average		
	Exercise	Number	Weighted	Weighted
	Price	Outstanding	Average	Average
			Contractual	Exercise
			Life	Price
2017	\$ 0.005-1.00	13,540,000	1.99 years	\$ 0.023

At September 30, 2017, the aggregate intrinsic value of all stock options and warrants outstanding and expected to vest was \$0. The intrinsic value of each option share is the difference between the fair value of our common stock and the exercise price of such option share to the extent it is in-the-money. Aggregate intrinsic value represents the value that would have been received by the holders of in-the-money options had they exercised their options on the last trading day of the year and sold the underlying shares at the closing stock price on such day. The intrinsic value calculation is based on the \$0.0008, closing stock price of our common stock on September 29, 2017. There were no in-the-money warrants at September 30, 2017.

9. COMMITMENTS AND CONTINGENCIES

Operating Leases

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

Future minimum payments under these lease agreements are as follows:

	Total
2017 (three months)	\$ 30,819
2018	126,494
2019	91,913
2020	87,991
2021	91,379

2022

54,490
\$ **483,086**

Rent expense for the three-months ended September 30, 2017 and 2016 approximated \$31,867 and \$28,736, respectively. Rent expense for the nine-months ended September 30, 2017 and 2016 approximated \$92,552 and \$87,280, respectively.

Consulting Agreements

During July 2015, we signed an agreement with a company to provide for consulting services for five years. In connection with the agreement, 500,000 shares of our restricted common stock and a one year 8% note of \$50,000 were granted. The shares were valued at \$0.18 per share. The shares and note payable have not been issued as of September 30, 2017. We have accrued the \$142,500 in accrued expense and equity compensation.

Litigation

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

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

The settlement agreement executed on June 1, 2015 provides that ReceptoPharm will pay Ms. Meding a total of \$360,000 over 35 months. The first payment of \$20,000 was made on July 1, 2015. A second payment of \$20,000 was made on August 17, 2015 with 32 subsequent monthly \$10,000 payments due on the 15th of every month thereafter. To date, ReceptoPharm has made all monthly payments due under the agreement. In the event of default on any of the payments due under the settlement agreement, the settlement amount would increase by an additional \$200,000. As of September 30, 2017, we have accrued the legal settlement amount at present value of \$67,282 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 September 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 a 7 month period 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 us.

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 September 30, 2017, 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 us.

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. On September 30, 2013, the Company entered into a settlement agreement with the Petitioners and the bankruptcy action was dismissed. In full and final satisfaction of all claims, the settlement agreement provides for payment to the Petitioners of a total sum of \$350,000. As of September 30, 2017, \$35,000 has been paid. As set forth below, the Petitioners have now filed a complaint in the 17th Judicial Circuit in and for Broward County, Florida to recover amounts allegedly owing to them under the settlement agreement.

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

On August 26, 2016, certain of former ReceptoPharm employees and a former ReceptoPharm consultant filed a lawsuit in the 17th Judicial Circuit in and for Broward County, Florida against Nutra Pharma and Receptopharm to recover amounts allegedly owing to them under the settlement agreement reached in the involuntary bankruptcy action referenced above. On September 28, 2016, Nutra Pharma and Receptopharm filed a motion to dismiss the lawsuit. That motion is currently pending.

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

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, we have accrued the settlement for \$315,000 and recorded the gain on settlement of \$770,968 in other income for the year ended December 31, 2015. The accrued balance for the settlement has not changed as of September 30, 2017.

10. SUBSEQUENT EVENTS

Common Stock Issued for Debt Conversions

During October 2017, Labry made a conversion of 86,049,332 shares of stock satisfying the remaining principal balance of \$25,039 in full for the Note of \$66,500 originated in March 2017 (See Note 5).

During October 2017, B+A made a conversion of 42,365,263 shares of stock satisfying \$19,416 of the principal balance for the Note of \$80,000 originated in April 2016 (See Note 5).

