BOND LABORATORIES, INC.
Form 10-K
April 15, 2011

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2010

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from N/A to N/A

Commission File Number: 0-25474

Bond Laboratories, Inc.
(Name of small business issuer as specified in its charter)

Nevada	20-3464383
State of Incorporation	IRS Employer Identification No.

11011 Q Street Building A Suite 106 Omaha, NE 68137
(Address of principal executive offices)

(402) 884-1894
(Issuer's telephone number)

Securities registered under Section 12(b) of the Exchange Act:
None

Securities registered under Section 12(g) of the Exchange Act:
Common Stock, $0.01 par value per share

(Title of Class)
Common Stock, $.01 Par Value

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

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

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

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 a shorter period that the registrant was required to submit and post such files).
o Yes o No

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

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

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o	Smaller Reporting company	x

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $14,718,620.

State the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: As of April 14, 2011, there were 72,198,246 shares of common stock, $0.01 par value per share, issued and outstanding.

Documents Incorporated By Reference - None

Bond Laboratories, Inc.
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CERTIFICATIONS

Exhibit 31 – Management certification
Exhibit 32 – Sarbanes-Oxley Act

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Forward Looking Statements — Cautionary Language

Certain statements made in these documents and in other written or oral statements made by Bond Laboratories, Inc. or on Bond Laboratories, Inc.’s behalf are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"). A forward-looking statement is a statement that is not a historical fact and, without limitation, includes any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain words like: "believe", "anticipate", "expect", "estimate", "project", "will", "shall" and other words or phrases with similar meaning in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, trends in our businesses, prospective products, future performance or financial results. Bond Laboratories, Inc. claims the protection afforded by the safe harbor for forward-looking statements provided by the PSLRA. Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from the results contained in the forward-looking statements. Risks and uncertainties that may cause actual results to vary materially, some of which are described in this filing. The risks included herein are not exhaustive. This annual report on Form 10-K, as amended quarterly reports on Form 10-Q, current reports on Form 8-K and other documents filed with the SEC include additional factors which could impact Bond Laboratories, Inc.'s business and financial performance. Moreover, Bond Laboratories, Inc. operates in a rapidly changing and competitive environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors. Further, it is not possible to assess the impact of all risk factors on Bond Laboratories, Inc.'s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. In addition, Bond Laboratories, Inc. disclaims any obligation to update any forward-looking statements to reflect events or circumstances that occur after the date of the report.

PART I

ITEM 1. BUSINESS.

Except for historical information contained herein, the following discussion contains forward-looking statements that involve risks and uncertainties. Such forward-looking statements include, but are not limited to, statements regarding future events and the Company’s plans and expectations. Actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed elsewhere in this Form 10-K or incorporated herein by reference, including those set forth in Management’s Discussion and Analysis or Plan of Operation.

As used in this annual report, “we”, “us”, “our”, “Bond”, “Bond Laboratories” “Company” or “our company” refers to Bond Laboratories, Inc. and all of its subsidiaries.

Overview

Bond Laboratories, Inc. (the “Company”) is a national provider of innovative and proprietary nutritional supplements for health conscious consumers. The Company produces and markets its products primarily through NDS Nutrition Products, Inc., a Florida corporation (“NDS”). NDS manufactures and distributes a full line of nutritional supplements to support healthy living predominantly through franchisees of General Nutrition Centers, Inc. (“GNC”) located throughout the United States.

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The Company was incorporated in the State of Nevada on July 26, 2005. In October 2008, the Company acquired the assets of NDS Nutritional Products, Inc., a Nebraska corporation, and moved those assets into its wholly owned subsidiary NDS. Management recently determined, based on historical and projected operating results in each of its divisions, to focus its efforts and working capital on the NDS product line, and is currently evaluating plans to maximize the value of Fusion Premium Beverages, Inc., ("Fusion Premium Beverages"), a Florida corporation and wholly owned operating division of the Company. While no assurances can be given, such plans may include the sale, spin-off, liquidation, or other disposition of the Fusion Premium Beverage division. For the full year and three month period ended December 31, 2010, the Fusion Premium Beverages division contributed approximately $510,397 and $25,391 in revenue to the Company, respectively. As a result of the foregoing, for the year and three month period ended December 31, 2010, the Company wrote off a total of $509,943 and $491,913 expired inventory and receivables related to the Fusion Premium Beverages division, respectively.

