

MEDICAL NUTRITION USA INC

FORM 10-Q (Quarterly Report)

Filed 06/04/10 for the Period Ending 04/30/10

| | |
|-------------|---|
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| Telephone | 2015691188 |
| CIK | 0000722617 |
| Symbol | MDNU |
| SIC Code | 2833 - Medicinal Chemicals and Botanical Products |
| Industry | Biotechnology & Drugs |
| Sector | Healthcare |
| Fiscal Year | 01/31 |

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED APRIL 30, 2010

OR

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

For the transition period from _____ to _____

COMMISSION FILE NUMBER 001-33411

MEDICAL NUTRITION USA, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

11-3686984

(I.R.S. EMPLOYER
IDENTIFICATION NO.)

10 WEST FOREST AVENUE, ENGLEWOOD, NEW JERSEY 07631

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

(201) 569-1188

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

(FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR IF CHANGED SINCE LAST REPORT)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Sections 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. See the definitions of "accelerated filer," large accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 14,416,808 shares of common stock outstanding as of June 4, 2010.

MEDICAL NUTRITION USA, INC.

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MEDICAL NUTRITION USA, INC.
CONDENSED BALANCE SHEETS

| | <u>April 30, 2010</u> | <u>January 31, 2010</u> |
|--|-----------------------|-------------------------|
| | (unaudited) | |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 4,444,500 | \$ 4,416,900 |
| Short-term investments/Marketable securities | 7,117,700 | 7,081,300 |
| Accounts receivable, net of allowance of \$55,200 and \$52,200, respectively | 1,406,800 | 1,479,100 |
| Inventories | 484,200 | 596,100 |
| Deferred income taxes | 363,300 | 480,400 |
| Prepaid income taxes | 35,900 | — |
| Other current assets | 157,700 | 188,800 |
| Total current assets | <u>14,010,100</u> | <u>14,242,600</u> |
| Fixed Assets, net of accumulated depreciation | 241,200 | 251,000 |
| Other Assets: | | |
| Deferred income taxes | 431,200 | 442,300 |
| Security deposits | 20,000 | 15,300 |
| Investment in Organics Corporation of America | 125,000 | 125,000 |
| Intangible assets, net of amortization | 273,400 | 277,300 |
| | <u>\$ 15,100,900</u> | <u>\$ 15,353,500</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$ 614,700 | \$ 797,200 |
| Accrued expenses | 874,000 | 1,065,200 |
| Income taxes payable | — | 149,800 |
| Total current liabilities | <u>1,488,700</u> | <u>2,012,200</u> |
| Stockholders' Equity: | | |
| Preferred stock \$0.001 par value, 5,000,000 shares authorized; no shares issued and outstanding as of April 30, 2010 and January 31, 2010 | — | — |
| Common stock, \$0.001 par value; 20,000,000 shares authorized; 14,439,659 shares issued and 14,416,808 shares outstanding as of April 30, 2010 and 14,437,425 shares issued and 14,414,574 shares outstanding as of January 31, 2010 | 14,400 | 14,400 |
| Additional paid-in-capital | 25,551,300 | 25,434,000 |
| Accumulated deficit | (11,861,700) | (12,015,300) |
| Accumulated other comprehensive income | 11,600 | 11,600 |
| | <u>13,715,600</u> | <u>13,444,700</u> |
| Less treasury stock, at cost, 22,851 shares | (103,400) | (103,400) |
| Total stockholders' equity | <u>13,612,200</u> | <u>13,341,300</u> |
| | <u>\$ 15,100,900</u> | <u>\$ 15,353,500</u> |

See notes to condensed financial statements.

MEDICAL NUTRITION USA, INC.
CONDENSED STATEMENTS OF OPERATIONS

| | THREE MONTHS ENDED | |
|---|---------------------------|---------------------|
| | APRIL 30, | |
| | 2010 | 2009 |
| | (Unaudited) | (Unaudited) |
| Sales | \$ 4,447,300 | \$ 3,427,700 |
| Cost of sales | 2,005,600 | 1,610,300 |
| Gross profit | <u>2,441,700</u> | <u>1,817,400</u> |
| Selling, general and administrative expenses | 2,017,200 | 1,857,900 |
| Research and development | <u>151,200</u> | <u>147,100</u> |
| Operating income (loss) | <u>273,300</u> | <u>(187,600)</u> |
| Interest income | <u>43,200</u> | <u>37,600</u> |
| Income (loss) before income tax expense (benefit) | 316,500 | (150,000) |
| Income tax expense (benefit) | <u>162,900</u> | <u>(6,100)</u> |
| Net income (loss) | <u>\$ 153,600</u> | <u>\$ (143,900)</u> |
| Earnings (loss) per common share: | | |
| Basic | <u>\$ 0.01</u> | <u>\$ (0.01)</u> |
| Diluted | <u>\$ 0.01</u> | <u>\$ (0.01)</u> |
| Weighted average common shares outstanding | | |
| Basic | <u>14,041,116</u> | <u>14,130,752</u> |
| Diluted | <u>14,884,580</u> | <u>14,130,752</u> |

See notes to condensed financial statements.

MEDICAL NUTRITION USA, INC.
CONDENSED STATEMENTS OF CASH FLOWS

| | THREE MONTHS ENDED | |
|--|--------------------|--------------|
| | APRIL 30, | |
| | 2010 | 2009 |
| | (unaudited) | (unaudited) |
| Operating Activities: | | |
| Net income (loss) | \$ 153,600 | \$ (143,900) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization expense | 43,800 | 45,600 |
| Provision for losses on accounts receivable | 3,000 | (3,600) |
| Deferred income tax expense (benefit) | 128,200 | (6,700) |
| Stock based compensation | 125,500 | 152,200 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | 69,300 | 189,400 |
| Inventories | 111,900 | (18,500) |
| Prepaid income taxes | (35,900) | (1,200) |
| Other current assets | 31,100 | 7,000 |
| Security deposit | (4,700) | — |
| Accounts payable | (182,500) | 177,500 |
| Income taxes payable | (149,800) | — |
| Accrued expenses | (191,200) | (413,900) |
| Net cash provided by (used in) operating activities | 102,300 | (16,100) |
| Investing Activities: | | |
| Acquisition of fixed assets | (16,400) | (23,700) |
| Trademark costs | (1,900) | (4,600) |
| Capitalized patent costs | (11,800) | (9,300) |
| Purchase of short term investments | (36,400) | — |
| Net cash used in investing activities | (66,500) | (37,600) |
| Financing Activities: | | |
| Purchase of treasury stock | (8,200) | (1,500) |
| Net cash used in financing activities | (8,200) | (1,500) |
| Net increase in cash and cash equivalents | 27,600 | (55,200) |
| Cash and cash equivalents - beginning of period | 4,416,900 | 9,654,300 |
| Cash and cash equivalents-end of period | \$ 4,444,500 | \$ 9,599,100 |
| Supplemental information: | | |
| Taxes paid during the period | \$ 220,400 | \$ 4,500 |

See notes to condensed financial statements.

MEDICAL NUTRITION USA, INC.
CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY AND OTHER COMPREHENSIVE INCOME
THREE MONTHS ENDED APRIL 30, 2010 (UNAUDITED)

| | <u>Common Stock</u> | | <u>Additional Paid-in- capital</u> | <u>Accumulated Deficit</u> | <u>Treasury Stock</u> | | <u>Accumulated Other Comprehensive Income</u> | <u>Total Stockholders ' Equity</u> |
|---|-------------------------------|------------------|--|--------------------------------|-----------------------|---------------------|---|--|
| | <u>Shares Outstanding</u> | <u>Amount</u> | | | <u>Shares</u> | <u>Amount</u> | | |
| Balance at January 31, 2010 | 14,414,574 | \$ 14,400 | \$ 25,434,000 | \$ (12,015,300) | (22,851) | \$ (103,400) | \$ 11,600 | \$ 13,341,300 |
| Issuance of restricted shares of common stock | 5,000 | — | — | — | — | — | — | — |
| Stock based compensation | — | — | 125,500 | — | — | — | — | 125,500 |
| Treasury stock-repurchase of restricted stock for tax withholding | — | — | — | — | (2,766) | (8,200) | — | (8,200) |
| Retirement of treasury stock- related to restricted stock for tax withholding | (2,766) | — | (8,200) | — | 2,766 | 8,200 | — | — |
| Net income | — | — | — | 153,600 | — | — | — | 153,600 |
| Total other comprehensive income | — | — | — | — | — | — | — | 153,600 |
| Balance at April 30, 2010 | <u>14,416,808</u> | <u>\$ 14,400</u> | <u>\$ 25,551,300</u> | <u>\$ (11,861,700)</u> | <u>(22,851)</u> | <u>\$ (103,400)</u> | <u>\$ 11,600</u> | <u>\$ 13,612,200</u> |

See notes to condensed financial statements.

MEDICAL NUTRITION USA, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
APRIL 30, 2010

Note 1. Organization and Business :

Medical Nutrition USA, Inc., a Delaware corporation, (the Company), incorporated in 2003, is primarily engaged in the development and distribution of nutritional and health products. The Company develops nutritional supplements for sale to physicians, dispensing medical clinics, nursing homes and network marketing companies. The Company's products are sold under its own brands and/or under private labels in the United States.