Common Stock Issued for Debt Modification

During October and November 2017, we issued a total of 350,000 restricted shares due to the default on repayment (See Note 5)

Series A Preferred Stock

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

The Series A Preferred Stock was issued to Rik J. Deitsch, the Corporation's Chairman, to discharge four hundred thousand dollars (\$400,000) of Mr. Deitsch's loan to the Corporation. Upon issuance of the Series A Preferred Stock Mr. Deitsch will own 62.7% of the Corporation's voting stock.

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

Introduction

Our business during the third quarter of 2017 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 2017.

During our third quarter of 2017 and thereafter, the following has occurred:

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

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

Nyloxin®/Nyloxin® Extra Strength

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

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

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

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safe and effective;

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all natural;

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long acting;

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easy to use;

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non narcotic;

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non addictive; and

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analgesic and anti inflammatory.

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

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

Nyloxin[®]

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Topical Gel: 30 mcg/mL

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Oral Spray: 70 mcg/mL

Nyloxin[®] Extra Strength

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Topical Gel: 60 mcg/mL

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Oral Spray: 140 mcg/mL

In December 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.

In early 2017, we created a new website for Nyloxin® and brought online sales back in house (www.nyloxin.com).

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

Nyloxin® Military Strength

In December 2012, we announced the availability of Nyloxin® Military Strength for sale to the United States Military and Veteran's Administration. Over the past few years, the U.S. Department of Defense has been reporting an increase in the use and abuse of prescription medications, particularly opiates. In 2009, close to 3.8 million prescriptions for pain relievers were written in the military. This staggering number was more than a 400% increase from the number of prescriptions written in the military in 2001. But prescription drugs are not the only issue. The most common and seemingly harmless way to treat pain is with non steroidal, anti-inflammatory drugs (NSAIDS). But there are risks. Overuse can cause nausea, vomiting, diarrhea, heartburn, ulcers and internal bleeding. In severe cases chest pain, heart failure, kidney dysfunction and life threatening allergic reactions can occur. It is reported that approximately 7,600 people in America die from NSAID use and some 78,000 are hospitalized. Ibuprofen, also an NSAID has been of particular concern in the military. The terms Ranger Candy and Military Candy refer to the service men and women who are said to use 800mg doses of Ibuprofen to control their pain. But when taking anti-inflammatory Ibuprofen in high doses for chronic pain, there is potential for critical health risks; abuse can lead to serious stomach problems, internal bleeding and even kidney failure. There are significantly greater health risks when abuse of this drug is combined with alcohol intake. Our goal is that with Nyloxin®, we can greatly reduce the instances of opiate abuse and overuse of NSAIDS in high risk groups like the US military. The Nyloxin® Military Strength represents the strongest version of Nyloxin® available and is approximately twice as strong as Nyloxin® Extra Strength. We are working with

outside consultants to register Nyloxin® Military Strength and the other Nyloxin® products for sale to the US government and the various arms of the military as well as the Veteran's Administration. To date, we have been unable to get our products onto the Federal Supply Schedule for eventual sales to governmental agencies or to the US Military, but will continue these efforts.

International Sales

We are pursuing international drug registrations in Canada, Mexico, India, 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 over the next several quarters.

On April 30, 2015 we announced that we had received notification of the acceptance of Nyloxin® by the China International Exchange and Promotive Association for Medical and Healthcare (CPAM). This process was successfully conducted by the Vancouver Commodities Group (VCG) that had been hired by Nutra Pharma to begin the process of identifying and vetting potential distributors in China. With this approval, we have been working with several groups to find a large distributor for our products in the People's Republic of China. We expect to announce a distribution partner in FY2018.

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 2017.

Additionally, we plan to complete several human clinical studies aimed at comparing the ability of Nyloxin® Extra Strength to replace prescription pain relievers. We have provided protocols to several hospitals and will provide details and timelines when those protocols have been accepted. We cannot provide any timeline for these studies until adequate financing is available.