Bond Laboratories is headquartered in Omaha, Nebraska. Additional information regarding the Company can be found at http://www.bond-labs.com. The Company's Common Stock currently trades under the symbol BNLB on the OTCQB market.

Industry Overview

We compete principally in the nutrition industry. The Nutrition Business Journal categorizes the industry in the following segments:

Dietary Supplements (vitamins, minerals, herbs & botanicals, sports nutrition, meal replacements, specialty supplements);

Natural & Organic Foods (products such as cereals, milk, non-dairy beverages and frozen meals);

Functional Foods (products with added ingredients or fortification specifically for health or performance purposes); and

Natural & Organic Personal Care and Household Products.

Management believes that the following factors drive growth in the nutrition industry:

The general public's awareness and understanding of the connection between diet and health;

The aging population in the Company's markets who tend to use more nutritional supplements as they age;

Increasing healthcare costs and the consequential trend toward preventative medicine and non-traditional medicines; and

Product introductions in response to new scientific studies.

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Our Products

The Company currently focuses its sales and marketing efforts on its full line of sports, weight loss and general nutrition products that are currently marketed and sold nationally through NDS, the Company's wholly-owned subsidiary. NDS currently markets approximately 50 different products to over 600 GNC franchise locations across the United States, which are distributed through either the Company's direct distribution system or GNC's distribution system. A complete product list is available on our website at www.ndsnutrition.com. Key brands include:

- Professional Muscular Development, a comprehensive line of sports nutrition products, examples include Pump Fuel, ACG3 and Omega Cuts;
- A complete suite of products that support weight loss and increased metabolism: examples include Embrace, Censor, and Intensify IRG; and
- Doctor Health, a diverse line of products that promote general health and well-being, examples include Dr. Detox, Dr. Cholesterol and Dr. Joints.

The Company also sells innovative diet, health and sports nutrition supplements and related products through its Core Active Nutrition product line ("Core Active Nutrition Products"). Core Active Nutrition Products are principally marketed and sold directly to athletic facilities, gyms, and independent retailers nationwide.

Manufacturing, Sources and Availability of Raw Materials

The Company utilizes several contract manufactures to produce its various products and product forms including capsules, tablets, and powders. All of our manufacturers abide by current Good Manufacturing Practices ("cGMPs") to ensure quality and consistency, and nearly all are certified through a governing body such as the NPA ("Natural Products Association") or NSF International. Raw materials are sourced and supplied by the respective contract manufacturer, and tested for accuracy and purity. The materials are blended according to specific and proprietary formula specifications and subjected to comprehensive testing prior to store placement. We own the formulas for each of our products and we believe that our purchasing requirements can be readily met from alternative sources, if necessary.

New Product Identification

From time to time we expand our product line through the development of new products. New product ideas are derived from a number of sources, including trade publications, scientific and health journals, consultants, distributors, and other third parties. Prior to introducing new products, we investigate product formulations as they relate to regulatory compliance and other issues. We introduced a total of nine new products during the year ended December 31, 2010. Management continually assesses and analyzes developing market trends to detect and proactively address what they believe are areas of unmet or growing demand that represent an opportunity for the Company and, where deemed appropriate, attempts to introduce new products and/or packaging solutions in direct response to meet that demand.

Sales, Marketing and Distribution

The Company principally distributes its sports, weight loss and general nutrition products through over 600 GNC franchise locations located throughout the United States through both an independent warehouse as well as GNC's centralized warehouse system for franchisees. Each GNC franchisor represents a discrete customer for the Company. As of December 31, 2010, the Company distributed products to more than 330 franchisor customers, operating between 1 and 12 independently owned franchise locations each. While, for the year ended December 31, 2010, sales to GNC franchises represented approximately 95% of the total sales of the Company's NDS division, no single

customer represented more than 10% of such amount. The remaining 5% of sales were attributable to other distribution channels including online sales through the Company-owned website located at www.ndsnutrition.com, sales from our discontinued Fusion Premium Beverages division, and sales of its Core Active Nutrition Products.