The accompanying unaudited condensed financial statements of the Company have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, these unaudited condensed financial statements do not include all of the information and notes required by generally accepted accounting principles. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ending April 30, 2010 are not necessarily indicative of the results that may be expected for the current fiscal year ending January 31, 2011 or for any future period. While management of the Company believes that the disclosures presented are adequate to make the information not misleading, these unaudited condensed financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form-10K for the fiscal year ended January 31, 2010.

Note 2. Significant Accounting Policies :

Concentration of credit risk - We are subject to concentration of credit risk primarily from our cash investments. The Company invests its excess cash in treasury backed money market funds and bond funds. The diversification of the cash investments is intended to secure safety and liquidity. The Company maintains the majority of its cash, cash equivalents and a short term investment account in bank accounts at four financial institutions. The balances, at times, may exceed federally insured limits. At April 30, 2010, the Company had approximately \$3.9 million in excess of FDIC insured limits. The Company's operations are not subject to risks of material foreign currency fluctuations, nor does it use derivative financial instruments in its investment practices. The Company places its marketable investments in instruments that meet high credit quality standards. The Company does not expect material losses with respect to its investment portfolio or exposure to market risks associated with interest rates. The impact on the Company's results of one percentage point change in short-term interest rates would not have a material impact on the Company's future earnings, fair value, or cash flows related to investments in cash equivalents or interest-earning marketable securities.

The other financial component, which principally subjects the Company to significant concentrations of credit risk, is trade accounts receivable. As of April 30, 2010, four distributors accounted for approximately 40% of total revenues. The Company defines a major customer as one that provides approximately 7% or more of total revenues. The Company has no contractual arrangements with these distributors, and if they were to discontinue purchasing from the Company, it could have a material impact on the Company's sales unless end users were able to purchase the company's products from alternative distributors.

Cash and cash equivalents - The Company invests its excess cash in highly liquid short-term investments. The Company considers short-term investments that are purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consisted of cash and money market accounts as of April 30, 2010 and January 31, 2010.

Short term investments/Marketable securities - As of April 30, 2010, the Company's short term investments consisted of approximately \$7,117,700 in a short term duration bond fund with a financial institution. The Company accounts for short-term investments under Accounting Standards Code 320, "Accounting for Certain Investments in Debt and Equity Securities." As of April 30, 2010, all short term investments were recorded at fair value and accounted for as available for sale securities, and accordingly, unrealized gains and losses on marketable securities, net of tax, are reflected as a component of accumulated other comprehensive income in stockholder's equity. The accumulated balance, net of tax, in net unrealized gains and losses on available for sale securities in the amount of \$11,600 was recorded to stockholders' equity as of April 30, 2010.

Accounts receivable - The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts in trade accounts receivable. The Company's estimate is based on a review of the current status of these accounts and historical trends. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts may change in the future should historical trends or current account status require.

MEDICAL NUTRITION USA, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
APRIL 30, 2010

Note 2. Significant Accounting Policies (continued) :

Inventories - Inventories, which consist primarily of purchased finished goods, are stated at the lower of cost or market, using the “first-in, first-out” (FIFO) cost method.

Fixed assets - Furniture, fixtures and equipment, and leasehold improvements are stated at cost and depreciated and amortized over their estimated useful lives, which range from 2 to 7 years. Leasehold improvements are amortized over the lesser of their useful lives or lease terms. Depreciation and amortization are calculated using the straight-line method for financial reporting purposes. Expenditures for repairs and maintenance, which do not extend the useful life of the property, are expensed as incurred.

Intangible assets – Patent application costs relate to the Company’s U.S. patent applications and consist primarily of legal fees and other direct fees. The recoverability of the patent application costs is dependent upon, among other factors, the success of the underlying clinical studies used to support the patent and ultimately the resulting revenue. The Company is amortizing the costs over the shorter of their useful lives or seventeen years. Trademarks costs are stated at cost and are amortized over the shorter of their useful lives or seventeen years. Website costs are stated at cost and are amortized over five years.

Research and development - The Company utilizes independent third parties to design and test certain products and to conduct clinical trials and studies on its products. These expenditures are accounted for as research and development costs and are expensed as incurred.

Income taxes – The Company provides for income taxes in accordance with Accounting Standards Code 740 “Accounting for Income Taxes.” ASC 740 requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities. Additionally, the Company adopted ASC 740-10, “Accounting for Uncertainty in Income Taxes.” This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with ASC 740. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that has a greater than 50% likelihood of being realized upon effective settlement. The interpretation also provides guidance on derecognition, classification, interest and penalties, and other matters.

Fair value of financial instruments - ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following table illustrates the Company’s financial assets that were accounted for at fair value as of April 30, 2010 according to the valuation techniques the Company used to determine fair value:

| | <u>Fair Value at April 30, 2010</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|-------------------------------|---|----------------|----------------|----------------|
| Available for sale securities | \$ 7,117,700 | \$ 7,117,700 | — | — |

Revenue recognition – Revenue is recognized when all four of the following conditions exist: persuasive evidence of an arrangement exists; services have been rendered or delivery occurred; the price is fixed or determinable; and collectability is reasonably assured. Revenue from product sales is recognized upon shipment of products to customers.

Share based compensation – The Company accounts for stock based compensation plans under ASC 718, “Share-Based Payment,” ASC 718 addresses the accounting for share based payment transactions in which an enterprise receives employee services for equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise’s equity instruments or that may be settled by the issuance of such equity instruments. ASC 718 requires that such transaction be accounted for using a fair value based method. Stock-based compensation expense is generally recognized ratably over the requisite service period. Total share-based compensation expense recorded as selling, general and administrative expenses in the condensed statements of operations for the three months ended April 30, 2010 and 2009 was \$125,500 and

\$152,200, respectively.

MEDICAL NUTRITION USA, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
APRIL 30, 2010

Note 2. Significant Accounting Policies (continued):

Earnings per share – Basic earnings per common share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per common share utilizes the treasury stock method for calculating the dilutive effect of employee stock options, and nonvested shares. These instruments will have a dilutive effect under the treasury stock method only when the respective period's average market value of the underlying Company common stock exceeds the actual proceeds. In applying the treasury stock method, assumed proceeds include the amount, if any, the employee must pay upon exercise, the amount of compensation cost for future services that the Company has not yet recognized, and the amount of tax benefits, if any, that would be credited to additional paid-in capital assuming exercise of the options and the vesting of nonvested shares. Diluted earnings per share are not presented in periods during which the Company incurred a loss from operations. For the three months ended April 30, 2010, the potentially dilutive common stock equivalents, consisting of stock options, which were excluded from the net income per share calculations due to their anti-dilutive effect was 1,301,950. For the three months ended April 30, 2009 all potentially dilutive shares, consisting of options and restricted stock, were excluded from the calculations due to the net loss.

Basic EPS is computed by dividing net income by the weighted average number of shares outstanding during the period. Diluted EPS is computed considering the potentially dilutive effect of outstanding stock options and nonvested shares. A reconciliation of the numerators and denominators of basic and diluted per share computations follows:

| | Three months ended April 30, | |
|---|-------------------------------------|-------------------|
| | 2010 | 2009 |
| | (unaudited) | (unaudited) |
| Numerator: | | |
| Net income (loss) | \$ 153,600 | \$ (143,900) |
| Denominator: | | |
| Weighted average common shares (Basic) | 14,041,116 | 14,130,752 |
| Dilutive effect of outstanding options and nonvested shares of restricted stock | <u>843,464</u> | <u>—</u> |
| Weighted average common shares including assumed conversions (Diluted) | <u>14,884,580</u> | <u>14,130,752</u> |
| Basic net income (loss) per share | \$ 0.01 | \$ (0.01) |
| Diluted net income (loss) per share | \$ 0.01 | \$ (0.01) |

MEDICAL NUTRITION USA, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
APRIL 30, 2010

Note 2. Significant Accounting Policies (continued) :

Carrying values of long-lived assets - The Company evaluates the carrying values of its long-lived assets to be held and used in the business by reviewing undiscounted cash flows. Such evaluations are performed whenever events and circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the projected undiscounted cash flows over the remaining lives of the related assets does not exceed the carrying values of the assets, the carrying values are adjusted for the differences between the fair values and the carrying values.

Use of estimates – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and the disclosures of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. The Company uses estimates in several accounts including accrued rebates and allowance for doubtful accounts related to accounts receivable. Actual results could differ from those estimates.

New Accounting Pronouncements

In November 2008, the Securities Exchange Commission, or (“SEC”), issued for comment a proposed roadmap regarding the potential use by U.S issuers of financial statements prepared in accordance with International Financial Reporting Standards (IFRS). IFRS is a comprehensive series of accounting standards published by the International Accounting Standards Board (IASB). Under the proposed roadmap, we could be required in fiscal 2014 to prepare financial statements in accordance with IFRS. The SEC will make a determination in 2011 regarding the mandatory adoption of IFRS. We are currently assessing the impact that this potential change would have on our financial statements and we will continue to monitor the development of the potential implementation of IFRS.