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

Pet Pain Away

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

In May of 2016, we signed a license agreement to begin the process of creating an infomercial (Direct Response) campaign for Pet Pain Away . In November of 2016, we announced the license agreement with DEG Productions for the marketing and distribution of Pet Pain Away globally. DEG has the ability to earn the exclusive distribution rights for the product by reaching certain sales milestones. DEG has created their own website (www.getpetpainaway.com) and began airing commercials in December of 2016. DEG is expected to ramp up their sales and marketing of Pet Pain Away throughout 2017.

Drug Discovery and Pipeline

Nutra Pharma is developing proprietary therapeutic protein products for the biologics market. The Company has two leading drug candidates: RPI MN and RPI 78M.

RPI MN

RPI MN inhibits the entry of several viruses that are known to cause severe neurological damage in such diseases as encephalitis and Human Immunodeficiency Virus (HIV). It is being developed first for the treatment of HIV.

RPI 78M

RPI 78M is being developed for the treatment of Multiple Sclerosis (MS) and Adrenomyeloneuropathy (AMN). Other neurological and autoimmune disorders that may be served by RPI 78M include Myasthenia Gravis (MG), Rheumatoid Arthritis (RA) and Amyotrophic Lateral Sclerosis (ALS).

RPI 78M and RPI MN contain anticholinergic peptides that recognize the same receptors as nicotine (acetylcholine receptors) but have the opposite effect. In a specific chemical process unique to Nutra Pharma, the drugs are created through a process of chemical modification.

In September, 2015 RPI 78M was granted Orphan Status by the FDA for the treatment of pediatric Multiple Sclerosis. This allows for much shorter timelines to drug approval, waiver of FDA fees (around \$2.5M), rolling review and fast track approval. Orphan status also allows for potential grant money and other funding opportunities through the clinical process.

RPI MN and RPI 78M possess several desirable properties as drugs:

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

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

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They are extremely stable and resistant to heat, which gives the drugs a long shelf life. The drugs' stability has been determined to be over 4 years at room temperature. This is extremely unusual for a biologic drug.

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RPI 78M may be administered orally a first for a biologic MS drug. This will present MS patients with additional quality of life benefits by eliminating the requirement for routine injections.

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They are easy to administer.

We are currently working with consultants to develop trial protocols for a Phase I/II trial for the use of RPI 78M in the treatment of Pediatric Multiple Sclerosis. We expect to begin the trial in FY2018.

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 September 30, 2017 and September 30, 2016

Net sales for the three-month period ended September 30, 2017 are \$38,049 compared to \$70,487 for the three months period ended September 30, 2016. The decrease in net sales is primarily attributable to the decrease in Nyloxin® sales.

Cost of sales for the three-month period ended September 30, 2017 is \$4,340 compared to \$9,925 for the three-month period ended September 30, 2016. Our cost of sales includes the direct costs associated with Nyloxin® manufacturing. Our gross profit margin for the three-month period ended September 30, 2017 is \$33,709 or 88.59% compared to \$60,562 or 85.9% for the three-month period ended September 30, 2016. The increase in our profit margin is due primarily to the decrease of commission fees.

Selling, general and administrative expenses (SG&A) decreased \$259,346 or 45.8% from \$566,578 for the quarter ended September 30, 2016 to \$307,232 for the quarter ended September 30, 2017, generally due to the decrease of stock based compensation of approximately \$116,000, the decrease of approximately \$143,000 in consulting, investor relations, travel and professional fees.

Interest expense increased \$35,610 or 59.9%, from \$59,453 for the quarter ended September 30, 2016 to for the comparable 2017 period. This increase was due to increase in amortization of loan discounts in the quarter ended September 30, 2017 compared to the quarter ended September 30, 2016.

We carry certain of our debentures and common stock warrants at fair value. For the three months ended September 30, 2017 and 2016, the liability related to these hybrid instruments fluctuated, resulting in a loss of \$612,863 and \$160,563, respectively.