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We are currently focusing our sales and marketing efforts to expand sales to additional GNC franchise locations both domestically and internationally, as well as developing a broader retail presence for our Core Active Nutrition Products. Management believes that substantial growth opportunities exist to increase revenue with GNC, since the Company is currently only selling to approximately 600 franchise locations out of more than 900 total locations in the United States, and only a handful of the more than 1,200 international franchised stores. In addition to the above, GNC operates another 4,000 corporate-owned stores domestically.

Product Returns

We currently have a 30 day product return policy, which allows for a 100% sales price refund, less a 20% restocking fee, for the return of unopened and undamaged products purchased from us online at www.ndsnutrition.com. Product sold to GNC may be returned only in the event product is damaged, or the product shelf life has expired. Historically, product returns have been immaterial.

Competition

The Company competes with many companies engaged in selling nutritional supplements. The Company also competes with companies who sell products similar to the Company's products online. Many of the Company's competitors have significantly greater financial and human resources than the Company does. The Company seeks to differentiate its products and marketing from its competitors based on its product quality and benefits, and functional ingredients. Patent and trademark applications that cover new formulas and embody new technology will be pursued whenever possible. While we cannot assure that such measures will block competitive products, we believe our continued emphasis on innovation and new product development targeted at the needs of the consumer will enable the Company to effectively compete in the marketplace.

Regulatory Matters

Our operations are affected by extensive laws, governmental regulations, administrative determinations, court decisions and enforcement policies. These requirements exist at the federal, state and local levels in the United States, including laws and regulations pertaining to:

- the formulation, manufacturing, packaging, labeling, holding, storage, distribution, advertising, and sale of our products;
- product claims and advertising, including direct claims and advertising by us, as well as claims and advertising by independent distributors, for which we may be held responsible;
- our direct selling program; and
- taxation of independent distributors (which in some instances could impose an obligation on us to collect the taxes and maintain appropriate records).

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The formulation, manufacturing, packaging, labeling, holding, storage, distribution, advertising, and sale of our products are subject to regulation by one or more federal agencies, including the FDA, the FTC, the Consumer Product Safety Commission ("CPSC"), the Occupational Safety and Health Administration ("OSHA"), the Department of Agriculture ("USDA") and the Environmental Protection Agency ("EPA"). These activities are also regulated by various agencies of the states and localities in which our products are sold. Pursuant to the Federal Food, Drug, and Cosmetic Act ("FDCA"), the FDA regulates the processing, formulation, safety, manufacture, packaging, labeling, holding, sale, and distribution of foods and nutritional supplements (including vitamins, minerals, amino acids, herbs, and botanicals). The FTC has jurisdiction to regulate the advertising of these products. The CPSC is charged with protecting the public from risks of serious injury or death associated with the use of consumer products. Nutritional supplements are among the over 15,000 types of consumer products under CPSC's jurisdiction. When consumers complain to the CPSC about alleged harm stemming from ingestion of a nutritional supplement, CPSC may contact the entity concerned, inform it of the nature of the complaint, and invite a response. CPSC has conducted several recalls of iron-containing dietary supplements that do not comply with the child-resistant packaging requirement. The OSHA is charged with protecting workplace safety. Nutritional supplement companies must maintain a safe workplace and may from time to time be subject to queries from OSHA if manufacturing methods or procedures raise a question of worker safety. The USDA has jurisdiction over animal food and animal feed, including regulatory control over the harvesting of animal-based source materials, including animal-derived proteins, and animal-derived gelatin capsules, used in the making of dietary supplements. The EPA regulates dietary supplement compliance with standards established under the Clean Air Act, the Clean Water Act, the Occupational Safety and Health Act, and the Pollution Prevention Act as they affect the use, maintenance, and disposal of substances used in and facilities used for the manufacture of nutritional supplements.