MEDICAL NUTRITION USA, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
APRIL 30, 2010

Note 2. Significant Accounting Policies (continued) :

In June 2009, the FASB issued an amendment to ASC 810, entitled "Consolidation of Variable Interest Entities," which changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. This amendment requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity and will require a company to provide additional disclosures about its involvement with variable interest entities, any significant changes in risk exposure due to that involvement and how its involvement with a variable interest entity affects the company's financial statements. The standard was effective for the Company beginning February 1, 2010 and did not have a material impact on the Company's financial statements.

In August 2009, the FASB issued ASU 2009-05, "Measuring Liabilities at Fair Value," or ASU 2009-05, which amends ASC 820 to provide clarification of a circumstances in which a quoted price in an active market for an identical liability is not available. A reporting entity is required to measure fair value using one or more of the following methods: 1) a valuation technique that uses a) the quoted price of the identical liability when traded as an asset or b) quoted prices for similar liabilities (or similar liabilities when traded as assets) and/or 2) a valuation technique that is consistent with the principles of ASC 820. ASU 2009-05 also clarifies that when estimating the fair value of a liability, a reporting entity is not required to adjust to include inputs relating to the existence of transfer restrictions on that liability. The standard was effective for the Company beginning quarter ended October 31, 2009 and did not have a material impact on the Company's financial statements.

In February 2010, the FASB issued ASU 2010-09 "Subsequent Events - Amendments to Certain Recognition and Disclosure Requirements" ("ASU 2010-09"). ASU 2010-09 reiterates that an SEC filer is required to evaluate subsequent events through the date that the financial statements are issued and removes the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated. The updated guidance was effective upon issuance. The amendment was effective for the Company beginning February 1, 2010 and did not have a material impact on the Company's financial statements.

Note 3. Fixed Assets :

Fixed assets consisted of the following at April 30, 2010 and January 31, 2010, respectively:

| | April 30, 2010 (unaudited) | January 31, 2010 |
|---|-------------------------------|------------------|
| Furniture, fixtures and equipment | \$ 688,900 | \$ 672,500 |
| Leasehold improvements | 50,400 | 50,400 |
| | 739,300 | 722,900 |
| Less: Accumulated depreciation and amortization | 498,100 | 471,900 |
| | \$ 241,200 | \$ 251,000 |

Depreciation expense was \$26,200 and \$29,100 for the three months ended April 30, 2010 and 2009, respectively.

Note 4. Intangible Assets :

Intangible assets consisted of the following at April 30, 2010 and January 31, 2010, respectively:

| | April 30, 2010 (unaudited) | January 31, 2010 |
|---|-------------------------------|------------------|
| Patent application and other deferred costs | \$ 355,400 | \$ 343,600 |
| Trademarks | 128,300 | 126,500 |
| Website development costs | 23,300 | 23,200 |
| | 507,000 | 493,300 |
| Less accumulated amortization | 233,600 | 216,000 |
| | \$ 273,400 | \$ 277,300 |

Intangible amortization expense was \$17,600 and \$16,500 for the three months ended April 30, 2010 and 2009, respectively.

MEDICAL NUTRITION USA, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
APRIL 30, 2010

Note 5. Major Customer and Major Vendor-Related Party :

Major Customers

For the three months ended April 30, 2010, four distributors accounted for approximately 40% of total revenues, representing \$1,861,300 of sales as compared to 37% or \$1,310,800 of sales for the three months ended April 30, 2009 for the same distributors. The Company has no contractual arrangements with these distributors, and if they were to discontinue purchasing from the Company, it could have a material impact on the Company's sales unless end users were able to purchase the Company's products from alternative distributors.

As of April 30, 2010 and 2009, these four customers had an aggregate open accounts receivable balance of \$416,500 and \$308,600 respectively, which represented 30% and 21% respectively, of the Company's total accounts receivable.

Major Vendor-Related Party

During the three months ended April 30, 2010 and 2009, the Company purchased \$1,267,000 and \$1,152,000, respectively, of finished goods from Organics Corporation of America ("Organics"), an approximate 1% shareholder of the Company, under a supply agreement. As of April 30, 2010, the Company had an accounts payable balance with Organics of \$424,100. The Company owns approximately 5% of the outstanding stock of Organics.

Note 6. Stockholders' Equity :

2000 Long-Term Incentive Stock Plan

On October 19, 2000, the stockholders approved the 2000 Long-Term Incentive Stock Plan (the "2000 Plan"). Under the 2000 Plan, the Company may grant stock options, stock appreciation rights (SAR's) or stock awards. All employees of the Company are eligible to participate in the 2000 Plan. The 2000 Plan authorizes the issuance, in the aggregate, of up to 240,000 shares of common stock. No stock option, SAR or other award, may be granted under the 2000 Plan after October 27, 2009. The maximum number of shares for which awards may be granted to any person in any fiscal year is 12,000. The purchase price per share for each stock option may not be less than 100% of the fair market value on the date of grant and may not be for more than ten years. In the case of incentive stock options granted to an optionee who, at the time of grant, owns stock representing more than 10% of the total combined voting power of all classes of stock of the Company, the exercise price per share may not be less than 110% of the fair market value on the date of grant and the option may not be exercisable for more than five years. As of April 30, 2010, no stock option grants were outstanding under the 2000 Plan.

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Note 6. Stockholders' Equity (continued) :

2003 Omnibus Equity Incentive Plan

Effective as of April 22, 2003, the Board of Directors (the "Board") adopted the 2003 Omnibus Equity Incentive Plan (the "2003 Plan") following approval by the Company's stockholders. The purpose of the 2003 Plan is to promote the long-term success of the Company and the creation of stockholder value by (a) encouraging employees, outside directors and consultants to focus on critical long-range objectives, (b) encouraging the attraction and retention of employees, outside directors and consultants with exceptional qualifications and (c) linking employees, outside directors and consultants directly to stockholder interests through increased stock ownership. The 2003 Plan seeks to achieve this purpose by providing for awards in the form of restricted shares, stock units, options (which may constitute incentive stock options or non-statutory stock options) or stock appreciation rights.

Initially, the 2003 Plan authorized the issuance, in the aggregate, of up to 1,000,000 shares of common stock, increased by 250,000 additional shares of common stock as of January 1, 2004. At the 2004 Annual Meeting, the 2003 Plan was amended to provide that as of January 31st of each year, commencing with January 31, 2005, the aggregate number of shares of common stock reserved for issuance under the 2003 Plan would automatically increase in an amount equal to the number of shares of common stock issued by reason of awards being granted, exercised or settled, as applicable, during the immediately preceding fiscal year. At April 30, 2010, 2,685,950 options were issued and outstanding under the 2003 Plan.

On June 7, 2006, the Board approved amendments to the Company's 2003 Plan to increase the number of shares of common stock subject to the automatic non-qualified stock option granted to each outside director on the date they first join the Board pursuant to the 2003 Plan to 15,000 common shares, to increase the number of shares of common stock subject to the automatic non-qualified stock option granted annually under the 2003 Plan to continuing outside directors to 15,000 common shares, and to increase the number of shares of common stock subject to the automatic non-qualified stock option granted annually under the 2003 Plan to each chairman of a Board committee to 5,000 common shares. The Board also approved the restatement of the 2003 Plan to effect these changes. On July 6, 2006 the Company executed the Amended and Restated 2003 Omnibus Equity Incentive Plan, which includes the revisions set forth above (the "Amended and Restated 2003 Plan"). No other provision of the 2003 Plan was changed.

A summary of option activity during the three months ended April 30, 2010 is presented below:

| | Options | Weighted Average exercise price |
|---------------------------------|-----------|---------------------------------------|
| Outstanding at January 31, 2010 | 2,685,950 | \$ 2.42 |
| Granted | — | — |
| Exercised | — | — |
| Expired or Surrendered | — | — |
| Outstanding at April 30, 2010 | 2,685,950 | \$ 2.42 |

MEDICAL NUTRITION USA, INC.
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Note 6. Stockholders' Equity (continued):

The future expense related to unvested stock options will be as follows:

| Years Ended January 31, | |
|--------------------------------|------------------|
| 2011 | \$ 41,700 |
| 2012 | 2,200 |
| | <u>\$ 43,900</u> |

ASC 718 requires the benefits of tax deductions in excess of those recognized in conjunction with compensation expense, to be reported as a financing cash flow, rather than as an operating cash flow. This requirement has the effect of reducing net operating cash flows and increasing net financing cash flows in periods in and after adoption.

The income tax benefits derived from the exercise of non-qualified stock options and disqualifying dispositions of incentive stock options in excess of any amounts previously classified as a deferred tax asset, when realized, are credited to additional paid-in capital. The tax benefit realized on the tax deductions from option exercises under stock-based compensation arrangements was \$0.

For the three months ended April 30, 2010 and 2009, the Company has estimated the fair value of each option award on the date of grant using the Black-Scholes model. For the three months ended April 30, 2010 and 2009, the expected volatility was based on both historical volatility and implied volatility of the Company's stock. The expected term of options granted represents the period of time that options granted are expected to be outstanding. The Company used historical data to estimate expected option exercise and post-vesting employment termination behavior. The Company utilized the risk-free interest rate for periods equal to the expected term of the option based upon the U.S. treasury yield curve in effect at the time of the grant. The Company has no intention of declaring any dividends. The Company did not grant stock options for the three months ended April 30, 2010 and 2009.