Gain on settlement of debt and accounts payable decreased \$82,015 or 100%, from the gain of \$82,015 for the three months ended September 30, 2016 to the gain of \$0 for the comparable 2017 period. This decrease was due to no settlement of debts and accounts payable through issuance of stocks for the three months ended September 30, 2017 compared to the comparable 2016 period.

As a result of the foregoing, our net loss increased by \$337,431 or 52.39%, from \$644,017 for the quarter ended September 30, 2016 to \$981,449 for the comparable 2017 period.

Comparison of Nine Months Ended September 30, 2017 and September 30, 2016

Net sales for the nine months ended September 30, 2017 are \$88,207 compared to \$138,556 for the nine months ended September 30, 2016. The decrease in sales is primarily attributable to an overall decrease in sales of Nyloxin®.

Cost of sales for the nine months ended September 30, 2017 is \$23,122 compared to \$28,120 for the nine months ended September 30, 2016. Our cost of sales includes the direct costs associated with Nyloxin® manufacturing. Our gross profit margin for the nine months ended September 30, 2017 is \$65,085 or 73.8% compared to \$110,436 or 79.7% for the nine months ended September 30, 2016. The decrease in our profit margin is due primarily to increase in the credit card processing fees.

Selling, general and administrative expenses (SG&A) decreased \$407,765 or 25.81% from \$1,579,850 for the nine months ended September 30, 2016 to \$1,172,086 for the nine months ended September 30, 2017, generally due to the decrease of approximately \$286,000 in stock based compensation, the decrease of approximately \$122,000 in consulting, investor relations, travel and professional fees.

Interest expense increased \$65,483 or 32.67%, from \$200,432 for the nine months ended September 30, 2016 to \$265,915 for the comparable 2017 period. This increase was due to increase in amortization of loan discounts in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016.

We carry certain of our debentures and common stock warrants at fair value. For the nine months ended September 30, 2017 and 2016, the liability related to these hybrid instruments fluctuated, resulting in a loss of \$1,649,719 and \$972,750, respectively.

Gain on settlement of debt and accounts payable decreased \$264,635 or 105.67%, from the gain of \$250,446 for the nine months ended September 30, 2016 to the loss of \$14,189 for the comparable 2017 period. This decrease was due to the loss incurred in settlement of debts and accounts payable through issuance of stocks for the nine months ended September 30, 2017 compared to the comparable 2016 period.

Our net loss increased by \$664,055 or 27.99%, from \$2,372,769 for the nine months ended September 30, 2016 to \$3,036,824 for the comparable 2017 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 September 30, 2017, we have an accumulated deficit of \$56,396,223 and working capital and stockholders' deficits of \$5,067,722 and \$5,042,956, 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 September 30, 2017, we do not believe that our source of cash is adequate for the next 12 months of operation and there is substantial doubt about our ability to continue as a going concern.

Historically, we have relied upon loans from our Chief Executive Officer, Rik Deitsch, to fund our operations. These loans are unsecured, accrue interest at a rate of 4.0% per annum and are due on demand. During the nine-months ended September 30, 2017, we borrowed \$302,350 and repaid \$174,400 to Mr. Deitsch and the Companies owned by him. The amount owed to Mr. Deitsch and its Companies at September 30, 2017 was \$193,359.

During the nine month period ended September 30, 2017, we raised \$405,500 through issuance of promissory notes, and \$550,500 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 \$100,000 to fund our existing operations and ReceptoPharm's operations through December 31, 2017. These costs include: (i) compensation for three (3) full-time employees; (ii) compensation for various consultants who we deem critical to our business; (iii) general office expenses including rent and utilities; (iv) product liability insurance; and (v) outside legal and accounting services. These costs reflected in (i) - (v) do not include research and development costs or other costs associated with clinical studies.

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

Uncertainties and Trends

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

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whether 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;

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

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

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

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

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

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

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whether we compete effectively in the intensely competitive biotechnology area;

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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;

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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 September 30, 2017, we carried out an evaluation under the supervision and the participation of our Chief Executive Officer/Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of September 30, 2017, 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 September 30, 2017. 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.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of September 30, 2017.