The FDCA has been amended several times with respect to nutritional supplements, in particular by the Dietary Supplement Health and Education Act of 1994 ("DSHEA"), which established a new framework governing the composition, safety, labeling and marketing of nutritional supplements. Nutritional supplements are defined as vitamins, minerals, herbs, other botanicals, amino acids and other dietary substances for human use to supplement the diet, as well as concentrates, metabolites, constituents, extracts or combinations of such dietary ingredients. Generally, under DSHEA, dietary ingredients that were on the market prior to October 15, 1994, may be used in nutritional supplements without notifying the FDA. New dietary ingredients, consisting of dietary ingredients that were not marketed in the United States before October 15, 1994, are subject to a FDA pre-market new dietary ingredient notification requirement unless the ingredient has been present in the food supply as an article used for food without being chemically altered. A new dietary ingredient notification must provide the FDA with evidence of a history of use or other evidence of safety establishing that use of the dietary ingredient will reasonably be expected to be safe. A new dietary ingredient notification must be submitted to the FDA at least 75 days before the initial marketing of the new dietary ingredient. There is no certainty that the FDA will accept any particular evidence of safety for any new dietary ingredient. The FDA's refusal to accept such evidence could prevent the marketing of such dietary ingredients.

The FDA issued a consumer warning in 1996, followed by proposed regulations in 1997, covering nutritional supplements that contain ephedra or its active substance, ephedrine alkaloids. We ceased producing and selling any and all products containing ephedra in compliance with all government mandates. In February 2004, the FDA issued a final regulation declaring nutritional supplements containing ephedra under the FDCA because they present an unreasonable risk of illness or injury under the conditions of use recommended or suggested in labeling, or if no conditions of use are suggested or recommended in labeling, under ordinary conditions of use. The rule took effect on April 12, 2004, and bans the sale of nutritional supplement products containing ephedra. Similarly, the FDA issued a consumer advisory in 2002 with respect to nutritional supplements that contain the ingredient Kava, and the FDA is currently investigating adverse effects associated with ingestion of this ingredient. To our knowledge, the Company has never produced or sold any products containing Kava.

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DSHEA permits statements of nutritional support to be included in labeling for nutritional supplements without FDA premarket approval. These statements must be submitted to the FDA within 30 days of marketing and must bear a label disclosure that "This statement has not been evaluated by the Food and Drug Administration. This product is not intended to diagnose, treat, cure, or prevent any disease." These statements may describe a benefit related to a nutrient deficiency disease, the role of a nutrient or nutritional ingredient intended to affect the structure or function in humans, the documented mechanism by which a nutrient or dietary ingredient acts to maintain such structure or function, the general well-being from consumption of a nutrient or dietary ingredient, but may not expressly or implicitly represent that a nutritional supplement will diagnose, cure, mitigate, treat or prevent a disease. An entity that uses a statement of nutritional support in labeling must possess scientific evidence substantiating that the statement is truthful and not misleading. If the FDA determines that a particular statement of nutritional support is an unacceptable drug claim or an unauthorized version of a disease claim for a food product, or if the FDA determines that a particular claim is not adequately supported by existing scientific data or is false or misleading, we would be prevented from using the claim.

In addition, DSHEA provides that so-called "third-party literature," e.g., a reprint of a peer-reviewed scientific publication linking a particular nutritional ingredient with health benefits, may be used in connection with the sale of a nutritional supplement to consumers without the literature being subject to regulation as labeling. Such literature must not be false or misleading; the literature may not promote a particular manufacturer or brand of nutritional supplement; the literature must present a balanced view of the available scientific information on the nutritional supplement; if displayed in an establishment, the literature must be physically separate from the nutritional supplement; and the literature may not have appended to it any information by sticker or any other method. If the literature fails to satisfy each of these requirements, we may be prevented from disseminating it with our products, and any dissemination could subject our products to regulatory action as an illegal drug. Moreover, any written or verbal representation by us that would associate a nutrient in a product that we sell with an effect on a disease will be deemed evidence of intent to sell the product as an unapproved new drug, a violation of the FDCA.