Restricted Stock Awards

The following table summarizes the status of restricted stock as of April 30, 2010, and changes during the three months then ended:

| | Shares | Weighted Average Grant Date Fair Value |
|-------------------------------|----------------|---|
| Nonvested at January 31, 2010 | 380,833 | \$ 1.97 |
| Granted | 5,000 | 2.20 |
| Vested | (20,567) | 2.05 |
| Retired | (2,766) | 1.62 |
| | <u>362,500</u> | <u>\$ 1.97</u> |

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The future expense related to unvested restricted stock awards will be as follows:

Years Ended January 31,

| | | |
|--|------|------------|
| | 2011 | \$ 272,600 |
| | 2012 | 207,400 |
| | 2013 | 89,400 |
| | | \$ 569,400 |

For the three months ended April 30, 2010 and 2009, the Company recognized share-based compensation cost of \$125,500 and \$152,200, respectively. These costs are included in selling, general and administrative expenses.

Treasury Stock

Per terms of the restricted stock agreements, the Company can pay the employee's related taxes associated with the employee's vested stock and decrease the shares issued to the employee by a corresponding value, resulting in a share issuance net of taxes to employees. The value of the shares netted for employee taxes represent treasury stock repurchased. During the three months ended April 30, 2010, the Company repurchased 2,766 treasury shares with an aggregate value of \$8,200. These shares were subsequently retired during the three months ended April 30, 2010.

Note 7. Income Taxes:

The components of the provision for income taxes consist of the following:

| | Three Months Ended April 30, 2010 | Three Months Ended April 30, 2009 |
|--------------------|--|--|
| Current – Federal | \$ — | \$ — |
| Current – State | 34,700 | 600 |
| Deferred – Federal | 124,800 | (6,100) |
| Deferred – State | 3,400 | (600) |
| | \$ 162,900 | \$ (6,100) |

Income tax expense (benefit) was calculated using the statutory tax rate. The difference between the effective tax rate and the statutory tax rate is mainly due to nondeductible stock based compensation expense and also the use of net operating loss carry forwards.

| | Three Months Ended April 30, 2010 | Three Months Ended April 30, 2009 |
|-------------------------------------|--|--|
| Statutory Federal income tax rate | 34.0% | (34.0)% |
| State taxes, net of Federal benefit | 6.9% | (2.9)% |
| Stock based compensation | 9.3% | 31.1% |
| Other | 0.9% | 1.7% |
| | 51.1% | (4.1)% |

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial accounting purposes and the amounts used for income tax reporting. The Company utilizes the asset and liability approach which requires the recognition of deferred tax assets and liabilities for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than enactments of changes in the tax law or rates.

The Company has Federal income tax loss carryforwards as of April 30, 2010 of approximately \$964,400. The Federal Net Operating Loss ("NOL") carryforwards expire beginning in 2020 and will be fully expired during 2025.

Effective January 1, 2007, the Company adopted ASC 740-10, "Accounting for Uncertainty in Income Taxes". This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with ASC 740. The first step is to evaluate the tax position for recognition by determining if the weight of

available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than fifty percent likely of being realized upon ultimate settlement. The interpretation also provides guidance on derecognition, classification, interest and penalties, and other matters. The adoption of this pronouncement did not have a material effect on the financial statements.

The tax years related to the fiscal years ended January 31, 2007 through January 31, 2009 remain open to examination by the major taxing jurisdictions to which the Company is subject. The Company's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the Statements of Operations. No interest and penalties were recorded during the three months ended April 30, 2010 and 2009, respectively.

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Note 8. Commitments and Contingencies :

Lease Commitments

The Company leases offices and warehouse facilities in New Jersey under operating leases, which expire in December 2012. Total rent expense for the three months ended April 30, 2010 and 2009 was \$28,600 and \$30,900, respectively. The future minimum lease payments are as follow:

| Years Ended January 31, | |
|--------------------------------|-------------------|
| 2011 | \$ 112,800 |
| 2012 | 146,800 |
| 2013 | 135,600 |
| Thereafter | 2,000 |
| | <u>\$ 397,200</u> |

The Company leases vehicles and equipment under various operating leases expiring through 2015. During the three months ended April 30, 2010 and 2009, the total payments under such leases were \$2,600 and \$3,700, respectively.

Government Regulations

The Company's nutritional and health products are produced by third parties in various plants under applicable government regulations. The Company depends upon its vendors to comply with such regulations. Failure by such vendors to comply with the applicable regulations could result in fines and/or seizure of the food products. Presently, the Company is not a party to any such lawsuits.

Employment Contract

Effective April 17, 2006, the Company entered into an employment agreement with Mr. Francis A. Newman, Chief Executive Officer. This agreement renews automatically on April 17th of each succeeding year unless terminated as provided under the terms of the agreement. Under the agreement, Mr. Newman is entitled to a minimum base salary of \$185,500 with annual salary increases at the discretion of the Board of Directors, and an annual incentive bonus in an amount up to 100% of base salary if the Company achieves agreed-upon targets. Additionally, Mr. Newman is entitled to various other benefits (such as travel allowance and participation in employee benefit plans).

Bonus Plan

On June 7, 2005, the Company approved a bonus plan for officers based on a formula which takes into account sales and EBITDA, with annual targets to be set at the level of the annual operating plan approved by the Board. The plan allows for payment up to 100% of the officers base salary. The percentage combination of cash and common stock of the Company used to pay the bonuses will be at the discretion of the Board of Directors, but in no case will the cash portion be less than 25% of the bonuses awarded. For the three months ended April 30, 2010 and 2009, the Company expensed \$102,200 and \$88,000 in bonuses based on this plan, respectively

Note 9. 401(k) Plan

In March 2007, the Company established a 401(k) retirement plan (the "401(k) Plan") for all eligible employees. In January 2008, the Company amended the 401(k) Plan to include a maximum Company contribution of 4 percent of base salary for the first 5 percent of elected base salary deferrals. Employees are eligible to contribute the maximum as allowed by law. For the three months ended April 30, 2010 and 2009, the 401(k) expense was \$22,900 and \$23,800, respectively. The 401(k) expense is included in selling, general and administrative expenses.

FORWARD-LOOKING STATEMENTS

This document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words "may," "could," "will," "estimate," "intend," "continue," "believe," "expect" or "anticipate" or other similar words. These forward-looking statements present the Company's estimates and assumptions only as of the date of this report. The Company does not intend, and undertakes no obligation, to update any forward-looking statements.

Although the Company believes that the expectations reflected in any of the forward-looking statements are reasonable, actual results could differ materially from those projected or assumed or any of the Company's forward-looking statements. The Company's future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties.

For a detailed description of factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see "Risk Factors" in Item 1A-Risk Factors, of the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2010, as well as the disclosure set forth under Part II, Item 5 of this Quarterly Report on Form 10-Q.

Results of Operations

The following discussion of the financial condition and results of operation of the Company should be read in conjunction with the Financial Statements and the related Notes thereto included elsewhere in this report.

Three Months Ended April 30, 2010 Compared to Three Months Ended April 30, 2009

Sales for the three months ended April 30, 2010 were \$4,447,300 as compared with \$3,427,700 for the three months ended April 30, 2009, an increase of \$1,019,600, or 30%. This increase was primarily attributable to an increase in branded product sales of approximately \$1,104,800, or 35%, as the Company continues to add new nursing homes and hospitals to our end user community as well as higher consumption within existing facilities. The majority of the Company's product sales were from formulations of hydrolyzed collagen.

Cost of sales for the three months ended April 30, 2010 was \$2,005,600, or 45% of sales, as compared with \$1,610,300 for the three months ended April 30, 2009, or 47% of sales. Gross profit percentage was 55% for the three months ended April 30, 2010 as compared to 53% for the three months ended April 30, 2009. These increases in cost of sales and gross profit percentage are primarily due to the increased sales of higher margin products and the Company's continuous efforts to control product costs.

Selling, general and administrative expenses for the three months ended April 30, 2010, increased by \$159,300 to \$2,017,200 from \$1,857,900 for the three months ended April 30, 2009. This increase was primarily attributable to an increase in personnel costs offset by lower stock based compensation expense and lower retail expenses.

Research and development expenses for the three months ended April 30, 2010 increased by \$4,100 to \$151,200 from \$147,100 for the three months ended April 30, 2009. The increase is primarily due to the timing of certain clinical studies.

For the three months ended April 30, 2010, the Company had operating income of \$273,300 as compared to an operating loss of \$(187,600) for the three months ended April 30, 2009. The increase in operating income is primarily due to higher sales and gross margins offset by an increase in selling, general and administrative expenses, as discussed above.

Interest income was \$43,200 for the three months ended April 30, 2010, compared to \$37,600 for the three months ended April 30, 2009. The increase is due to increased interest rates in the Company's money market accounts and investment fund.