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 September 30, 2017 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 June 1, 2015, ReceptoPharm entered into a settlement agreement with Patricia Meding, a former officer and shareholder of ReceptoPharm. The settlement relates to a lawsuit filed by Ms. Meding against ReceptoPharm (Patricia Meding, et. al. v. ReceptoPharm, Inc. f/k/a Receptogen, Inc., Index No.: 18247/06, New York Supreme Court, Queens County) in which she claimed to own certain shares of ReceptoPharm stock and claimed to be owed amounts on a series of promissory notes allegedly executed in 2001 and 2002.

The settlement agreement executed on June 1, 2015 provides that ReceptoPharm will pay Ms. Meding a total of \$360,000 over 35 months. The first payment of \$20,000 was made on July 1, 2015. A second payment of \$20,000 was made on August 17, 2015 with 32 subsequent monthly \$10,000 payments due on the 15th of every month thereafter. To date, ReceptoPharm has made all monthly payments due under the agreement. In the event of default on any of the payments due under the settlement agreement, the settlement amount would increase by an additional \$200,000. As of September 30, 2017, the Company has accrued the legal settlement amount at present value of \$67,282 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 September 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 September 30, 2017, 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. On September 30, 2013, the Company entered into a settlement agreement with the Petitioners and the bankruptcy action was dismissed. In full and final satisfaction of all claims, the settlement agreement provides for payment to the Petitioners of a total sum of \$350,000. As of September 30, 2017, \$35,000 has been paid. As set forth below, the Petitioners have now filed a complaint in the 17th Judicial Circuit in and for Broward County, Florida to recover amounts allegedly owing to them under the settlement agreement.

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

On August 26, 2016, certain of former ReceptoPharm employees and a former ReceptoPharm consultant filed a lawsuit in the 17th Judicial Circuit in and for Broward County, Florida against Nutra Pharma and Receptopharm to recover amounts allegedly owing to them under the settlement agreement reached in the involuntary bankruptcy action referenced above. On September 28, 2016, Nutra Pharma and Receptopharm filed a motion to dismiss the lawsuit. That motion is currently pending.

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

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 September 30, 2017.

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

Common Stock Issued for Services

During February 2017, we signed an agreement with a consultant to provide investor relation services for twelve months. In connection with the agreement, 1,500,000 shares of our restricted common stock were issued. The shares were valued at \$0.0075 per share. We recorded an equity compensation charge of \$7,256 during the nine-months ended September 30, 2017. The remaining unrecognized compensation cost of \$3,994 related to non-vested equity-based compensation will be recognized over the remaining vesting and service period.

During January 2017, we signed an agreement with a consultant to provide investor relation services for twelve months. In connection with the agreement, 1,000,000 shares of our restricted common stock were issued. The shares were valued at \$0.0087 per share. We recorded an equity compensation charge of \$6,138 during the nine-months ended September 30, 2017. The remaining unrecognized compensation cost of \$2,562 related to non-vested equity-based compensation will be recognized over the remaining vesting and service period.

Common Stock Issued for Debt Modification

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

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

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

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

During October and November 2017, we issued a total of 350,000 restricted shares due to the default on repayment.

Common Stock Issued with Indebtedness

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

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

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

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

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

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

Common Stock Issued for Conversion of Debt

During October 2017, Labry made a conversion of 86,049,332 shares of stock satisfying the remaining principal balance of \$25,039 in full for the Note of \$66,500 originated in March 2017.

During October 2017, B+A made a conversion of 42,365,263 shares of stock satisfying \$19,416 of the principal balance for the Note of \$80,000 originated in April 2016.

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

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

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

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

In June and July 2017, B+A received 45,759,901 shares of our restricted stock with a fair value of \$67,469 upon conversion of \$39,376 of an \$80,000 Note originated in April 2016.