On August 25, 2007 the FDA adopted the final regulations for large manufactures of a standard originally proposed in March 2003 of the current Good Manufacturing Practices guidelines ("cGMPs") for the manufacturing, packing, holding and distributing dietary ingredients and nutritional supplements. The new regulations will require nutritional supplements to be prepared, packaged, and held in compliance with strict rules, and will require quality control provisions that may mandate redundant testing of product ingredients at each separate stage of manufacture and are intended to ensure that products are accurately labeled and don't contain adulterants and contaminants. While the rule allowed for medium and small manufacturers to have until 2009 and 2010, respectively, to comply with the cGMPs, most of our contract manufacturers did not qualify as small or medium. As a result, many of our contract manufacturers began following the proposed cGMPs or even pharmaceutical cGMPs well before the final rule was published. We expect to see an increase in our manufacturing costs as a result of the necessary increase in testing of raw ingredients and finished products and compliance with higher quality standards, although we are not certain of the amount of these costs.

The FDA has broad authority to enforce the provisions of the FDCA applicable to nutritional supplements, including powers to issue a public warning letter to an entity, to publicize information about illegal products, to request a recall of illegal products from the market, and to request the Department of Justice to initiate a seizure action, an injunction action, or a criminal prosecution in the United States courts. The regulation of nutritional supplements may increase or become more restrictive in the future.

In 2004, legislation was introduced in both houses of Congress that imposed substantial new regulatory requirements for dietary supplements. These bills did not pass and are no longer pending, but we believe the 2004 proposed legislation evidences a continuing effort to further regulate dietary supplements.

On April 12, 2004, the FDA adopted a new test for determining when a nutritional supplement is adulterated. Under this test, the FDA may declare a nutritional supplement adulterated (i.e., to present an unreasonable risk of illness or injury) if it finds any benefit provided by the supplement outweighed by a risk of illness of injury. The new risk/benefit test is ill-defined and can be interpreted to permit FDA to hold a wide range of nutritional supplements adulterated. It is possible that FDA might hold more nutritional supplements adulterated in the future, reducing the nutritional ingredients available for use in our products.

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The FTC exercises jurisdiction over the advertising of nutritional supplements. In recent years, the FTC has instituted numerous enforcement actions against nutritional supplement companies for deceptive advertising based on those companies' alleged failure to possess competent and reliable scientific evidence in support of claims made in advertising.

The FTC may monitor our advertising and could request all evidence in support of our advertising claims, which evidence is required to be kept by us in advance of advertising. Discerning what constitutes "competent and reliable scientific evidence" involves, to a degree, a subjective assessment of the relative level, degree, quality, and quantity of scientific evidence and its acceptance in the scientific community as proof of the advertising statement. It is therefore possible that we may think evidence we have as sufficient but the FTC may deem the evidence inadequate. We believe we are in material compliance with all applicable federal, state and local rules.

On December 9, 2006, President Bush signed the Dietary Supplement & Nonprescription Drug Consumer Protection Act into law. The legislation requires manufacturers of dietary supplement and over-the-counter products to notify the FDA when they receive reports of serious adverse events. We already have an internal adverse event reporting system that has been in place for several years. In December 2008 the FDA submitted Guidance for implementing the regulations for comment, this guidance, when finalized, will represent the current thinking of the Food and Drug Administration on this topic, which we would intend to fully comply with at such time..

Patents, Trademarks and Proprietary Rights

We have obtained federal registration on certain of our products. We have abandoned or not pursued efforts to register certain other marks identifying other items in our product line for various reasons including the inability of some names to qualify for registration and due to our abandonment of certain such products. All trademark registrations are protected for a period of ten years and then are renewable thereafter if still in use.

Employees

We had 10 full-time employees and 1 part-time employee as of December 31, 2010. We consider our employee relations to be good. In addition to the above, the Company retains consultants for certain services on an as needed basis.

Environmental Regulation

Our business does not require us to comply with any particular environmental regulations.

ITEM 1A - Risk Factors

An investment in our common stock involves a high degree of risk. You should carefully consider the following information about these risks, together with the other information contained in this Annual Report on Form 10-K, before investing in our common stock. If any of the events anticipated by the risks described below occur, our results of operations and financial condition could be adversely affected which could result in a decline in the market price of our common stock, causing you to lose all or part of your investment.

We have a history of operating losses.