The Company recorded a tax provision of \$162,900 for the three months ended April 30, 2010 at an effective rate of 51.1%. For tax purposes, certain expenses for stock based compensation are not deductible. There were also two types of expenses for stock based compensation which resulted in the increase of the effective tax rate above the statutory rate. Restricted stock grants which vested during the year at a time when the fair value of the stock was lower than the value at the grant date resulting in actual tax deductions that are less than the related deferred tax benefit which was recorded over the vesting period related to these grants. Second, the Company incurred charges for stock based compensation related to incentive stock options. To the extent that this expense exceeded the tax deduction related to any disqualifying dispositions of these incentive stock options during the quarter, there was a related increase in the effective tax rate. For the three months ended April 30, 2009, the Company recorded a tax benefit in the amount of \$6,100, at an effective tax rate of (4.1)%. For tax purposes, the Company's income is calculated prior to certain GAAP charges for stock-based compensation, which is not tax deductible.

The Company's net income for the three months ended April 30, 2010 was \$153,600, or \$0.01 per share, compared to a net loss for the three months ended April 30, 2009 of \$(143,900) or \$ (0.01) per share. The increase in income is due to the reasons described above.

Liquidity and Capital Resources

At April 30, 2010, the Company had cash, cash equivalents and short term investments of approximately \$11,600,000, as compared to approximately \$11,500,000, at January 31, 2010. At April 30, 2010, approximately 97% of accounts receivable were less than 30 days past due. Cash provided by operations during the three months ended April 30, 2010 was \$102,300, as compared to cash used in operations of \$16,100 for the three months ended April 30, 2009. The increase is primarily due to higher income provided by operations offset by year end tax and bonus payments.

The Company believes its existing capital resources together with cash flow from operations will be sufficient to fund our operations as they are currently being conducted. However, the Company's future capital requirements will depend on many factors including: costs of its sales and marketing activities and its education programs for its markets, competing product and market developments, the potential expansion into retail markets, the costs of developing or acquiring new products, the costs of expanding its operations or acquiring complimentary businesses, and its ability to continue to generate positive cash flow from its sales.

If the Company raises additional funds through the issuance of common stock or convertible preferred stock, the percentage ownership of its then-current stockholders will be reduced and such equity securities may have rights, preferences or privileges senior to those of the holders of its common stock. If the Company raises additional funds through the issuance of additional debt securities, these new securities could have certain rights, preferences and privileges senior to those of the holders of its common stock, and the terms of these debt securities could impose restrictions on the Company's operations.

Off-Balance Sheet Arrangements

As of April 30, 2010, the Company did not have any off-balance sheet financing arrangements or any equity interests in any variable entity or other minority owned ventures.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Cash, cash equivalents and short term investments at April 30, 2010 totaled approximately \$11.6 million. These amounts are primarily invested in money market accounts and a short term bond fund. The Company's operations are not subject to risks of material foreign currency fluctuations, nor does it use derivative financial instruments in its investment practices. The Company places its marketable investments in instruments that meet high credit quality standards. The Company does not expect material losses with respect to its investment portfolio or exposure to market risks associated with interest rates. The impact on the Company's results of one percentage point change in short-term interest rates would not have a material impact on the Company's future earnings, fair value, or cash flows related to investments in cash equivalents or interest-earning marketable securities. The fair value of our investment portfolio or related income would not be significantly impacted by changes in interest rates due mainly to the short-term nature of our investment portfolio.

ITEM 4. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified by the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of its disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of April 30, 2010, and, based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective in providing reasonable assurance of compliance.

Changes in Internal Control over Financial Reporting

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Company has evaluated changes in internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended April 30, 2010 and have concluded that no change has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 5. Other Information

The effect of general economic conditions and the current financial crisis

Recent distress in the financial markets has resulted in declines in institutional spending, which can affect demand for the Company's products. Healthcare institutions are exhibiting more stringent cost concerns and implementing aggressive cost reductions. If the national economy or credit markets in general were to deteriorate further, it is possible that such changes could put negative pressure on our customers, affecting our cash flows. There can be no assurance that our liquidity will not be affected by changes in the financial markets and the global economy.

While we do not anticipate that we will need additional financing or equity during the next fiscal year to fund our business as it is currently being operated, tightening of the credit markets could make it more difficult for us to enter into agreements for new indebtedness or obtain funding through the issuance of our securities. The effects of these changes could also require us to make additional changes to our current plans and strategy.

In addition, the current credit crisis is having a significant negative impact on businesses around the world, and the impact of this crisis on our major raw material suppliers cannot be predicted. The inability of key suppliers to access liquidity, or the insolvency of key suppliers, could lead to their failure to deliver products or services. If we are unable to procure products and services when needed, or if we experience deterioration in demand for our products over an extended period of time, our sales and cash flows could be negatively impacted in future periods.

ITEM 6. Exhibits

- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act Of 2002 and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934. **
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act Of 2002 and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934. **
- 32.1 Certification of Periodic Financial Reports by the 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. **
- 10.11 Third Amendment to office lease dated July 27, 2009 by and between Medical Nutrition USA, Inc. and the Realty Associates Fund VI, L.P. **
- 10.12 Fourth Amendment to office lease dated April 23, 2010 by and between Medical Nutrition USA, Inc. and the Realty Associates Fund VI, L.P. **

** Filed Herewith

Signature

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

MEDICAL NUTRITION USA, INC.

Dated: June 4, 2010

By: /s/ Frank J. Kimmerling
Frank J. Kimmerling
Chief Financial Officer

THIRD AMENDMENT TO LEASE AGREEMENT

THIS THIRD AMENDMENT TO LEASE AGREEMENT ("Third Amendment") is made this 27 day of July 2009, by and between THE REALTY ASSOCIATES FUND VI, L.P. , a Delaware limited liability partnership, successor in interest to Van Brunt Associates ("Landlord") and MEDICAL NUTRITION USA, INC. , a Delaware corporation, formerly known as Medical Nutrition, Inc. ("Tenant").

WITNESSETH:

WHEREAS , Van Brunt Associates, Landlord's predecessor in interest, and Tenant entered into that certain Lease Agreement dated October 4, 1984 (the "Original Lease"), as amended by that certain First Amendment to Lease dated as of October 24, 1994 (the "First Amendment"), that certain lease extension letter dated November 17, 1999 (the "Letter Agreement"), and that certain Second Amendment to Lease dated September 9, 2004 (the "Second Amendment") (collectively, the "Lease"), pursuant to which Tenant leased that certain premises in the building located at 10 West Forest Avenue, Englewood, New Jersey 07631 (the "Building"), said premises containing Seven Thousand Five Hundred (7,500) rentable square feet (the "Premises"); and

WHEREAS , the Term of the Lease expires December 31, 2009; and

WHEREAS , Landlord and Tenant desire to amend the Lease to extend the Term of the Lease and to amend certain other terms and conditions of the Lease as herein provided.

NOW, THEREFORE , in consideration of the premises and mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree to the following:

- 1. **Recitals** . The recitals set forth above are incorporated herein by this reference with the same force and effect as if fully set forth hereinafter.
- 2. **Capitalized Terms** . Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Lease. From and after the date hereof, the Lease and this Third Amendment shall be known collectively as the "Lease".
- 3. **Term** . Notwithstanding anything to the contrary contained in the Lease or elsewhere, the Term of the Lease is hereby extended for a period of three (3) years commencing on January 1, 2010 (the "Renewal Date") and expiring December 31, 2012 (inclusively, the "Renewal Term"), unless sooner terminated pursuant to the terms of the Lease or hereof.

4. **Base Rent**

a. Notwithstanding anything to the contrary contained in the Lease, during the Renewal Term Tenant shall pay Base Rent with respect to the Premises at the times and in the manner set forth in Section 3 of the Original Lease in accordance with the following schedule:

| <u>Period</u> | <u>Annual Base Rent PRSF</u> | <u>Annual Base Rent</u> | <u>Monthly Base Rent</u> |
|-------------------|------------------------------|-------------------------|--------------------------|
| 01/01/10-12/31/10 | \$11.25 | \$84,375.00 | \$7,031.25 |
| 01/01/11-12/31/11 | \$11.50 | \$86,250.00 | \$7,187.50 |
| 01/01/12-12/31/12 | \$11.75 | \$88,125.00 | \$7,343.75 |

b. Tenant shall continue to pay all Additional Rent as and when due under the Lease.

5. **“As-Is” Condition**

a. Tenant acknowledges that all obligations of Landlord to construct tenant improvements for the Premises pursuant to the Lease, including without limitation, pursuant to Paragraph 5(b) of the Second Amendment, have been met. Tenant hereby agrees to accept the Premises in its “as-is” condition existing on the date hereof and, except as provided in subparagraph (b) below, Landlord shall have no obligation to construct any tenant improvements to the Premises on behalf of Tenant during the Renewal Term.

b. Notwithstanding the foregoing, using Building standard materials, methods and finishes and at Landlord’s cost, Landlord shall:

(i) repaint and recarpet the existing office area of the Premises or, alternatively, Tenant may elect to have Landlord repaint and recarpet the office area of the Subleased Premises (defined in Paragraph 6 below) in lieu of Landlord providing such improvements for the Premises. Landlord shall provide Building standard selections from which Tenant may select colors for the paint and carpet.