Date	Number of shares converted	Fair Value of Debt Converted
6/8/2017	23,715,415	56,303
7/6/2017	17,044,486	11,166

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During July through September 2017, a Note holder received 163,760,392 shares of the company's restricted stock with a fair value of \$210,956 upon conversion of \$46,461 of a \$66,500 Note originated in March 2017.

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

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

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

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

Date	Number of shares converted	Fair Value of Debt Converted
6/6/2017	9,000,000	\$27,051

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6/20/2017	9,000,000	11,872
7/5/2017	13,582,547	15,056

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

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

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

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

Item 3. Defaults Upon Senior Securities

During 2010 we borrowed \$200,000 from one of our directors. Under the terms of the loan agreement, this loan was expected to be repaid in nine months to a year from the date of the loan along with interest calculated at 10% for the first month plus 12% after 30 days from funding. We are in default regarding this loan. The loan is under personal guarantee by our President and CEO, Rik Deitsch. We repaid principal balance in full as of December 31, 2016. During the nine-months ended September 30, 2017, we made the payment of \$20,000 of the accrued interest. At September 30, 2017, we owed this director accrued interest of \$132,264.

In August 2016, we issued two Promissory Notes for a total of \$200,000 (\$100,000 each) to one of our directors owned Companies. The notes carry interest at 12% annually and are due on the date that is nine-months from the execution and funding of the note. During March 2017, we repaid principal balance of \$6,365. The loan is in default and negotiation for settlement. Upon default in February 2017, the Notes became convertible at \$0.008 per share. During April 2017, the Notes with accrued interest were restated. The restated principal balance of \$201,818 bears interest at 12% annually and is due October 12, 2017. During June 2017, we repaid principal balance of \$8,844. At September 30, 2017, we owed this director \$192,974 with accrued interest of \$11,038. The loan is in default and negotiation of settlement.

During April 2016, the \$80,000 convertible Notes were issued to B+A bearing annual interest rate of 10% due in one year from the origination of the Note. B+A made conversions of a portion of the Notes during June through October 2017. The remaining principal balance after the conversions is \$20,000. The loan is in default and negotiation of settlement.

During June 2016, we issued a Convertible Debenture in the amount of \$72,000 to a non-related party as a result of debt sale. The Note carries interest at 8% and is due on June 20, 2017. The loan is in default and negotiation of

settlement.

During June 2016, we issued a Convertible Debenture in the amount of \$54,800 to a non-related party as a result of debt sale. The note carries interest at 8% and is due on June 16, 2017. The loan is in default and negotiation of settlement.

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 in one year from the execution and funding of the note. The loan is in default and negotiation of settlement.

In May 2016, the Company issued a promissory note to a non-related party in the amount of \$75,000 bearing monthly interest at a rate of 2%. The note is due in six months from the execution and funding of the note. During April 2017, the Noteholder accepted 5,000,000 shares as a repayment of \$25,000. The loan is in default and negotiation of settlement.

In June 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. The loan is in default and negotiation of settlement.

In August 2016, we issued a promissory note to a non-related party in the amount of \$150,000 bearing monthly interest at a rate of 2.5%. The note was due in six months from the execution and funding of the note. During April 2017, the Notes with accrued interest were restated. The restated principal balance of \$180,250 bears interest at 12% annually and is due October 20, 2017. The loan is in default and in negotiation of settlement.

In October 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. The loan is in default and negotiation of settlement.

During May 2017, we issued a Convertible Debenture in the amount of \$45,000 to Labrys. The note carries interest at 12% and is due on November 3, 2017, unless previously converted into shares of restricted common stock. Labrys has the right to convert the note, until is no longer outstanding into shares of Common Stock at a sixty percent (60%) of the lowest trading price of our Common Stock for the twenty-five trading days preceding the conversion date. In connection with the issuance of the convertible note payable, the Company encountered a day-one derivative loss of \$47,393. At September 30, 2017, the convertible note payable, at fair value, was recorded at \$100,492. The loan is in default and negotiation of settlement.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None

Item 6. Exhibits

Exhibit No.	Title
31.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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: November 20, 2017

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