We had net losses for the years ending December 31, 2010, and December 31, 2009 of $3,178,031 and $10,782,715, respectively. At December 31, 2010 and December 31, 2009, we had an accumulated deficit of $(25,582,201) and $(22,404,170), respectively. In addition, we may require additional capital to execute our business and marketing

plan. Our history of losses may impair our ability to obtain necessary financing on favorable terms or at all. It may also impair our ability to attract investors if we attempt to raise additional capital by selling additional debt or equity securities in a private or public offering. If we are not able to achieve positive cash flow from operations and we are otherwise unable to obtain additional financing, we may be unable to continue our operations.

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We may need to raise additional funds to fund operations, which cannot be assured and would result in dilution to the existing shareholders.

To date, our operating funds have been provided primarily from sales of our common stock, preferred stock and, to a lesser degree, cash flow provided by sales of our products. We used $1,854,018 of cash for operations in the year ended December 31, 2010. If our business operations do not result in increased product sales, our business viability, financial position, results of operations and cash flows will likely be adversely affected. Further, if we are not successful in achieving profitability, additional capital will be required to conduct ongoing operations. We cannot predict the terms upon which we could raise such capital or if any capital would be available at all, and what dilution will be caused to the existing shareholders.

Any Adverse Result in Pending Litigation May Have a Material Adverse Effect on the Company.

On February 19, 2009, we received a letter from the U.S. Department of Labor, Occupational Safe and Health Administration ("OSHA"), notifying us that a complaint had been filed by Eric Schick, our former President, alleging that we had committed certain unlawful employment practices, including retaliatory termination of his employment for “whistle blowing,” in connection with his separation from the Company in October 2008. On January 19, 2011, OSHA delivered its preliminary report determining that there was reasonable cause to believe that the Company and our former Chief Executive Officer violated Section 806 of the Corporate and Criminal Fraud Accountability Act of 2002, Title VIII of the Sarbanes-Oxley Act, and that the reinstatement of our former President was warranted. The determination was not a final determination by OSHA of a violation. OSHA has made a preliminary assessment of damages, which it estimates at approximately $440,000.

The Company, as well as our former Chief Executive Officer, submitted a formal response to the DOL refuting in their entirety the conclusions drawn in its preliminary report. In the event OSHA proceeds with the complaint, we may be required to allocate substantial financial and human resources to defense of this complaint (including significant amounts of our management's time and attention), which in turn could materially and adversely affect our business, operations and financial condition. In addition, if there was an ultimate finding in favor of Mr. Schick on his allegations, we may be required to pay Mr. Schick substantial amounts and incur other potential penalties. Any such payments could materially and adversely affect our financial condition, business and prospects, and could prevent us from executing our business plan as currently contemplated.

We are currently dependent on sales to GNC franchisees for 95% of our total sales of NDS Nutrition Products.

We currently have a purchasing agreement with GNC that provides terms and conditions for the sale of product to GNC franchisees. Sales to GNC during the year ended December 31, 2010 were $6,913,861, representing 95% of total sales of NDS Nutrition Products. GNC’s franchisees are not required to purchase product from the Company. In the event GNC franchisees cease purchasing products from the Company, or otherwise reduce their purchases, the Company’s total revenues would be negatively impacted, and such impact would be material.

Our ability to materially increase sales is largely dependent on the ability to increase sales of product to additional GNC franchisees, as well as increasing sales of its Core Active Nutrition Products. We may invest significant amounts in these expansions with little success.

We currently are focusing our marketing efforts on increasing the sale of products to additional GNC franchisees, both domestically as well as internationally, as well as increasing the number of independent retailers selling Core Active Nutrition Products. We may not be successful increasing sales to additional GNC franchisees, or contracting with additional independent retailers to market and sell Core Active Nutrition Products. In addition, we do not have any history of international expansion, and therefore have no assurance that any efforts to sell our products outside the

United States will result in increased revenue. Additionally, we may need to overcome significant regulatory and legal barriers in order to sell our products internationally, and we cannot give assurance as to whether we will be able to comply with such regulatory or legal requirements.

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We are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints, which can make compliance costly and subject us to enforcement actions by governmental agencies.

The formulation, manufacturing, packaging, labeling, holding, storage, distribution, advertising and sale of our products are affected by extensive laws, governmental regulations and policies, administrative determinations, court decisions and similar constraints at the federal, state and local levels, both within the United States and in any country where we conduct business. There can be no assurance that we or our independen