(ii) remove sheet rock covering one side of the overhead door between the Premises and the Subleased Premises. Tenant shall be obligated to replace the sheet rock and restore the closing between the Premises and the Subleased Premises at the expiration of the Renewal Term.

Items (i) and (ii) shall be known collectively, herein as “Landlord’s Work.” Tenant hereby acknowledges that the Landlord’s Work shall be performed while Tenant is in occupancy of the Premises, and Landlord’s actions in connection with the Landlord’s Work shall in no way constitute a constructive eviction of Tenant or entitle Tenant to any abatement of rent or subject Landlord to any liability for any injury or interference with Tenant’s business; provided, however, Landlord shall use commercially reasonable efforts to minimize unreasonable interference with Tenant’s business in connection with performing Landlord’s Work. Landlord and Tenant shall agree upon a schedule for the performance of Landlord’s Work but Landlord shall not be required to incur any over-time charges in performing Landlord’s Work. Prior to Landlord’s performance of Landlord’s Work, Tenant, at Tenant’s sole cost, shall remove Tenant’s personal property, equipment and furnishings from the areas which will be affected by Landlord’s Work.

6. **Subleased Premises**. Tenant intends to enter into a sublease (the "Sublease") with Central Industrial Supply Company ("CIS"), for that certain premises located 14 West Forest Avenue, Englewood, New Jersey (the "Subleased Premises"), which such Subleased Premises is adjacent to the Premises. Provided the terms of the Sublease require that Tenant, as subtenant under the Sublease, will pay the rent under the Sublease in the amounts set forth in that certain Standard Industrial Lease dated August 16, 2006 by and between Landlord, as landlord, and CIS, as tenant (the "CIS Lease"), Landlord will agree that in the event Landlord elects to terminate the CIS Lease due to a default by CIS prior to the termination of the Sublease, the Sublease shall not terminate (even if the Sublease term has not commenced pursuant to the terms of the Sublease) and Tenant, as subtenant under the Sublease, shall attorn to Landlord and recognize Landlord as the sublandlord under the Sublease, upon the terms and conditions and at the rental rate specified in the Sublease, and for the then remaining term of the Sublease, except that Landlord shall not be bound by any provision of the Sublease which in any way increases Landlord's duties, obligations or liabilities to Tenant, as sublessee, beyond those owed to CIS under the CIS Lease. If the CIS Lease is terminated after the Sublease has been executed but prior to the commencement date of the Sublease term, Landlord will agree that (i) the Sublease term shall commence upon the termination of the CIS Lease (the "Early Sublease Commencement Date") and that Tenant, as subtenant, shall commence paying rent under the Sublease (at the rates set forth in the CIS Lease) upon the Early Sublease Commencement Date, and (ii) Tenant, as subtenant, shall not be responsible for any amounts due under the CIS Lease and unpaid by CIS for periods prior to the Early Sublease Commencement Date. The foregoing provisions of this paragraph shall apply notwithstanding that, as a matter of law, the Sublease may otherwise terminate upon the termination of the CIS Lease. In the event of such an attornment, Landlord shall not (i) be liable to Tenant, as sublessee, for any act, omission or breach of the Sublease by CIS, (ii) be subject to any offsets or defenses which Tenant, as sublessee, might have against CIS, (iii) be bound by any rent or additional rent which Tenant, as sublessee, might have paid in advance to CIS, (iv) be bound to honor any rights of Tenant, as sublessee, in any security deposit made with CIS except to the extent CIS has turned over such security deposit to Landlord. Landlord shall have the right to reasonably review and consent to the Sublease and to require Tenant and CIS to enter into a consent form provided by Landlord.

7. **Brokers**. Landlord and Tenant each represents and warrants to the other that such representing party has not had any dealings or entered into any agreements with any person, entity, realtor, broker, agent or finder in connection with the negotiation of this Third Amendment other than Kwartler Associates, Inc. and Cushman & Wakefield of New Jersey, Inc. (collectively, the "Brokers"). Landlord and Tenant shall each indemnify and hold the other harmless from and against any loss, claim, damage, expense (including costs of suit and reasonable attorneys' fees) or liability to any compensation, commission or charges claimed by any other realtor, broker, agent or finder claiming to have dealt with Tenant in connection with this Third Amendment. Landlord shall be responsible for payment of the brokers' fees to the Brokers pursuant to the terms of a separate agreement. Tenant hereby acknowledges and agrees that Landlord shall have no obligation to pay Cushman & Wakefield of New Jersey, Inc. any commissions or other charges in connection with the Sublease and hereby agrees to indemnify Landlord in connection with any such claims from Cushman & Wakefield of New Jersey, Inc.

8. **Reaffirmation of Terms**. Except as modified herein, all of the terms, covenants and provisions of the Lease are hereby confirmed and ratified and shall remain unchanged and in full force and effect.

9. **Representations**. Tenant hereby represents and warrants to Landlord that Tenant (i) is not in default of any of its obligations under the Lease and that such Lease is valid, binding and enforceable in accordance with its terms, (ii) has full power and authority to execute and perform this Third Amendment, and (iii) has taken all action necessary to authorize the execution and performance of this Third Amendment.

10. **Counterpart Copies**. This Third Amendment may be executed in two or more counterpart copies, each of which shall be deemed to be an original and all of which counterparts shall have the same force and effect as if the parties hereto had executed a single copy of this Third Amendment.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF , Landlord and Tenant have executed this Third Amendment as of the day and year first above written.


LANDLORD:

THE REALTY ASSOCIATES FUND VI, L.P.,
a Delaware limited partnership

By: Realty Associates Fund VI LLC, a
Massachusetts limited liability company,
general partner

By: Realty Associates Advisors LLC, a
Delaware limited liability company,
Manager

By: Realty Associates Advisors Trusts, a
Massachusetts business trust,
Manager

By: 

[Officer]

James P. Knowles
Regional Director

TENANT:

MEDICAL NUTRITION USA, INC.
a Delaware corporation

By: 

Name: JEFFREY JANCO
Title: SVP/Operations



Frank J Kemmeding
Chief Financial Officer



2 North Street • Waldwick, New Jersey 07463-1804 • (201) 652-4242
Fax • (201) 652-3253

May 5, 2010

VIA FEDERAL EXPRESS
Medical Nutrition USA, Inc.
10 West Forest Avenue
Englewood, New Jersey 07631
Attention: Mr. Jeffrey Janco

Re: **Lease, as amended, between The Realty Associates Fund VI, L.P. (“Landlord”) and Medical Nutrition USA, Inc. (“Tenant”) for the premises located at 10 West Forest Avenue, Englewood, New Jersey (the “Lease”)**

Dear Mr. Janco:

Enclosed please find for your files one (1) fully-executed Fourth Amendment to Lease for the above location.

Thank you.

Very truly yours,

KWARTLER ASSOCIATES, INC.
Managing Agents

Rita J. Kron
Director of Lease Administration

Enclosure

cc: Dan Frank
Marc Krieger
Ray Mellett
Miguel Merzeau

The above is submitted subject to change in price, corrections, errors or omissions, prior sale or lease or withdrawal from the market without notice.

FOURTH AMENDMENT TO LEASE AGREEMENT

THIS FOURTH AMENDMENT TO LEASE AGREEMENT ("Fourth Amendment") is made this 23 day of April 2010, by and between **THE REALTY ASSOCIATES FUND VI, L.P.**, a Delaware limited liability partnership, successor in interest to Van Brunt Associates ("Landlord") and **MEDICAL NUTRITION USA, INC.**, a Delaware corporation, formerly known as Medical Nutrition, Inc. ("Tenant").

WITNESSETH :

WHEREAS, Van Brunt Associates, Landlord's predecessor in interest, and Tenant entered into that certain Lease Agreement dated October 4, 1984 (the "Original Lease"), as amended by that certain First Amendment to Lease dated as of October 24, 1994 (the "First Amendment"), that certain lease extension letter dated November 17, 1999 (the "Letter Agreement"), that certain Second Amendment to Lease dated September 9, 2004 (the "Second Amendment"), and that certain Third Amendment to Lease dated July 27, 2009 (the "Third Amendment") (collectively, the "Lease"), pursuant to which Tenant leased that certain premises in the building located at 10 West Forest Avenue, Englewood, New Jersey 07631 (the "Building"), said premises containing Seven Thousand Five Hundred (7,500) rentable square feet (the "Original Premises"); and

WHEREAS, Landlord and Tenant desire to amend the Lease to increase the square footage of the Original Premises and to amend certain other terms and conditions of the Lease as herein provided.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree to the following:

1. **Recitals** . The recitals set forth above are incorporated herein by this reference with the same force and effect as if fully set forth hereinafter.
2. **Capitalized Terms** . Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Lease. From and after the date hereof, the Lease and this Fourth Amendment shall be known collectively as the "Lease".
3. [Intentionally omitted]
4. **Premises** .
 - a. Effective on the date on which Landlord has delivered the Additional Premises (defined hereinafter) to Tenant for Tenant's beneficial occupancy thereof (the "Effective Date"), which date is estimated to be on or about May 1, 2010, the rentable square footage of the Original Premises shall be increased by Five Thousand (5,000) rentable square feet of space in the Building which such space is known as 14 West Forest Avenue, Englewood, New Jersey as shown on the floor plan attached hereto as Exhibit A-1 (the "Additional Premises") to a total of Twelve Thousand Five Hundred (12,500) rentable square feet. Tenant shall, within five (5) days after Landlord's request, complete and execute the letter attached hereto as Exhibit B-1 and deliver it to Landlord.

b. From and after the Effective Date, except as otherwise provided herein, all references in the Lease to the “leased premises” or “premises” shall refer collectively to the Original Premises and the Additional Premises.

5. **Term.** The Term of the Lease for the Additional Premises shall be coterminous with the Term of the Lease for the Original Premises and, accordingly, shall commence on the Effective Date and expire December 31, 2012 (inclusively, the “Additional Premises Term”), unless sooner terminated pursuant to the terms of the Lease or hereof.

6. **Base Rent.** In addition to Base Rent payable with respect to the Original Premises, during the Additional Premises Term, Tenant shall pay Base Rent with respect to the Additional Premises at the times and in the manner set forth in Section 3 of the Original Lease in accordance with the following schedule:

Additional Premises Base Rent

| <u>Period</u> | <u>Annual Base Rent PRSF</u> | <u>Annual Base Rent (annualized amount)</u> | <u>Monthly Base Rent</u> |
|-------------------------|------------------------------|---|--------------------------|
| Effective Date-12/31/10 | \$11.25 | \$56,250.00 | \$4,687.50 |
| 01/01/11-12/31/11 | \$11.50 | \$57,500.04 | \$4,791.67 |
| 01/01/12-12/31/12 | \$11.75 | \$58,749.96 | \$4,895.83 |

7. **Security Deposit.** Upon Tenant’s execution of this Fourth Amendment, Tenant shall deposit with Landlord an additional Four Thousand Six Hundred Eighty-Seven and 50/100 Dollars (\$4,687.50) to be added to the existing security deposit to increase the amount of the security deposit to Nineteen Thousand Eight Hundred Sixty-Seven and 50/100 Dollars (\$19,867.50), which such security deposit shall be held in accordance with the provisions of Section 45 of the Original Lease. As of the date Tenant deposits the additional Four Thousand Six Hundred Eighty-Seven and 50/100 Dollars (\$4,687.50) with Landlord, all references to “security deposit” in Section 45 of the Original Lease as well as elsewhere in the Lease shall be mean Nineteen Thousand Eight Hundred Sixty-Seven and 50/100 Dollars (\$19,867.50).

8. **Tenant’s Pro Rata Share; Additional Rent.** As of the Effective Date, all references to Tenant’s pro rata share in Sections 7, 9 and 10 of the Original Lease and elsewhere in the Lease shall mean 11.37% (consisting of 6.82% with respect to the Original Premises and 4.55% with respect to the Additional Premises). In addition to Base Rent due with respect to the Additional Premises and all sums due with respect to the Original Premises, from and after the Effective Date Tenant shall be obligated to pay Landlord with respect to the Additional Premises Tenant’s pro rata share of maintenance costs, real estate and personal property taxes and insurance costs pursuant to Sections 7, 9 and 10 of the Original Lease as well as all other additional rent and sums coming due under the Lease.

9. **“As-Is” Condition; Tenant Improvement .**

a. Tenant hereby agrees to accept the Additional Premises in its “as-is” condition existing on the Effective Date and, except as expressly provided in Paragraph 9(b) below, Landlord shall have no obligation to construct any tenant improvements to the Additional Premises during the Additional Premises Term. For purposes hereof, “as-is” shall mean broom clean with all mechanical, plumbing, electrical and lighting systems serving the Additional Premises in good working order, subject to Paragraph 10 hereinbelow. Thereafter, Tenant shall be obligated for the repair, replacement and maintenance of such systems in accordance with the terms of the Lease.

b. Notwithstanding anything to the contrary contained in subparagraph (a) above, pursuant to Paragraph 5(b) of the Third Amendment, Landlord agreed to perform certain work described therein (the “Third Amendment Improvements”). The parties hereto agree that the Third Amendment Improvements have not been performed by Landlord to date and agree that Paragraph 5(b) of the Third Amendment shall be deleted in its entirety and restated hereinafter as follows:

On or around the Effective Date, using Building standard materials, methods and finishes and at Landlord’s cost, Landlord shall:

(i) repaint with one (1) coat of paint portions of the existing office area of the Original Premises in the locations shown on Schedule 1 attached hereto, such portions consisting of the walls of the entry foyer, circulation corridor and walls facing the open office area as well as the painted door surfaces facing these same areas. Landlord shall provide Building standard selections from which Tenant may select colors for the paint and carpet; and

(ii) remove sheet rock covering one side of the overhead door between the Original Premises and the Additional Premises. Landlord shall have the right to require Tenant to replace the sheet rock and restore the closing between the Original Premises and the Additional Premises at Tenant’s cost at the expiration of the Term;

(iii) replace the linoleum floor covering in the kitchen of the Original Premises with VCT and vinyl wall base. Landlord shall provide a selection from which Tenant shall choose;

(iv) remove carpet in L shaped storage room in the Additional Premises (it being understood that Landlord is merely removing the carpet and not replacing it or performing any other modifications in such storage room).

Items (i), (ii) and (iii) above shall be known as the “Initial Landlord’s Work”.

In addition to the Initial Landlord's Work, Tenant shall have the right to request Landlord to replace the carpeting in the Additional Premises in the locations shown on Schedule 2 attached hereto (which excludes one (1) interior room as shown on Schedule 2, which shall remain in its "as-is" condition) ("Additional Landlord's Work"). Landlord shall provide a selection of carpet from which Tenant shall choose; provided, however, the carpet selection provided by Landlord for the Additional Landlord's Work shall be of a comparable quality of the existing carpet in the Original Premises and shall be installed in the same manner and with comparable wall base. The Additional Landlord's Work shall be performed in the Additional Premises subsequent to the Effective Date. Tenant shall provide Landlord with reasonable prior written notice (i.e., at least fifteen (15) days) requesting Landlord to perform the Additional Landlord's Work. If Tenant has not provided Landlord with written notice requesting Landlord to perform the Additional Landlord's Work on or before November 30, 2010, Landlord shall have no further obligation to perform the Additional Landlord's Work hereunder from and after such date. Furthermore, Landlord shall have no obligation to perform the Additional Landlord's Work if Tenant does not schedule installation of the Additional Landlord's Work on or before December 20, 2010.

For purposes of this Paragraph, the Initial Landlord's Work and the Additional Landlord's Work shall be known collectively as "Landlord's Work". Tenant acknowledges and agrees that Landlord's Work shall be performed while Tenant is in occupancy of the leased premises (i.e., the Original Premises and the Additional Premises), and Landlord's actions in connection with the Landlord's Work shall in no way constitute a constructive eviction of Tenant or entitle Tenant to any abatement of rent or subject Landlord to any liability for any injury or interference with Tenant's business; provided, however, Landlord shall use commercially reasonable efforts to minimize unreasonable interference with Tenant's business in connection with performing Landlord's Work. Landlord and Tenant shall agree upon a schedule for the performance of the Landlord's Work but Landlord shall not be required to incur any overtime charges in performing Landlord's Work. Prior to Landlord's performance of Landlord's Work, Tenant, at Tenant's sole cost, shall remove Tenant's personal property, equipment and furnishings from the areas which will be affected by Landlord's Work.

10. **HVAC Units.** In addition to Landlord's Work, on or about the Effective Date, Landlord, at Landlord's cost, shall replace one (1) of the two (2) HVAC rooftop units serving the office area of the Additional Premises and one (1) of the two (2) radiant heater in the warehouse for the Additional Premises (collectively, the "New HVAC Equipment") using Building standard materials, methods and finishes. Subject to the installation of the New HVAC Equipment, Landlord agrees that the HVAC equipment serving the Additional Premises shall be in good working order as of the Effective Date. Tenant shall be obligated to maintain the New HVAC Equipment as well as any other HVAC equipment, including without limitation, any radiant heaters, in the Premises (used herein to mean the Original Premises and the Additional Premises) (collectively, the "Premises HVAC Equipment") as provided in the Lease. In addition to and not in lieu of any other repair and maintenance obligations Tenant may have for the Premises HVAC Equipment, Tenant shall enter into a periodic maintenance agreement (the "HVAC Maintenance Contract") for the Premises HVAC Equipment with an HVAC contractor reasonably approved by Landlord, which contract shall provide for a minimum of two (2) inspections per year. The HVAC Maintenance Contract must include all services suggested by the equipment manufacturer in the operation/maintenance manual. Should Tenant fail to obtain and/or maintain the HVAC Maintenance Contract, Landlord may, upon notice to Tenant, enter into such service contract on behalf of Tenant or perform the work and in either case, charge Tenant the cost thereof along with a reasonable amount for Landlord's overhead. A copy of said contract shall be forwarded to the Landlord on an annual basis, and copies of inspection reports shall be delivered to the Landlord within ten (10) days of receipt thereof by Tenant. Landlord shall pass on to Tenant the benefit of any manufacturer's and/or contractor's warranties for the New HVAC Equipment to the extent obtained by Landlord.

11. **Parking**. In connection with Tenant's lease of the Additional Premises, in addition to parking provided to Tenant under the Lease for the Original Premises, Tenant shall be entitled to use up to an additional eight (8) parking spaces in the parking areas of the Project, of which four (4) of such parking spaces shall be reserved parking spaces located in the parking area in front of the Building and four (4) of such parking spaces shall be reserved parking spaces located in the rear of the Additional Premises, subject to the provisions of the Lease. Tenant's reserved parking spaces shall be in a location reasonably determined by Landlord.

12. **Brokers**. Tenant shall indemnify and hold Landlord harmless from and against any loss, claim, damage, expense (including costs of suit and reasonable attorneys' fees) or liability to any compensation, commission or charges claimed by any realtor, broker, agent or finder, other than Kwartler Associates, Inc., claiming to have dealt with Tenant in connection with this Fourth Amendment, including without limitation, Cushman & Wakefield of New Jersey, Inc., with whom Landlord has no agreement to pay a commission or any other fees in connection with this Fourth Amendment.

13. **Reaffirmation of Terms**. Except as modified herein, all of the terms, covenants and provisions of the Lease are hereby confirmed and ratified and shall remain unchanged and in full force and effect.

14. **Representations**. Tenant hereby represents and warrants to Landlord that Tenant (i) is not in default of any of its obligations under the Lease and that such Lease is valid, binding and enforceable in accordance with its terms, (ii) has full power and authority to execute and perform this Fourth Amendment, and (iii) has taken all action necessary to authorize the execution and performance of this Fourth Amendment.

15. **Counterpart Copies**. This Fourth Amendment may be executed in two or more counterpart copies, each of which shall be deemed to be an original and all of which counterparts shall have the same force and effect as if the parties hereto had executed a single copy of this Fourth Amendment.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF , Landlord and Tenant have executed this Fourth Amendment as of the day and year first above written.


LANDLORD:

THE REALTY ASSOCIATES FUND VI, L.P.,
a Delaware limited partnership

By: Realty Associates Fund VI LLC, a
Massachusetts limited liability company,
general partner

By: Realty Associates Advisors LLC, a
Delaware limited liability company,
Manager

By: Realty Associates Advisors Trusts, a
Massachusetts business trust,
Manager

By: 
_____ [Officer] James P. Knowles
Regional Director

TENANT:

MEDICAL NUTRITION USA, INC.
a Delaware corporation

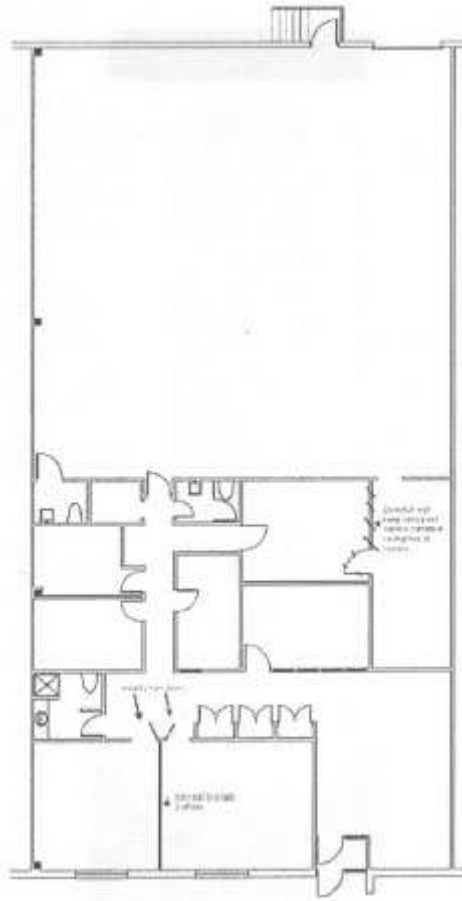
By: 

Name: JEFFREY JANCO
Title: SVP/Operations



Frank J Kemmeding
Chief Financial Officer

EXHIBIT A-1
ADDITIONAL PREMISES



18011-29104

TA Van Brunt Medical Nutrition Inc Fourth Amendent 5

A-1-1

EXHIBIT B-1

VERIFICATION LETTER
VERIFICATION LETTER

MEDICAL NUTRITION USA, INC., a Delaware corporation, (“Tenant”) hereby certifies that it has entered into a lease amendment with **THE REALTY ASSOCIATES FUND VI, L.P.**, a Delaware limited partnership (“Landlord”) and verifies the following information as of the ____ day of _____, 20__:

Number of Rentable Square Feet in Premises: _____

Effective Date: _____

Lease Termination Date: _____

Tenant’s Proportionate Share: _____

Initial Base Rent: _____

Federal Tax I.D. No.: _____

Tenant acknowledges and agrees that all tenant improvements Landlord is obligated to make to the Additional Premises, if any, have been completed and that Tenant has accepted possession of the Additional Premises and that as of the date hereof, there exist no offsets or defenses to the obligations of Tenant under the Lease. Tenant acknowledges that it has inspected the Additional Premises and found them suitable for Tenant’s intended commercial purposes.

TENANT:

MEDICAL NUTRITION USA, INC.,
a Delaware corporation

By: _____

Its: _____

[SIGNATURES CONTINUE ON NEXT PAGE]

ACKNOWLEDGED AND AGREED TO:

LANDLORD:

THE REALTY ASSOCIATES FUND VI, L.P.,
a Delaware limited partnership

By: Realty Associates Fund VI LLC, a
Massachusetts limited liability company,
general partner

By: Realty Associates Advisors LLC, a
Delaware limited liability company,
Manager

By: Realty Associates Advisors Trusts, a
Massachusetts business trust,
Manager

By: _____
[Officer]

18011-29104

TA Van Brunt Medical Nutrition Inc Fourth Amendent 5

SCHEDULE 1

LOCATION OF INITIAL LANDLORD'S WORK



LANDLORD'S WORK

Key:



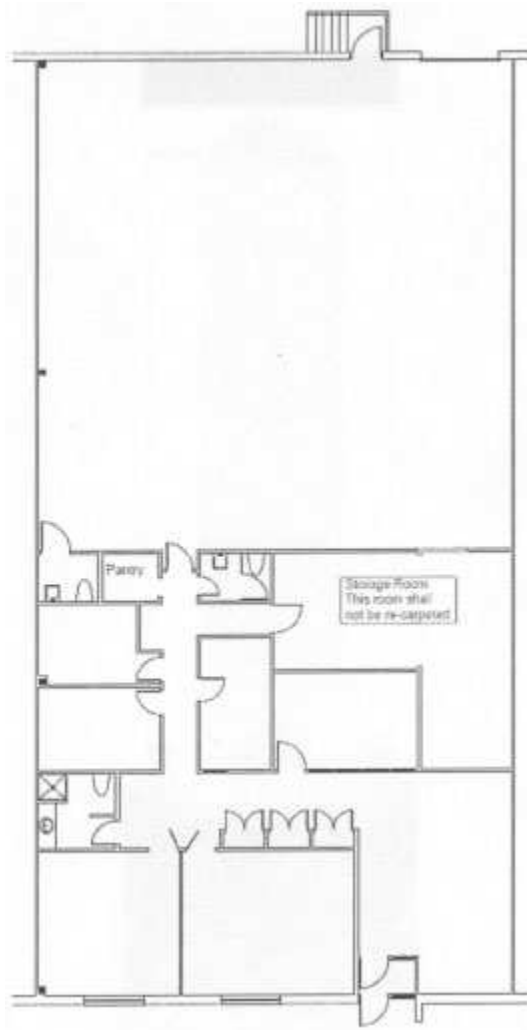
REPLACE LINOLEUM WITH VCT TILE (LANDLORD TO PROVIDE SELCTION)



RE-PRINT ENTRY FOYER, CIRCULATION CORRIDOR AND OPEN AREA WALLS AND PAINTED DOORS
(EXCLUDE STAINED DOORS)
USE SAME COLORS AS EXISTING COLORS

SCHEDULE 2

LOCATION OF ADDITIONAL LANDLORD'S WORK



14 West Forest Avenue

Tenant's Additional Premises

Only carpeted office areas, excluding Storage Room shown,
shall be subject to re-carpeting according to the terms set forth in the
Fourth Amendment To Lease attached hereto.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002 AND RULES 13a-14 AND 15d-14 UNDER THE SECURITIES ACT OF 1934

I, Francis A. Newman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Medical Nutrition USA, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 4, 2010

/s/ FRANCIS A. NEWMAN

Francis A. Newman
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002 AND RULES 13a-14 AND 15d-14 UNDER THE SECURITIES ACT OF 1934

I, Frank J. Kimmerling, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Medical Nutrition USA, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 4, 2010

/s/ FRANK J. KIMMERLING

Frank J. Kimmerling
Chief Financial Officer

Certification of Periodic Financial Reports by the 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

Solely for the purposes of complying with 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned Chief Executive Officer and Chief Financial Officer of Medical Nutrition USA, Inc. (the "Company"), hereby certify, to the best of our knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended April 30, 2010 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 4, 2010

/s/ FRANCIS A. NEWMAN

Francis A. Newman
Chief Executive Officer

Date: June 4, 2010

/s/ FRANK J. KIMMERLING

Frank J. Kimmerling
Chief Financial Officer
